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PREM 19/1467

PART 18

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CONFIDENTIAL FILING

THE BONN ECONOMIC SUMMIT

2-4 MAY 1985

ECONOMIC POLICY /

PART 1 : MAY 1979

PART 18 : SEPTEMBER 198

PREM 19/1467

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
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PART 18 ends:-

MAFF to PM 30/4/85.

PART 19. begins:-

M. Allison to Sec to R. McCrindle MP.

Published Papers

The following published paper(s) enclosed on this file have been removed and destroyed. Copies may be found elsewhere in The National Archives.

Cmnd. 9500 - Report on the Environment by the Technology, Growth and Employment Working Group. Presented to Parliament by the Prime Minister by Command of Her Majesty April 1985. Published by HMSO. ISBN 0 10 195000 4

Signed J. Gray Date 24/1/2014

PREM Records Team

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON SW1A 2HH

From the Minister

CONFIDENTIAL

PRIME MINISTER

1985 CAP PRICE FIXING

In his minute to me of 26 April, the Foreign and Commonwealth Secretary referred to the extreme position which Kiechle, the German Minister, is taking up on cereals in the price fixing negotiations.

I had a meeting last evening with Pandolfi and Andriessen. Pandolfi, who had been to Bonn earlier for a meeting with Kiechle, reported that there was no move in the German position. He spoke of seeking a way forward by maintaining the guaranteed threshold mechanism but with a smaller reduction in the cereals price for 1986 than the 3.6% which the Commission have proposed, justifying this by reference to the exceptional 1984 harvest. But the Germans left Pandolfi with the message that they would agree to no reduction at all in cereal support prices and might invoke the Luxembourg compromise if faced with a line up against them. It was evident that Pandolfi at present sees no way out at the impasse on cereals. I made it very clear that the cereals settlement was of central concern to us. I said that it was essential to maintain pressure on the German Minister and that it would be wholly wrong to give way to their unreasonable demands.

There is no sign at the moment that the Germans will move their ground. But it is important that we leave them in no doubt that the position they are taking up is not tolerable. It is contrary to the decisions reached in the Council on the implementation of guaranteed thresholds generally and to cereals in particular; and it is also potentially very damaging to the Community's trade relations with the US. You are being briefed to speak to Chancellor Kohl on this subject in the margins of the Economic Summit. I understand that Mitterrand will also be advised to raise the issue with Kohl. But, given that the price negotiations are being resumed on Thursday, you may care to write to Chancellor Kohl in advance of the Summit. A suggested draft is attached.

I am copying this minute to the Members of OD(E), the Secretaries of State for Wales, Scotland and Northern Ireland and Sir Robert Armstrong.

M.J.
30 April 1985

CONFIDENTIAL

DRAFT LETTER TO CHANCELLOR KOHL FOR THE PRIME MINISTER'S SIGNATURE

I am much looking forward to seeing you in Bonn later this week. There is one matter, however, about which I feel I should write to you now.

Agriculture Ministers are, as you will know, resuming negotiations later this week on the Commission's proposals for agricultural prices for 1985/86. Progress towards an agreement is being made particularly difficult by the stance which Herr Kiechle is taking over cereals prices. As I understand it, your Government's position is that there can be no reduction at all in the support prices for cereals. The Commission have proposed a reduction which is less than we consider necessary in order to reflect our market and the budgetary requirements. As we see it, your Government's position would involve ignoring the guarantee threshold mechanism for cereals which the Council has already agreed. It would imply substantial additional budgetary costs particularly in future years which is contrary to our mutual concern to see expenditure on agriculture brought under control. We cannot ignore also the importance of the outcome of the cereals negotiations on the attitude of the United States Administration and Congress. It is a concern of all of us to avoid the United States Government, under pressure from its Congress, taking actions which would be disruptive of world markets and which could have serious implications for our Community.

I understand the pressures on your farmers' incomes. But farming incomes here are also under considerable pressure.

We have had to take very hard decisions in the last year on milk because the Agriculture Council failed in the past to face up to its responsibilities in this sector. Failure now to carry through the agreed policy on cereals would be a serious matter which would store up even greater difficulties for us all in the future.

I hope you will understand my writing to you in this way. But the cereals problem in the Community, and its wider implications, is a matter of great concern to us. I would urge you, therefore, to reconsider the stance which your Government is taking on cereals.

E.R.

PRIME MINISTER

Bonn Economic Summit

There is a briefing meeting for this tomorrow afternoon. You have the main papers. I attach to this note the separate papers prepared for your bilaterals which you may also wish to look at.

A revised speaking note on the economic issues will be produced by tomorrow morning. There is time in the diary for you to consider this at 1030. I also attach a note which you requested on the dispute between BP and the Trans-Alaska Pipeline. The advice is that you should not raise this particular matter.

C.D.P.

(C.D. Powell)

30 April 1985

(1)

Prime Minister
Content with the
course of action
proposed?
CDP 30/4.

PM/85/39

PRIME MINISTER

Soviet Air Space Reservations in the Berlin Air Corridors

1. I have been discussing with Michael Heseltine the line the UK should take on this question, which will come up in discussion with the Americans and the French in the margins of the Bonn Economic Summit. We are agreed on the following approach.

2. The problem concerns Soviet encroachments on Allied rights in respect of air access to Berlin. Allied aircraft (civil and military) fly between the Federal Republic and West Berlin in three air corridors which are subject to Four- Power control. In principle, Allied access rights are unrestricted; in practice, by established precedent, Allied aircraft use only the air space below 10,000 feet, and only infrequently fly lower than 2,500 feet. Soviet and GDR aircraft use the space above and below. This has been the pattern for decades. Since 1979 the Russians have, on occasion, reserved blocks of air space in the corridors from ground level to varying heights to accommodate their military air traffic during exercises. The Western Allies have tolerated this, while reserving their rights; the Russians have always offered 'compensating' heights above the de facto 10,000 feet ceiling.

3. The present difficulties began in February 1984 following a near-miss in the corridors involving a Pan American airliner and a Soviet fighter aircraft. The Russians then announced in the Berlin Air Safety Centre that instead of reserving blocks of air space in the

middle section of the Corridors (leaving ample room for Allied aircraft to use their normal flight pattern on landing or take-off at Berlin) their air space reservations would now extend the full length of the corridors, ie from the inner German border to the edge of the Berlin Control Zone (20 miles from the centre of Berlin; see / map attached). The Allies protested strongly against this unilateral change in established practice and have pressed the Russians to acknowledge the principle of co-responsibility and equal rights in the Corridors by

(a) agreeing working arrangements which meet Allied technical needs; and

(b) refraining from making unacceptable declarations that Soviet military requirments take precedence over allied needs.

4. Our aims throughout have been to preserve Allied unity; and to work for a solution by diplomatic means, preserving Allied rights in the corridors while recognising genuine Soviet needs. This has meant a steady process of diplomatic action to back up technical discussion with the Russians in Berlin. It has produced some results. In December the Russians stated that most of their air space reservations would not extend closer than 28½ miles (46 kms) from the centre of Berlin. They have substantially reduced the number of hours of reservations. There has also been some improvement in the amount of notice given (although it is still not always adequate). We need to bear in mind that Soviet reservations over the last year have caused few, if any, real problems for Allied flights, military or civilian. Nevertheless, unacceptable Soviet assertions continue, and Allied technical needs will not be met fully until the Russians agree to stop reserving air space closer than 31 miles (50 kms) from Berlin, plus an additinal

distance in the case of reservations extending higher than normal. Technically we think that the Russians could accept this without unreasonable restrictions on their own aircraft movements.

5. We have agreed with the French and Americans to increase the pressure through an approach by the three Allied Foreign Ministers to Gromyko in Vienna on 14-15 May. The Americans are pressing hard for tripartite agreement to launching (military) demonstration flights through Soviet air space reservations in the corridors as an assertion of Allied rights. In our view, which Roland Dumas has told me he shares, there has not yet been adequate tripartite consideration of the physical risks of such flights or of the impact they would have on the continuing negotiations with the Russians in Berlin. We are naturally in close touch with the State Department on this; but the recent murder of Major Nicholson by a Soviet sentry in the GDR, and rivalries between the Pentagon and the State Department, have combined to make the Americans position less coordinated and considered than we would wish. There have even been suggestions that the Americans might launch demonstration flights unilaterally. Such action, without the agreement of all three Western Allies, would be unprecedented; it would show the Russians that Allied solidarity over Berlin was defective.

6. I hope to avoid the need for any demonstration flights through Soviet reserved airspace. We must certainly avoid them before Allied Foreign Ministers have had a thorough discussion of their implications and possible consequences. But if Allied cohesion is to be maintained and our negotiating position is to be credible, it must be based on a an agreed readiness to

fly demonstration flights as a last resort if/when diplomacy is seen to have failed. It has to be accepted that the Russians will see such flights as an escalation, and their reaction is not easily predictable. If in the end it is agreed between the Allies that demonstration flights should be flown, then we shall work to ensure that adequate political warning is given, that the character of the flights is made clear to the Russians shortly before they take place, and that in general they are closely co-ordinated between the Allies and are conducted as safely as possible.

7. I intend to raise this issue with Shultz in the margins of the Bonn Economic Summit. (I hope that it will not be necessary for you to do so with President Reagan). We have proposed that senior officials from the UK, France and the US should meet beforehand in the margins of the Bonn Summit to re-establish an agreed Allied position on future negotiations with the Russians.

8. The sequence of events which I envisage would be:

(a) prior demarches by the three Allied Ambassadors in Moscow to put Gromyko on notice that the issue will be raised in Vienna

(b) action at the technical level with the Russians in the Berlin Air Safety Centre

(c) an approach to Gromyko on 15 May in Vienna

(d) a review of the results of action at technical and diplomatic levels, probably at the Berlin Ministerial meeting in Lisbon on 5 June

9. I will keep you informed of developments over this difficult problem, and consult you again before any major decision is taken eg over approval in principle of demonstration flights.

10. I am copying this minute to the Secretaries of State for Defence and Transport, to the other members of OD, to Sir Robert Armstrong and to the Chairman of the JIC.

GEOFFREY HOWE

Foreign and Commonwealth Office
30 April, 1985

BERLIN
AND ITS COMMUNICATIONS WITH THE WEST
Federal Republic of Germany — German Democratic Republic boundary
Autobahns
Roads
Railways
Canals
Air corridors and Berlin Control Zone
Lübeck
Hamburg
Schwerin
Bremen
FEDERAL
REPUBLIC
OF
GERMANY
GERMAN
DEMOCRATIC
REPUBLIC
CZECHOSLOVAKIA
WESTERN SECTORS
BERLIN
SOVIET SECTOR
To Hamburg
To Hanover
Wolfsburg
Hanover
Helmstedt
Magdeburg
Herzberg
Halle
Leipzig
Dresden
Herleshausen
Eisenach
Weimar
Erfurt
Probstzella
Hof
Frankfurt-am-Main
MILES
KILOMETRES

Note. There seem to have arisen from a confusion over the word "ships" which refers to pipelines not ships. AT 7/5

CC MH

19/304/18588

(2)

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET
Telephone (Direct dialling) 01-215 5144
GTN 215)
(Switchboard) 215 7877

From the Minister for Trade

Prime Minister
You are recommended not to raise this at the Summit.
CDP 1/5

C D Powell Esq
10 Downing Street
LONDON
SW1

30 April 1985

Dear Charles

ECONOMIC SUMMIT

As requested in your minute of 29/4 to Hatfield in the Cabinet Office, I am enclosing a short note on the settlement announced on 24 April of the dispute between the owners of the Trans-Alaska Pipeline, including BP; and the State of Alaska, about the charges levied for the transmission of oil along the Pipeline.

Neither we nor the Department of Energy would recommend the Prime Minister to raise this point at the Summit, for the following reasons:

(a) BP have said publicly that they can live with the settlement;

(b) The settlement involves no discrimination between domestically-owned and foreign-owned companies among the joint owners of the Pipeline;

(c) The dispute arises from the concern of the State of Alaska that it is not deriving enough tax from the Pipeline. It is not an example of a more general tendency in the USA towards greater protectionism or discrimination against foreigners;

(d) There has recently been criticism from Bechtel about the condition, introduced into the latest round of North Sea licences, that new technology developed for the North Sea must be rooted in the UK. The Government has strongly rebutted this criticism. But it might be repeated to the Prime Minister if she raised the Alaska dispute.

I am copying this letter to recipients of yours and to the Private Secretary to the Secretary of State for Energy.

Yours

Matthew

MATTHEW COCKS
Private Secretary to the
Minister for Trade (Paul Channon)

Background Note

TRANS ALASKA PIPELINE

The Trans-Alaskan Oil Pipeline, in which BP and Sohio together have a 50 per cent interest, opened in 1977. The State of Alaska immediatedly filed a suit that the tariffs charged for shipping oil from the Prudhoe Bay oil field through the Pipeline were too high, and were unduly depressing the well-head price of the oil on which State taxes are levied. (The well-head price is determined on the basis of realised market price in the "lower 48" States after deducting shipping costs).

2 The settlement BP Pipelines Inc reached with the State of Alaska announced on 24 April (and reported in yesterday's FT) includes a repayment to the oil producers in respect of past Pipeline shipments. Arco, another oil producer which owns a share (21.4 per cent) of the Pipeline, reached a similar settlement in February. The effect is to produce a higher well-head price, and an increased tax liability for the oil producers who will be required to pass on part of the rebate they thus receive to the State of Alaska as underpaid tax arising from the higher well-head price.

3 There is no discriminatory trade practice in favour of US companies involved in the Alaskan Oil Pipeline tariff or State tax arrangements.

OT2/1

30 April 1985

Wall Street Journal
Monday April 29 1985.

BP North America, Alaska Settle Pipeline Rate Dispute

By a WALL STREET JOURNAL *Staff Reporter*

WASHINGTON – BP North America Inc. said it agreed to a settlement of a trans-Alaska pipeline rate dispute that will require it to pay rebates to shippers and lower rates for future shipments on the pipeline.

A spokesman for the British Petroleum Co. subsidiary, which owns 16.5% of the pipeline, said the settlement with the state of Alaska calls for it to pay $110 million in rebates to shippers. He didn't say whether these include units of BP.

The settlement must be approved by the Federal Energy Regulatory Commission, but hasn't yet been formally filed. If the U.S. commission approves the settlements, it is expected to order the rate reductions applied to the pipeline as a whole.

The U.S. Justice Department has said it will try to impose the same terms on the pipeline's other owners: Exxon Corp., Standard Oil Co. (Ohio), Amerada Hess Corp., Mobil Corp., Phillips Petroleum Co. and Unocal Corp.

The settlements call for small retroactive rate reductions and larger cuts in the future. In recent years the rate has been near $6 a barrel. Justice Department attorneys say that under the settlement terms, the rate could fall below $2 a barrel during the 1990s.

If approved, the settlement would net Alaska about $206 million in retroactively adjusted royalties and taxes, according to Robert Maynard, an assistant state attorney general.

10 DOWNING STREET

CPD – for info.

A Colonel Jenkins (Regional Marketing, Defence Sales, MoD) rang to say how much impact he attached to the PM raising Tornado in the margins of the Summit. He accepted it was, however, already covered in the FCO brief.

MEA 30/4

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FRAME AGRICULTURE
DESKBY 301630Z
FM UKREP BRUSSELS 301545Z APR 85
TO IMMEDIATE FCO
TELEGRAM NUMBER 1562 OF 30 APRIL 1985
INFO SAVING BRUSSELS, COPENHAGEN, THE HAGUE, ROME, DUBLIN, PARIS, BONN, LUXEMBOURG, ATHENS, LISBON, MADRID, WASHINGTON.

CAP PRICE FIXING: RUN UP TO AGRICULTURE COUNCIL STARTING ON 2 MAY

SUMMARY

1. FOLLOWING AN INTERVENTION BY DELORS, THE COMMISSION IS REPORTED TO HAVE AGREED THAT NO EXTRA FUNDS WILL BE AVAILABLE FOR A CAP PRICES SETTLEMENT AND THAT THE PRINCIPLE OF GUARANTEED THRESHOLDS MUST BE RESPECTED.

DETAIL

2. WE UNDERSTAND THAT IN TODAY'S COMMISSION MEETING ANDRIESSEN LAID INCREASED EMPHASIS ON GERMANY AS THE OBSTACLE TO A SETTLEMENT AT THIS WEEK'S COUNCIL. HE FELT THAT FRANCE AND ITALY WOULD SEEK TO AVOID ISOLATING GERMANY AND THAT A VOTE, THOUGH POSSIBLE, WAS NOT PROBABLE. IF GROUND WERE GIVEN TO GERMANY ON CEREALS, CONCESSIONS WOULD SIMILARLY NEED TO BE MADE ON SOUTHERN PRODUCTS.

3. DELORS APPEARS TO HAVE CHECKED ANDRIESSEN BY TAKING A TOUGH LINE, INSISTING ON A TIGHT PRICE SETTLEMENT. IT WAS CONCLUDED THAT ANY SETTLEMENT SHOULD BE ACCOMMODATED WITHIN EXISTING BUDGETARY PROVISION AND SHOULD MAINTAIN THE GUARANTEE THRESHOLD PRINCIPLE. IF THE COUNCIL MOVED TOWARDS A COMPROMISE INCONSISTENT WITH THIS STAND, THE COMMISSION WOULD NEED TO CONSIDER ITS POSITION - IF NECESSARY HOLDING A FULL MEETING DURING THE COUNCIL.

4. ANDRIESSEN WILL MEET THE PRESIDENCY IN LUXEMBOURG ON THE MORNING OF 2 MAY TO DISCUSS THE HANDLING OF THE COUNCIL. POOLEY (DG VI) TELLS US (PLEASE PROTECT) THAT THERE IS NOW NOT LIKELY TO BE A PRESIDENCY PAPER AND THAT THE COUNCIL WILL PROBABLY START WITH AN ORAL PRESENTATION OF THE PRESIDENCY'S IDEAS.

FCO ADVANCE TO:-
FCO - CLEMENTS
CAB - HARDING
MAFF - ATTRIDGE, PACKER, D ROBERTS, HADLEY
TSY - BUTT

FCO PASS SAVING COPENHAGEN, THE HAGUE, ROME, DUBLIN, PARIS, BONN, LUXEMBOURG, ATHENS, LISBON, MADRID, WASHINGTON

(ADVANCED AS REQUESTED)
(REPEATED AS REQUESTED)

BUTLER

FRAME AGRICULTURE
ECD(I)

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UNCLASSIFIED
SAVING TELEGRAM

FROMM BONN
FRAME ECONOMIC
TO FCO TELNO 8 SAVING OF 30 APRIL 1985. Info all EC Posts, UKDel OECD, UKMis Geneva, all Consulates-General in the Federal Republic, Washington, Tokyo, Vienna.

FEDERAL GERMAN ECONOMY

Summary

1. Flash estimates of first quarter outturn show a drop of 0.5% to 1% real GNP on Q4.1984. This was principally the result of the exceptionally hard winter. The underlying trend remains upwards: a view supported by the Spring Report of the five leading economic institutes who forecast export and investment led growth of 2.5% (real) this year, inflation running at 2.5%; little change is expected in the number of unemployed.

2. During the month Chancellor Kohl gave a report on the government's social and economic record, concentrating on the need to continue the fight against unemployment with the emphasis on using market forces to create jobs. Labour Minister Blüm lent substance to this approach by introducing a number of supply side measures designed to make the labour market more responsive.

3. In another development, the Bundesbank announced its intention of further liberalising the capital market by allowing foreign banks to lead-manage foreign DMark bond issues.

Detail

4. Flash estimates for Q1 growth confirmed earlier forecasts that the worst winter weather for 20 years would produce a fall in GNP of around 0.5% to 1% on Q4 1984. Apart from poor weather and other special factors eg. a sharp decline in construction and a fall in domestic demand for cars, the underlying growth trend remains upwards. New orders maintain their high level with the total volume of new orders now standing at 20% above the low reached in mid-1982. Most commentators believe that exports as well as investment in equipment will continue to show a better

/than

than average performance; the demand for investment in equipment will continue to improve because of better profits and the need for modernisation and replacement procurements.

5. This view is shared by the five leading economic institutes who, in their Spring Report published on 29 April, forecast 2.5% real GNP growth, fuelled by exports and investment (capital goods investment up 7% - construction down 3%), with inflation, cost of living index, rising by about 2.5%. However, while the number of employed is expected to increase by around 50,000, the number of unemployed is forecast to reach 2.28 million or 9.4%. Nevertheless the forecast, in underlining the importance of exports, highlights the slackness in domestic demand with private consumption growing by only 1% (real). The five institutes, in order to stimulate domestic demand, renew their policy recommendation to the government that the proposed two stage tax reform yet to be introduced in 1986 and 1988, should be brought in in one stage in 1986.

6. On 25 April Chancellor Kohl spoke about the coalition's economic performance. He highlighted the Government's success with inflation, public borrowing and growth but stressed the outstanding problem of mass unemployment. Kohl said that the Government, by spending more than DM 11 billion on short-time help for the unemployed, saw the introduction of more flexible methods as a longer term solution. To this end, Norbert Blüm announced that on 1 May a new employment bill would be introduced to encourage businesses to take on new workers under contracts of up to 18 months. In addition the new legislation will establish better conditions for part-time workers and job-sharing. To protect workers' rights the measure will be "transitional" during the current period of unemployment and will expire at the end of 1989. It will also apply only once for any individual ie an employer who wants to give a worker a limited contract for a second time would need to make out an exceptional case.

7. The Bundesbank announced its intention that from 1 May its capital markets will be further liberalised. Under the new arrangements foreign banks will be able to lead manage foreign DMark bonds. The move is seen as designed on the one hand to make Frankfurt more competitive compared with other

PZ.48

CABINET OFFICE
A 3529
1 MAY 1985
FILING INSTRUCTION
FILE No .....

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

30 April 1985

D Williamson Esq ?
10 Downing Street
LONDON SW1

Dear David,

ECONOMIC SUMMIT

... We spoke about Charles Powell's letter to Richard Hatfield of 29 April and I agreed to send briefs on items (i) and (ii) via you. I attach suitable briefs.

... On Cleveland Bridge losing the contract for the Second Bosphorus Bridge to Japanese competition, I attach a background note which has been agreed at official level with DTI. I should explain why it does not include a speaking note as such. You will see that the Cleveland Bridge-led consortium was, irrespective of aid, unable to compete with the Japanese on price for the whole project including the approach road and motorway. The Japanese did have the further advantage that the Japanese Government offered a substantially greater aid and credit cover for the project than we did. Our support was necessarily confined to the UK element of the Bridge which represented a relatively small proportion of the overall project. That said, there is no evidence that the Japanese used methods to win the contract which should be challenged under the international rules. The Chancellor therefore feels that if the Prime Minister wishes to mention the matter to Mr Nakasone she should only do so in the context of the need to restrict the use of soft financing for major capital projects abroad.

I am copying this to Richard Hatfield (Cabinet Office), John Mogg (DTI), and Len Appleyard (FCO).

Yours ever
Rachel Lomax

RACHEL LOMAX
Principal Private Secretary

PRESIDENT MITTERRAND'S CURRENCY IDEAS

French Thinking

President Mitterrand is reported (Wall Street Journal, 29 April) to have said "If we could build something on a "tripod" - the dollar, the yen and the ecu - it's possible to determine somewhat more fixed relationships between them". He insisted that he was open-minded about exactly how to overhaul the monetary system.

2. In Group of Ten discussions at official level, the French have espoused the idea of "target zones" for exchange rates, with the major currencies very much in mind. They aim ultimately at fixed relationships, binding on all parties subject only to agreed occasional adjustments. They want as soon as possible to move towards this through stages of notional ranges, indicative ranges, any possible intermediate and gradually more and more binding stages.

3. The French have very little support in the G.10 - Belgium and perhaps Italy. United States, Germany, Japan, Netherlands, Canada and UK opposed, although most countries except the United States are prepared to accept that there is at least some indicative value in some currency movements, and that they could be a signal on occasion for the need to re-examine domestic policies.

4. When challenged in detail, French officials flounder: in particular, they have not even the beginnings of an answer to the question: What target zones would you choose at present?

Line to Take

5. The following points could be made:

- agree that greater stability of exchange rates between major currencies would be welcome - for industrialists, traders, investors as well as governments;

- but very sceptical about any future return to a fixed or nearly-fixed system: flexible movement of exchange rates often has a relevant and valuable contribution to make towards necessary adjustments between countries;

- in any case certain that the time is not ripe now: how would one possibly define the right rates at present?

- the root problem is the achievement of individual domestic policies in major countries which are both sound and compatible: this is what we must work on - as we are trying to do;

- understand that G.10 are likely to explore French ideas as well as the more promising approach of trying to get underlying policies right: best to await their report.

And on a related point:

- agree with President Mitterrand that a greater international reserve role for the yen and the ecu (and its main constituent currencies) would be welcome: one reason for pressing Japan to open up its capital market, and for welcoming growing private use of the ecu (to which London market has made a big contribution).

SECOND BOSPHORUS BRIDGE: ATP: CLEVELAND BRIDGE

BACKGROUND NOTE

The Project

Cleveland Bridge Ltd led an international consortium in a bid for this project which involves a contract for the building of the second Bosphorus Bridge, and immediate approach roads packaged together with three other contracts for some 160 kilometres of related motorway. The main competition was from a Japanese led consortium including the Italians. Cleveland Bridge's particular interest was in the bridge itself. The company applied for ATP support and ECGD cover for the minimum necessary UK content for the bridge only. They recognised that it would be impossible to secure agreement to any further ECGD cover sufficient to have allowed greater UK involvement in either the bridge or the roads.

The Bids

2. Ministers decided at EX that the ECGD cover limit for Turkey should be increased which allowed Cleveland Bridge to bid with an offer of £10 million ATP support and export credit cover of £40 million for the UK content of the bridge. But the Cleveland consortium (including US, West German and Turkish firms) had to put in a bid for the whole project. They did this with commercial finance which included $300 million officially supported US credit for the 90% plus balance of the project.

3. The Japanese competitor's bid for the bridge itself was slightly higher ($114 million against Cleveland's $111 million), but their offer which involved $206 million yen loan at 5% over twenty five years represented a mixed credit subsidy of some 37%. It was therefore agreed to increase ATP for Cleveland's bid to almost £15 million. This matches the subsidy level of the Japanese offer but not of course the overall amount which remained some four times greater.

4. It has to be emphasised that the Japanese led consortium's bid for the whole project, including the road ($550 million) was, irrespective of aid, some 20% cheaper than the Cleveland consortium at $675 million. This pricing together with the inability of Cleveland Bridge to secure US or German government aid support put the Japanese in an unassailable position.

5. In the context of the Japanese offer the Italian official suport was largely marginal but added to the attractiveness of the Japanese/Italian bid.

Japanese Methods

6. The Japanese might very well have won the project on price even without an injection of aid. The OECF aid money that was put in was offered on their usual supposedly 'untied' basis. The Japanese often claim their aid is untied because contractors from LDCs as well as Japanese companies are eligible to compete for it. In practice this results in effectively tying the aid to Japanese companies. However we cannot really complain about more than the pretence of Japanese "untied aid" practices. Their offer is not counter to international rules and indeed our own aid offer was also tied.

7. It is also understood that in making their aid offer the Japanese government made it conditional upon the Japanese consortium winning the whole project thus ensuring that they beat Cleveland on the bridge. But there is no absolute evidence of this, and in any case it is difficult to argue that it is illegitimate as a commercial tactic.

W0344

THE PRIME MINISTER

30 April 1985

EUREKA

You will be aware of the French proposal for a new European programme of coordinated research, with the acronym Eureka. I should like to offer a view on the subject, as this may come up in the margins of the Bonn Economic Summit.

The French proposal is based on the familiar (and correct) argument that Europe is falling behind the USA and Japan in high technology areas which will form the basis of economic prosperity in the future. Without further analysis, they assert that the way to combat this is to pool European R and D resources in certain key technologies. To this end, the proposal embraces a new European agency which would coordinate the activities of governments, industry and research establishments in Europe in areas such as large computers, advanced lasers and microelectronics.

My view is that the proposal is ill-thought out, in that whilst it identifies the right problem, the diagnosis is wrong. I believe that the root cause of Europe's failure to capitalise on its technological potential is its failure to exploit its research and the lack of a true common market for high technology goods and services. There are all too many examples of European countries (France is the worst culprit, but there are others) putting up artificial barriers to the high technology products of other European countries until they can develop their own capacity to manufacture similar or even inferior products.

But, inadvertently, the French in making this proposal have left themselves open to counter attack, and we have an opportunity to turn the argument round. So, instead of simply rejecting the proposal, I believe we should agree that there is a problem but it is one of exploitation rather than coordination of research.

If we succeed in re-locating the discussion on these grounds, then we can effectively exploit the French initiative. An important step would be to conduct the next exploratory stage at a trilateral, rather than bilateral level. It is probable that we could harness German support, but not so long as the French remain as intermediaries.

I should just add that, there is some uncertainty, including amongst the French, about how Eureka relates to SDI. It is clear that US proposals for SDI sparked French fears about the civil spin-off within the US which might give the US an unassailable lead in certain technologies, but I do not think it is necessary to discuss the development of Eureka in an SDI context.

I am copying this minute to Sir Robert Armstrong.

RBN.

ROBIN NICHOLSON
Chief Scientific Adviser

CCK
MH
FEB

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON SW1A 2HH

From the Minister

CONFIDENTIAL

PRIME MINISTER

1985 CAP PRICE FIXING

In his minute to me of 26 April, the Foreign and Commonwealth Secretary referred to the extreme position which Kiechle, the German Minister, is taking up on cereals in the price fixing negotiations.

I had a meeting last evening with Pandolfi and Andriessen. Pandolfi, who had been to Bonn earlier for a meeting with Kiechle, reported that there was no move in the German position. He spoke of seeking a way forward by maintaining the guaranteed threshold mechanism but with a smaller reduction in the cereals price for 1986 than the 3.6% which the Commission have proposed, justifying this by reference to the exceptional 1984 harvest. But the Germans left Pandolfi with the message that they would agree to no reduction at all in cereal support prices and might invoke the Luxembourg compromise if faced with a line up against them. It was evident that Pandolfi at present sees no way out at the impasse on cereals. I made it very clear that the cereals settlement was of central concern to us. I said that it was essential to maintain pressure on the German Minister and that it would be wholly wrong to give way to their unreasonable demands.

There is no sign at the moment that the Germans will move their ground. But it is important that we leave them in no doubt that the position they are taking up is not tolerable. It is contrary to the decisions reached in the Council on the implementation of guaranteed thresholds generally and to cereals in particular; and it is also potentially very damaging to the Community's trade relations with the US. You are being briefed to speak to Chancellor Kohl on this subject in the margins of the Economic Summit. I understand that Mitterrand will also be advised to raise the issue with Kohl. But, given that the price negotiations are being resumed on Thursday, you may care to write to Chancellor Kohl in advance of the Summit. A suggested draft is attached.

I am copying this minute to the Members of OD(E), the Secretaries of State for Wales, Scotland and Northern Ireland and Sir Robert Armstrong.

M.J.
30 April 1985

CONFIDENTIAL

DRAFT LETTER TO CHANCELLOR KOHL FOR THE PRIME MINISTER'S SIGNATURE

I am much looking forward to seeing you in Bonn later this week. There is one matter, however, about which I feel I should write to you now.

Agriculture Ministers are, as you will know, resuming negotiations later this week on the Commission's proposals for agricultural prices for 1985/86. Progress towards an agreement is being made particularly difficult by the stance which Herr Kiechle is taking over cereals prices. As I understand it, your Government's position is that there can be no reduction at all in the support prices for cereals. The Commission have proposed a reduction which is less than we consider necessary in order to reflect our market and the budgetary requirements. As we see it, your Government's position would involve ignoring the guarantee threshold mechanism for cereals which the Council has already agreed. It would imply substantial additional budgetary costs particularly in future years which is contrary to our mutual concern to see expenditure on agriculture brought under control. We cannot ignore also the importance of the outcome of the cereals negotiations on the attitude of the United States Administration and Congress. It is a concern of all of us to avoid the United States Government, under pressure from its Congress, taking actions which would be disruptive of world markets and which could have serious implications for our Community.

I understand the pressures on your farmers' incomes. But farming incomes here are also under considerable pressure.

We have had to take very hard decisions in the last year on milk because the Agriculture Council failed in the past to face up to its responsibilities in this sector. Failure now to carry through the agreed policy on cereals would be a serious matter which would store up even greater difficulties for us all in the future.

I hope you will understand my writing to you in this way. But the cereals problem in the Community, and its wider implications, is a matter of great concern to us. I would urge you, therefore, to reconsider the stance which your Government is taking on cereals.

010

2 PSS

cc MH
FERB

Ministry of Agriculture, Fisheries and Food
Whitehall Place London SW1A 2HH

From the Minister's
Private Office

Charles Powell Esq
10 Downing Street
London SW1

30 April 1985

Dear Charles

1985 CAP PRICE FIXING: GERMAN ATTITUDE

I understand that you may not yet have attached received the brief for a possible meeting between Herr Kohl and the Prime Ministers referred to in my Minister's minute today. You may ... find it helpful to have the enclosed copy.

Yours ever

Ivor

C I LLEWELYN
Private Secretary

NOTE FOR MEETING WITH MR KOHL

1985 CAP PRICE FIXING

Line to Take

1. Very much hope that German attitude at this year's price fixing particularly on cereals will be moderated so as to allow scope for a compromise to be found.

2. All member states have to compromise at the price fixing so that an overall solution can be found. Not acceptable for any member state simply to refuse to do so.

3. The cost of the CAP is of great concern both to Germany and to the UK. The cost will never be contained if member states shy away from difficult decisions to reduce prices in line with market realities.

Background

4. The German Minister, Kiechle, has adopted an extreme stance in this year's price fixing discussions. In particular he has refused to accept any reduction in the common cereals price even though a 5% reduction from what would otherwise have been agreed is required under the terms of the agreed guarantee threshold. Given the Community's large surplus of cereals it is essential to reduce support prices so as to contain costs and give a clear signal to producers.

5. Kiechle has apparently so far been acting with the full support of the German cabinet. On occasion he has hinted that he might be prepared to invoke the Luxembourg compromise to prevent a reduction in cereals prices, though whether he would actually do so and/or be backed up by his Government if he did remains to be seen.

6. The Agriculture Council meets on 2 May and the President has stated that the meeting will continue until a price settlement is found.

10 DOWNING STREET

From the Private Secretary

SIR ROBERT ARMSTRONG

BONN ECONOMIC SUMMIT: DRAFT POLITICAL DECLARATION

I enclose a copy of a message to the Prime Minister from Chancellor Kohl, covering the revised version of the Political Declaration. As you will see, he proposes that it should be discussed at the meeting on the morning of 3 May and issued immediately afterwards.

I am sending a copy of this minute and its enclosure to Mr Appleyard (Foreign and Commonwealth Office).

(C D Powell)

29 April 1985

DER BOTSCHAFTER
DER BUNDESREPUBLIK DEUTSCHLAND

Baron Rüdiger von Wechmar

London, 27 April 1985

Dear Prime Minister,

I have the honour to transmit to you the enclosed message from Herr Helmut Kohl, Chancellor of the Federal Republic of Germany.

A courtesy translation is attached.

I am, Dear Prime Minister, yours sincerely

RÖMERTURM-KLANGHART

Draft Political Declaration on the 40th Anniversary of the End of the Second World War

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The Heads of State or Government of Canada, the French Republic, the Federal Republic of Germany, the Republic of Italy, Japan, the United Kingdom and the United States, with the President of the Commission of the European Community, meeting together in Bonn on the eve of the Fortieth Anniversary of the end of the Second World War, remember in grief all those who lost their lives in that time, whether by acts of war or as victims of inhumanity, repression and tyranny. We acknowledge the duty we owe to their memories, and to all those who follow after them, to uphold peace, freedom and justice in our countries and in the world.

We have learned the lessons of history, The end of the war marked a new beginning. As the sounds of battle ceased, we tackled the tasks of moral and physical reconstruction and spiritual renewal. Transcending the hostilities which had once divided us we initiated on the basis of common values a process of reconciliation and cooperation amongst us. Today, linked in a peaceful, secure and lasting friendship, we share in all our countries a commitment to freedom, democratic principles and human rights. We are proud that the governments of our countries owe their legitimacy to the will of our peoples, expressed in free elections. We are proud that our people are free to say and write what they will, to practise the religion they profess, and to travel where they will. We are committed to assuring the

...

maintenance of societies in which individual initiative and enterprise may flourish and the ideals of social justice, obligations and rights may be pursued.

We recognise that we can secure those aims, and meet both the opportunities and the challenges presented by technological and industrial change, more effectively in partnership than on our own. In Europe, the community, the embodiment of reconciliation and common purpose, is growing in membership, strength and prosperity. The nations of the dynamic pacific region are drawing ever closer together. The partnership of North America, Europe and Japan is a guarantee of peace and stability in the world.

Other nations that shared with ours in the agonies of the Second World War are divided from us by fundamental differences of political systems. We deplore the division of Europe. In our commitment to the ideals of peace, freedom and democracy we seek by peaceful means to lower the barriers that have arisen within Europe. We believe that the CSCE process with its promise of enhancing human rights provides an opportunity to increase confidence, cooperation and security in Europe. We look forward to a state of peace in Europe in which the German people will regain its unity through free self-determination. In Asia we earnestly hope that a political environment will be created which permits to overcome the division of the korean peninsula in freedom.

As recognized in the Charter of the United Nations all countries have a joint responsibility to maintain international peace and security and to this end refrain from

...

the threat and the use of force. We for our part share a determination to preserve the peace while protecting our democratic freedoms. To that end, each of us will work to maintain and strengthen a stable military balance at the lowest possible levels of forces, neither seeking superiority for ourselves nor neglecting our defenses. We are prepared to pursue a high level dialogue to deal with the profound differences dividing east and west. We strongly support endeavours to strengthen the peace and enhance deterrence through the negotiation of meaningful reductions in existing levels of nuclear arms. Limitations on conventional arms, the banning of chemical weapons and lessening the risks of conflict. We welcome the opening of negotiations in Geneva and urge the Soviet Union to act positively and constructively in order to achieve significant agreements there.

We shall continue to seek to work with the developing countries, so as to help them to fight hunger and disease, to build free and prosperous societies, and to take their part in the community of nations committed to peace and freedom. We respect genuine non-alignment as an important contribution to international security and peace.

So, as we look back to the terrible suffering of the Second World War and the common experience of 40 years of peace and freedom, we dedicate ourselves and our countries anew to the creation of a world in which all peoples enjoy the blessings of peace, of justice, and of freedom from oppression, want and fear, a world in which individuals are able to fulfil their responsibilities for themselves, to their families and to their communities. A world in which all nations, large and small, combine to work together for a better future for all mankind.

CC OBS
MASTER

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T76A/85

Telegram
from
Herr Helmut Kohl
Federal Chancellor of the Federal Republic of Germany

to

Her Excellency Margaret Thatcher
Prime Minister of the United Kingdom of Great Britain
and Northern Ireland

Dear Prime Minister, dear Margaret,

I deem it a great privilege and pleasure to be able to welcome you to Bonn next week for this year's economic summit of major democratic industrialized countries.

The result of the meetings of the OECD Council of Ministers, the Interim Committee and the Development Committee of the IMF and the World Bank as well as the outcome of the preparations by our personal representatives give me cause to believe that our discussions will be fruitful. The thematic paper sent to you affords, I feel, a good basis for our discussions. I am convinced that our personal and confidential exchange of views will help us to arrive at common assessments of existing economic problems and ways and means of solving them.

Since the summit will take place shortly before the 40th Anniversary of the end of World War II in Europe, I would greatly appreciate it if, in addition to the envisaged economic declaration, we could adopt a joint political declaration which recalls the terrible suffering of the war and underscores our common position on the safeguarding of peace, freedom and justice in our countries

...

and throughout the world. I am transmitting to you a draft declaration that has been prepared on the basis of careful bilateral and multilateral consultations. I would consider it of great advantage if we could reach agreement on the declaration at our separate working meeting on the morning of 3 May. The declaration could then be released immediately after the meeting. Other political questions which may arise could be discussed primarily at the joint luncheon and dinner.

Yours sincerely,
Helmut Kohl

T e l e g r a m m

von

Herrn Helmut Kohl

Bundeskanzler der Bundesrepublik Deutschland

an

Ihre Exzellenz

Frau Margaret Thatcher

Premierminister des Vereinigten Königreichs

Grossbritannien und Nordirland

Sehr geehrte Frau Premierminister, liebe Margaret,

Es ist für mich eine große Ehre und Freude, Sie in der nächsten Woche hier in Bonn zum diesjährigen Wirtschaftsgipfel der großen demokratischen Industrieländer begrüßen zu können.

Die Berichte über die Ergebnisse des Ministerrates der OECD, des Interimausschusses und des Entwicklungsausschusses von IMF und Weltbank sowie über die inzwischen abgeschlossenen Vorbereitungsarbeiten unserer persönlichen Beauftragten ermutigen mich zu der Erwartung, daß wir bei unseren Beratungen positive Ergebnisse erzielen werden. Die Ihnen inzwischen vorliegende thematische Ausarbeitung stellt meines Erachtens eine gute Beratungsgrundlage dar. Ich bin davon überzeugt, daß unser persönlicher und vertrauensvoller Meinungsaustausch dazu beitragen wird, zu gemeinsamen Bewertungen der wirtschaftlichen Probleme und ihrer Lösungsmöglichkeiten zu kommen.

In Anbetracht der zeitlichen Nähe zum 40. Jahrestag des Kriegsendes in Europa würde ich es sehr begrüßen, wenn wir neben der vorgesehenen wirtschaftlichen Schlußerklärung

...

auch eine gemeinsame politische Erklärung beschließen könnten, die an die schrecklichen Leiden des 2. Weltkrieges erinnert und die zugleich unsere gemeinsamen Auffassungen für die Sicherung des Friedens, der Freiheit und der Gerechtigkeit in unseren Ländern und in der Welt herausstellt. Ich übermittle Ihnen dafür einen Entwurf, der nach sorgfältiger bilateraler und multilateraler Konsultation erstellt wurde. In meiner Sicht wäre es von großem Vorteil, wenn wir über diese Erklärung in unserer separaten Arbeitssitzung am Vormittag des 3. Mai Einigung erzielen könnten. Diese Erklärung könnte dann unmittelbar im Anschluß an diese Sitzung veröffentlicht werden.

Über eventuelle weitere politische Fragen könnten wir uns dann insbesondere anläßlich der gemeinsamen Essen unterhalten.

Mit freundlichen Grüssen
Helmut Kohl

CONFIDENTIAL

(2)

Prime Minister
RTA went a bit further than he should have on the need for a European response on SDI research

CDP 29/4.

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. A085/1207

29 April 1985

Dear Sherard,

The French Ambassador called, at his initiative, on Sir Robert Armstrong on Friday 26 April to discuss the forthcoming Economic Summit. The ostensible purpose of Monsieur Viot's visit was to discover British attitudes and views of the prospects in advance of the Summit and much of the conversation was therefore taken up with a general account of Sir Robert's impressions, following the last meeting of the Personal Representatives, which I do not need to record.

On the Summit, the main points made by Monsieur Viot were as follows:

(a) The French expected United States pressure for a specific date for the start of a new GATT trade round.

(b) Chancellor Köhl was likely to wish for slightly stronger commitments on the environment because of the pressure from the Greens in Germany (Sir Robert commented that, although he understood the domestic pressures on Chancellor Köhl, the final meeting of Personal Representatives had, in fact, agreed a text, ad referendum, on environmental matters).

(c) The French were strongly against any additional political declarations eg on Afghanistan or Kampuchea.

(d) In the course of an exchange on exchange rate problems, Monsieur Viot commented that he hoped that the communiqué would include some form of reference to the need for the Japanese to import more.

/Finally,

Sherard Cowper-Coles Esq

CONFIDENTIAL

Finally, Monsieur Viot turned to President Reagan's Strategic Defence Initiative (SDI) (and this seemed to be the main point of his visit). Monsieur Viot said that he hoped that the French proposal to strengthen co-operation on technological matters between the European countries would be discussed in the margins of the Summit. They regarded this initiative as very important as they were becoming increasingly concerned about the technological gap between the United States and Europe and were afraid that the SDI would widen this gap and would also tempt many European scientists to the United States.

Although the French had proposed a European agency to promote technological co-operation, they understood that some European countries might not favour a new institution of this sort and were very open-minded on the framework which a European initiative might take and on which countries would be involved: it might be confined to "the Ten", or open to any of the Community who wished to take part or might even include one or two countries from outside the Community (perhaps Sweden or Switzerland). It was very important that the European countries should study this initiative closely before responding to the letter from Mr Weinberger.

Sir Robert Armstrong commented that, although we would probably have reservations about the creation of a new agency, the Government was very sympathetic to greater European co-operation in technological matters, especially in the defence area. He referred to the discussions that had been taking place between Mr Heseltine and Monsieur Hernu and also to the progress that had been made on the Channel fixed link. The Prime Minister was very pleased with the progress that had been made on the latter and was likely to mention it to President Mitterrand at the Summit.

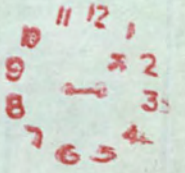
Finally the French asked whether there was likely to be pressure from the United States to make a declaration in support of the SDI during the Economic Summit. Sir Robert said that this had been discussed briefly at the last meeting of the Personal Representatives and he doubted whether there would now be pressure for a public declaration at the Summit, although this could not be guaranteed. Monsieur Viot said that the French would very much prefer to discuss the subject separately amongst the Europeans before replying to Weinberger and asked when the British Government planned to reply. Sir Robert noted that Mr Weinberger had withdrawn his original deadline and he hoped that this would make it possible for the Europeans to make a co-ordinated response.

I am sending copies of this letter to Charles Powell at No 10 and Richard Mottram in the Ministry of Defence.

Yours

(R P Hatfield)
Private Secretary

29 APR 1985



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FM SANTIAGO, 292000Z APR 85
TO ROUTINE FCO
TELEGRAM NUMBER 098 OF 29 APRIL 1985
AND TO ROUTINE DTI , BANK OF ENGLAND, ECGD AND UKDEL IMF/IBRD
SAVING TO WASHINGTON, PARIS, BONN, ROME, OTTAWA AND TOKYO

BONN SUMMIT

1. THE CHILEAN FOREIGN MINISTER CALLED IN AMBASSADORS OF THE BONN SUMIT COUNTRIES ON 26 APRIL IN ORDER TO HAND OVER A COPY OF THE LETTER SENT TO OUR HEADS OF STATE GOVERNMENT BY THE PRESIDENT OF URUGUAY ON BEHALF OF THE MEMBER COUNTRIES OF THE CARTAGENA GROUP. I UNDERSTAND THIS WILL ALSO BE HANDED OVER IN LONDON BY THE URUGUAYAN AMBASSADOR.

2. IN HIS ORAL REMARKS FOREIGN MINISTER DEL VALLE MADE AN APPEAL TO OUR VARIOUS GOVERNMENTS TO APPROACH THIS REQUEST OF THE CARTAGENA GROUP IN A POSITIVE SPIRIT. HE UNDERLINED IN PARTICULAR THE FOLLOWING POINTS:

A) A POLITICAL DIALOGUE DESIGNED TO PRODUCE DECISIONS WHICH WOULD ALLEVIATE OR SOLVE THE DEBT PROBLEMS OF LATIN AMERICAN COUNTRIES WAS SEEN AS VITAL BY THE CHILEAN GOVERNMENT, NOT ONLY FOR FINANCIAL REASONS BUT ALSO FOR POLITICAL ONES. HE SAID THAT CHILE COULD NOT BE SINGLED OUT FROM THE OTHERS ON GROUNDS THAT SHE HAS NOT AT PRESENT GOT A DEMOCRATIC GOVERNMENT. IT HAS LONGSTANDING DEMOCRATIC CREDENTIALS AND WAS COMMITTED BOTH BY POLICY AND CURRENT LEGISLATION TO A RETURN TO FULL AND STABLE DEMOCRACY IN 1989.

B) THE PRINCIPLE HOPES OF THE CHILEAN GOVERNMENT IN RELATION TO THE DEBT PROBLEM WERE THAT THE INDUSTRIALISED COUNTRIES WOULD ENSURE THAT THE FLOW OF DEVELOPMENT CAPITAL TO THE DEVELOPING WORLD WOULD BE RESUMED, OFFSETTING THE MUCH GREATER FLOW OF CAPITAL IN THE OTHER DIRECTION. THE OTHER PRIORITY FOR CHILE WAS TO GET THE MARKETS OF THE DEVELOPING WORLD MORE OPEN TO HER IMPORTS AND TO RESIST ALL PROTECTIONIST TRENDS.

COMMENT

3. DEL VALLE'S REMARKS AT (A) ABOVE REFLECT THE PERSISTANT CHILEAN WORRY THAT BECAUSE OF THE UNPOPULARITY OF THEIR CURRENT POLITICAL REGIME, THEY MIGHT BE DISCRIMINATED AGAINST IN DEBT NEGOTIATIONS AND OTHER FINANCIAL MATTERS. OTHER RECENT SIGNS OF

[THIS

THIS HAVE CENTERED ON THE POSSIBILITY OF CHILE BEING FORCED TO RENEGOTIATE IN THE PARIS CLUB. THE PURELY ECONOMIC ARGUMENTS MENTIONED AT (B) ARE POINTS WHICH CHILEAN GOVERNMENT SPOKESMEN HAVE BEEN MAKING STRONGLY IN OTHER RECENT PUBLIC STATEMENTS.

FCO PLEASE PASS SAVING TO WASHINGTON, PARIS, BONN, ROME, OTTAWA AND TOKYO

HICKMAN

REPEATED AS REQUESTED

ECONOMIC SUMMIT

STANDARD ~~(PALACE)~~

ERD
ECONOMIC ADVISERS
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MAED
SCD
MR MAUD
MR WILSON
MR EGERTON
MR JOHNSON
MR DAVID THOMAS

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TELEGRAM NUMBER 356 OF 29 APRIL
INFO BONN, OTTAWA, ROME, TOKYO, WASHINGTON, UKREP BRUSSELS, UKDEL NATO, UKDEL OECD, UKMIS GENEVA.
INFO SAVING ATHENS, BRUSSELS, COPENHAGEN, DUBLIN, THE HAGUE, LUXEMBOURG.

OUR TELNO 351: BONN SUMMIT: FRENCH APPROACH

1. DURING A WIDE-RANGING INTERVIEW ON FRENCH TELEVISION ON 28 SEPTEMBER MITTERRAND MADE A CLEAR LINK BETWEEN A NEW GATT ROUND AND INTERNATIONAL TALKS ON MONETARY REFORM. HE REMARKED THAT QUOTE ONE CANNOT AGREE TO NEGOTIATE ON TRADE IN THE FACE OF A REFUSAL TO NEGOTIATE ON A SUBJECT AS IMPORTANT AS THE MONETARY SYSTEM UNQUOTE, ADDING THAT THE LDCS WERE JUSTIFIED IN DENOUNCING ATTEMPTS TO SET UP A NEW GATT ROUND WITHOUT PROPER PREPARATION.

2. MITTERRAND BRISTLED AT A SUGGESTION THAT EUREKA MIGHT BE DISCUSSED IN BONN: IT DID NOT NEED AMERICAN BLESSING. HE DENIED BEING DISAPPOINTED AT THE RESPONSE TO EUREKA SO FAR: ACCORDING TO HIM MINISTERS OF TECHNOLOGY AT THEIR RECENT MEETING IN ROME HAD AGREED THAT EUREKA SHOULD BE CARRIED FORWARD. HE ALSO DENIED THAT EUREKA WAS A MILITARY PROJECT.

3. ON SDI HE REMARKED ARCHLY THAT HE DID NOT KNOW WHAT IT WAS FRANCE WAS BEING INVITED TO PARTICIPATE IN. NO-ONE SHOULD TAKE FRANCE'S PARTICIPATION FOR GRANTED. BESIDES IT WAS RISKY ACTING AS THOUGH ARMAMENTS WHICH WERE CURRENTLY THE OBJECT OF DISARMAMENT NEGOTIATIONS WERE ALREADY OBSOLETE AND AS THOUGH ONE WAS EMBARKING ON A NEW ARMS RACE. NEW TECHNOLOGIES WERE INTERESTING, BUT SDI'S STRATEGY WAS QUESTIONABLE.

F C O PLEASE PASS SAVINGS

FRETWELL

ECONOMIC SUMMIT

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CHARGES.

Sir Julian Bullard telegraphed:

① He has delivered the message to Mr. Teltschik

② He expressed some surprise & said that he had no reason to expect that this would be the answer.

③ They would be having those sorts of conversations with French & Italians (Sir J.B. said he gave the impression that we would be left out)

④ Since PM will be in Bonn on Thursday, there will be a chance to talk about this further, as they had not envisaged mtg. until next week

P.T.O.

(P) Sir J.B. going off to Frankfurt now, but he is contactable – his office have the number.

Susan.

P.S. – I had no idea what he was talking about so I hope that this makes sense!

Sue –

10 DOWNING STREET

From the Private Secretary

MR. HATFIELD

BONN ECONOMIC SUMMIT: SPEAKING NOTE ON ECONOMIC ISSUES

The Prime Minister would like further work done on the speaking note on economic issues for her use at the Economic Summit.

In general she finds the style too bureaucratic. Her intention is that much of the material in the speaking note would eventually be relayed to the press. It therefore needs to be rewritten with an eye to this important presentational point.

The Prime Minister would also like the note to include a more substantial piece on deregulation, following up the initiative which she took at the European Council.

As a further general point, she would like to be able to quote in the speaking note specific examples of e.g. US restricted practices, Japanese barriers, etc.

In addition you will wish to consider the following more detailed points:

Page 1 Para 2 duplicates much of para 1. Sequence should be:

- Para 1. World economy making good progress, policies are working, so lets stick to them.
- Para 2. Difficulties remain, foremost of which in industrialised countries is unemployment.
- Para 3. Either drop or develop into a paragraph on the possibility of the recovery faltering. Figures on the US economy are still too sketchy to form a judgement.

Page 2 Lack of sequence on policy problems listed. Draft jumps back and forth between macro-economic problems and need to improve supply side. Try:

(i) Interest rates, exchange rates, the US deficit.

/(ii)

(ii) Need for all industrialised countries to restrict growing claims of public sector.

(iii) Best prospects for reducing unemployment lie not in any inflationary boost to public spending but in improving working of markets and freeing forces of enterprise, reference to European deregulation exercise.

Continue with existing sequence.

Page 4 Can anything more concrete be said about international monetary reform? The tone is rather procrastinating.

Page 5 Refer to need for more differentiation between developing countries.

Page 7 Debt section is rather weak. Progress made to date could be given more emphasis.

Second para. Reference to "prices to producers" sounds as if these are foreign investors. Make clear this refers to domestic producers.

I should be grateful for a further draft taking account of these comments as soon as possible.

I am copying this minute to Mrs. Lomax (HM Treasury), Mr. Mogg (Department of Trade and Industry) and Mr. Appleyard (Foreign and Commonwealth Office).

CDP

(C. D. POWELL)
29 April 1985

10 DOWNING STREET

CDP

Summit Briefing meeting.

Carol asked whether Roy Williams (DTI) may accompany Mr Channon.

Yes

JB
29/4.

Ref. A085/1209

MR POWELL

Bonn Economic Summit: Economic Declaration

As you know, I visited Bonn this morning for a private discussion of the German draft of the economic declaration with my German colleague.

2. I attach a copy of the draft, as it emerged from our discussion. It is rather long, but little if any longer than the economic declaration at the London Summit. It may be somewhat shortened by further redrafting before we see it again in Bonn, but the present draft indicates clearly the lines on which the Germans are thinking.

3. Despite its length, I think that it is a good draft, which comprehensively covers the matters which need to be dealt with in the declaration.

4. Perhaps its most unusual feature is the inclusion, as paragraph 6, of proposed "objectives" for the individual participants in the Summit (grouping the four European countries under a single heading). This departs from precedent in "naming" individual countries; but it takes the form not of calling upon individual countries to do things but of rehearsing what they have said they will do. Whether the President of the United States and the Prime Minister of Japan in particular will be prepared to accept what is suggested will be interesting to see: each might be willing to do so for the sake of seeing the commitment of the other recorded.

5. On the assumption that this, or something very like it, will be the draft on which Personal Representatives work in Bonn, I should be grateful if Departments would let me have, by close of play on Wednesday 1 May, any comments and suggestions which I can take into account during the final drafting session in Bonn.

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

RHA

ROBERT ARMSTRONG

29 April 1985

DRAFT

The Bonn Economic Declaration

From Recovery to Sustained Growth

Conscious of the responsibility which we bear together with other Governments for the future of the world economy and the preservation of natural resources, we, the Heads of State or Government of the seven major industrial nations and the President of the Commission of the European Communities, meeting in Bonn from 2 to 4 May 1985, have discussed the economic outlook, problems and prospects for our countries and the world.

Economic conditions are better than they have been for a considerable time. Since we last met, further progress has been achieved in bringing down inflation and strengthening the basis for growth. The recovery in the industrial countries is spreading to the developing world. The problems of international indebtedness, though far from solved, have been flexibly and effectively addressed.

At the same time, urgent tasks remain. Above all, employment needs to be increased, persistent economic imbalances corrected, responsiveness to economic change improved, and protectionist trends reversed. This requires sustained effort by all countries.

Our discussions have led us to the following conclusions:

I.

1. We agree that the best contribution we can make to a lasting new prosperity in which all nations will share, is to create in our own countries the conditions for sustained non-inflationary growth and higher employment.

BESAAP

2. In the long run, the prosperity of industrial and developing countries is indivisible. We will continue to work with the developing countries in a spirit of true partnership to help them achieve sound growth and financial stability.

3. Open multilateral trade is essential to prosperity, and we therefore urge an early and substantial reduction of barriers to trade. At the same time we will seek to make the monetary system work more efficiently.

4. Economic progress and the preservation of the natural environment are necessary and mutually supportive goals. Effective environmental protection is a central element in our national and international policies.

II.

5. In our own countries, economic and financial policies will be guided by the following principles:

- We will consolidate the progress made in bringing down inflation in order to achieve more balanced growth and increased employment.

- We will maintain monetary and budgetary discipline with a view to stable prices, lower interest rates and more productive investment.

- We will encourage initiative and enterprise so as to release the creative energies of our peoples.

- We will promote greater flexibility in all markets, particularly the labour market.

- We will exploit to the full the opportunities for prosperity and the creation of permanent jobs provided by economic change and technological progress.

6. Building on this common strategy, Heads of State or Government have indicated that they will focus on the following objectives:

- The Government of Canada will continue to give priority to promoting investment and creating jobs in the private sector, removing obstacles to private enterprise and innovation and reducing the budget deficit.

- The Governments of the European Summit countries attach high priority to strengthening the internal dynamism of their economies and to achieving lasting improvement in growth and employment. In all their countries this requires a reduction in the proportion of public spending to Gross National Product (GNP). To this end, they will continue to maintain firm control over spending in order to continue the progress achieved in curbing budget deficits. Where possible and appropriate, they will reduce the burden of taxation. Where budget deficits and the share of public spending in GNP are seriously out of line, budgetary discipline will be strengthened. It is the common objective of all European Summit countries to enhance the flexibility and adaptability of their economies. They will work together with their partners in the European Community to ensure further progress towards creating a truly competitive internal market. They will exercise the responsibility which they share with both sides of industry to increase the

flexibility and the efficient functioning of labour markets and to ensure levels of labour costs conducive to job creation. They will work to improve educational and training systems in order to enhance occupational skills and mobility.

- In order to ensure continuing growth and stability, the Government of Japan will persevere with its policy of budgetary discipline. At the same time, it will continue to strengthen market forces, particularly with a view to increasing investment. Following the significant steps already taken towards liberalisation, the Japanese Government will take further measures to de-regulate financial markets, to internationalise the yen, to facilitate access to its markets for goods and services and to encourage growth in imports.

- The President of the United States of America has confirmed his commitment to work towards a rapid and appreciable cut in public expenditure and thus to achieve a substantial reduction in the budget deficit, as a condition (together with the proposed tax reforms) for ensuring sustained economic recovery in the United States and thus promoting stable growth of the world economy and a balanced expansion of world trade.

III.

7. Sustained growth in world trade, lower interest rates, open markets and continued financing in amounts and on terms appropriate to each individual case, are essential to enable developing countries to achieve sound growth and overcome their economic and financial difficulties. Official development assistance, especially to the poorest

countries, should be maintained and wherever possible increased. The longer-term debt restructuring agreements between debtor countries and commercial banks are a constructive contribution to financial consolidation. We continue to stand ready, where appropriate, to negotiate multi-year reschedulings of debts to governments and government agencies.

8. In order to achieve sustained economic development, developing countries, for their part, need to follow policies which sustain the confidence of domestic and foreign creditors, mobilise domestic savings and ensure efficient use of resources.

9. We welcome constructive dialogue with the developing countries in the existing international institutions with a view to promoting their economic stability and development. We support the International Monetary Fund and the World Bank Group in their central and complementary roles in this regard. Both institutions must remain equipped with the resources and instruments necessary to fulfil their tasks. We stand ready to discuss an increase of resources available to the World Bank which may be necessary in the coming years.

10. We are deeply concerned about the plight of African countries. We welcome the positive response from our citizens and from private aid organisations as well as the substantial assistance provided by the governments of many countries. Further efforts are needed by all countries in a position to contribute. We shall continue to supply food assistance to meet the immediate need. At the same time, we shall continue to help African countries fully to exploit their economic potential and to develop a long-term food strategy. We are ready to discuss with the countries concerned, and with the appropriate international

institutions, support for measures to develop agriculture and rural areas, to ensure a more effective system of forecasting potential food shortfalls, to strengthen the incentives for the production and distribution of food and to halt desertification.

IV.

11. Protectionism does not solve problems: it creates them. We need new initiatives for strengthening the open multilateral trading system. We strongly endorse the agreement of OECD Ministers to implement in full the existing trade liberalisation programmes, and to propose to the Contracting Parties in the GATT that a preparatory meeting should be held before the end of this summer to reach a broad consensus on subject matter and modalities of a new GATT round to begin [in early 1986] [as soon as possible]. Full consideration must be given to the interests of developing countries in any new GATT round.

12. We invite Finance Ministers to complete before the end of June 1985 their current work on ways to improve the functioning of the monetary system, and to put forward proposals to be discussed in the first instance at the next meeting of the Interim Committee of the IMF. A further discussion should take place at a subsequent [special] meeting of the Interim Committee.

V.

13. New approaches and strengthened international co-operation are essential to anticipate and prevent damage to the environment, which knows no national frontiers. We shall work to achieve effective solutions to pressing environmental problems such as acid rain and air pollution for motor vehicles and all other significant resources. We

BESAAP

shall also vigorously address other concerns such as climatic change, the effects on the ozone layer and the management of toxic chemicals and hazardous wastes. The protection of soils, fresh water and the sea, in particular of regional seas, must be strengthened.

14. We shall harness the mechanisms of the market to solve environmental problems. We shall develop and apply the "polluter pays" principle more widely. Science and technology must contribute to reconciling environmental protection and economic growth. But high environmental standards can provide incentives for innovation and cost-effective technologies which are clean and efficient in the use of resources.

15. We shall set up a group to study the development of internationally consistent techniques and practices of environmental measures, which are essential for effective international co-operation in the protection of the environment. We urge our research institutions to expand their co-operation in this area both with each other and with the appropriate international organisations.

16. We welcome the contribution made by Environment Ministers and by the Technology, Growth and Employment Working Group to closer international co-operation on environmental matters. We shall focus our co-operation within existing international bodies, especially the OECD. We shall work with developing countries for the avoidance of environmental damage and disasters world-wide.

VI.

17. We welcome the positive responses of the Members States of the European Space Agency (ESA), Canada and Japan to the invitation of the President of the United

States to co-operate in the United States Manned Space Station Programme on the basis of a genuine partnership and a fair and appropriate exchange of information, experience and technologies. Discussions on intergovernmental co-operation in development and utilisation of permanently manned space statons will begin promptly. We have noted the conclusions of the ESA Council on the need for Europe to maintain and expand its autonomous capacity in space activity, and on the long-term European Space Plan and its objectives.

VII.

18. We note the report by the Working Group on Technology, Growth and Employment on work in the areas of co-operation identified after the Versailles Summit and invite the Group to complete its review by the end of the year. We welcome the positive contribution which the Ministerial Conference on "Technological Development and Employment" held in Venice has made towards wider acceptance of the role of technological change in promoting growth and employment. We also welcome the results of the Rambouillet Conference on Bioethics and thank the Federal Republic of Germany for its willingness to host a symposium on neurobiology in 1986.

FILE

RANAKO

PC

10 DOWNING STREET

From the Private Secretary

MR HATFIELD
CABINET OFFICE

ECONOMIC SUMMIT

The Prime Minister would like briefing to be provided on a number of points which she intends to raise at the Bonn Economic Summit. They are:

(i) President Mitterrand has said that he wants to re-orient the international monetary system away from the dollar and towards a tripod of currencies (see interview on page 2 of the Wall Street Journal for Monday, 29 April). He appears to envisage fixed relationships between them. The Prime Minister would be grateful for comments on this idea. She assumes that it would be intended to maintain a relationship between the EMS, the dollar and the yen.

(ii) the Prime Minister is perturbed to learn that the Japanese have obtained the contract for the second Bosporus bridge by pledging $205 million over twenty five years at 5 per cent. Likewise the Italians appear to have offered generous credits. She is considering raising the whole question of subsidised credits at or in the margins of the Economic Summit. She would be grateful for full details of the Japanese and Italian offers, which she would propose to use as ammunition.

(iii) the Prime Minister has also noted that BP North America Limited has recently had to accept a settlement of a dispute over the trans-Alaska pipeline which involves it paying rebates to shippers. The Prime Minister would be grateful for details of this case which she suspects may be further evidence of restrictive practices operating in the United States.

The Prime Minister is not satisfied with the speaking note provided for her use on economic issues at the Summit. I will try to let you have more detailed comments later today.

K

I am sending a copy of this minute to Mr Mogg (Department of Trade and Industry), Mrs Lomax (HM Treasury) and to Mr Appleyard (Foreign and Commonwealth Office).

(C D Powell)

29 April, 1985

CONFIDENTIAL

Prime Minister

(2)

Amendments 1 & 2 seem harmless enough. Amendment 3 shows the French at their silliest. Perhaps we might prepare a counter-amendment to make it more difficult for them

Ref. A085/1208

MR POWELL

Bonn Economic Summit: Political Declaration

I understand that a message is on its way from the Federal Chancellor with an up to date text of the draft political declaration on the 40th anniversary of the end of the Second World War (now received, and attached to your minute of 29 April).

attached

C.D.P. 29/4

2. The latest draft contains three significant amendments from the version agreed the weekend before last by political directors and Personal Representatives. Two of the amendments have been made at the request of Mr Nakasone and the third to meet the susceptibilities of President Mitterrand.

3. The amendments are as follows:

1. In paragraph 2, Mr Nakasone could not accept the reference in the second sentence to "the vanquished". The sentence has been redrafted without that word.

2. At Mr Nakasone's request, a sentence has been added at the end of paragraph 3, expressing the hope that the division of Korea can be brought to an end in freedom.

3. You will remember the vexed sentence at the end of paragraph 5 about the Geneva talks. President Mitterrand has indicated that he is not prepared to accept any reference to the United States in this sentence. The Germans have accordingly proposed a revised sentence which reads:

> "We welcome the opening of negotiations in Geneva and urge the Soviet Union to act positively and constructively in order to achieve significant agreements there."

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This sentence would be acceptable to President Mitterrand. It remains to be seen whether it will be acceptable to the President of the United States. I suppose it might be, since at least it implies that all the other Summit countries are lined up with the United States in urging the Soviet Union to act positively and constructively.

4. I am sending a copy of this minute to the Private Secretary to the Foreign and Commonwealth Secretary.

RCA

ROBERT ARMSTRONG

29 April 1985

GR 1000
UNCLASSIFIED
FM WASHINGTON 292243Z
TO IMMEDIATE FCO
TELEGRAM NUMBER 1429 OF 29 APRIL 1985

MY TELNO 1422 OF 29 APRIL: SECRETARY BAKER'S PRESS INTERVIEW ON THE BONN ECONOMIC SUMMIT

1. TRESURY SECRETARY BAKER TODAY GAVE AN INTERVIEW AT THE WHITE HOUSE ON THE BONN ECONOMIC SUMMIT.

2. IN AN OPENING STATEMENT BAKER SAID THAT ''THE RECOVERY TALKED ABOUT AT WILLIAMSBURG AND LONDON HAS BEEN ACHIEVED AND WE ARE NOW IN THE EXPANSION STAGE OF THE BUSINESS CYCLE. THE EFFORTS TO FOLLOW ANTI-INFLATION, PRO-GROWTH POLICIES, MOST MARKED IN THE UNITED STATES, AND TO A LESSER DEGREE IN EUROPE HAVE RESULTED IN A BROAD-BASED EXPANSION THAT IS TAKING PLACE IN A LOW INFLATION ENVIRONMENT. UNFORTUNATELY, EUROPE HAS NOT YET BEEN AS SUCCESSFUL AS WE HAVE AND, DESPITE OUR SHARED SUCCESSES, PROBLEMS REMAIN IN ALL THE SUMMIT COUNTRIES. IN ALL COUNTRIES, GOVERNMENT EXPENDITURES, BUDGET DEFICITS, OR BOTH ARE TOO LARGE. ALL OF OUR ECONOMIES FACE STRUCTURAL RIGIDITIES WHICH HINDER JOB CREATION AND SUSTAINED GROWTH AND ALL OF US NEED TO PROMOTE FREER TRADE AND RESIST A RISING PROTECTIONIST SENTIMENT. THE BONN DISCUSSIONS WILL ADDRESS THESE SHARED PROBLEMS AND OUR INDIVIDUAL RESPONSIBILITIES FOR SOLVING THEM.''

3. IN RESPONDING TO QUESTIONS ABOUT THE DATE OF A NEW GATT ROUND, SECRETARTY BAKER SAID, ''WE OBVIOUSLY WOULD LIKE TO SEE AGREEMENT ON A NEW ROUND IN 1986. QUITE FRANKLY, AT THE OECD MEETING IN PARIS, WE HAD A COMMUNIQUE THAT CALLED FOR THE START OF A NEW ROUND AT THE EARLIEST POSSIBLE DATE AND, OF COURSE, WE WILL ARGUE THAT THE EARLIEST POSSIBLE DATE IS SOME TIME IN 1986.'' BAKER DENIED THAT HE WAS CONCERNED THAT CONGRESS MIGHT ULTIMATELY REFUSE TO GIVE AUTHORITY FOR A ROUND: ALL THE SUMMIT COUNTRIES WERE AGREED ON THE NEED FOR A ROUND: THE ONLY QUESTION NOW WAS WHEN IT SHOULD BEGIN.

4. ASKED ABOUT PRESIDENT MITTERAND'S INSISTENCE ON A MONETARY CONFERENCE, BAKER SAID ''WELL, I THINK WHAT WE WOULD SAY IS THAT THERE OUGHT NOT TO BE LINKAGE PER SE BETWEEN A MONETARY CONFERENCE AND TRADE LIBERALIZATION, THAT THERE'S EVERY GOOD REASON IN THE WORLD WHY WE OUGHT TO START A NEW TRADE ROUND. PROTECTIONIST SENTIMENT IS GROWING AROUND THE WORLD. IT'S CLEARLY GROWING HERE IN THE UNITED STATES AND I'M QUITE CONFIDENT THAT THE PRESIDENT WILL ARGUE THAT IF THE SUMMIT COULD GIVE HIM A DATE FOR THE NEW ROUND, IT WOULD BE VERY PERSUASIVE IN HIS DEALINGS WITH THE CONGRESS AND WITH OTHERS IN THE UNITED STATES TO AVOID A NEW ROUND OF PROTECTIONIST LEGISLATION HERE.

5. ASKED ABOUT THE ADMINSTRATION'S TARGET FOR REAL ECONOMIC GROWTH IN 1985, SECRETARY BAKER SAID, ''THE ADMINISTRATION IS STILL STICKING TO ITS 4 PERCENT TARGET.''

6. ASKED ABOUT WHETHER THE US WOULD PRESS THE EUROPEANS TO INFLATE THEIR ECONOMIES, SECRETARY BAKER SAID, ''WE WANT THEM TO TAKE UP THE SLACK BOTH - WELL FISCALLY AND IN ANY OTHER WAY THAT THEY CAN RESPONSIBLY TAKE UP THE SLACK. WE ARE NOT SUGGESTING ... THAT THEY SIMPLY GO IN AND INFLATE MONETARILY. WE DON'T WANT THEM TO DO SOMETHING THAT WOULD RUN THE RISK OF RE-IGNITING INFLATION. BUT WE FEEL THAT THERE MAY BE SOME ROOM FOR ADDITIONAL GROWTH IN THE ECONOMIES OF BOTH GERMANY AND JAPAN.''

7. ASKED ABOUT THE STRONG DOLLAR, SECRETARY BAKER SAID, ''WELL, I THINK WE WOULD RESPOND THE WAY WE HAVE IN THE PAST. WE WOULD NOT CHARACTERIZE IT AS OVER-VALUED. WE'D CHARACTERISE IT AS STRONG. NOBODY CAN DENY THE FACT THAT IT IS STRONG. I THINK WE WOULD POINT OUT THAT WHILE THERE ARE DETRIMENTS TO A STRONG DOLLAR, THERE ARE, LIKEWISE, BENEFITS TO IT. ... WE ARE STILL IN THE SAME POSITION WE HAVE BEEN IN WITH RESPECT TO INTERVENTION. WE DON'T THINK ITS APPROPRIATE EXCEPT WHERE THE MARKET IS DISORDERLY. WE THINK THERE ARE SOME QUESTIONS WITH RESPECT TO HOW WELL IT WORKS, QUITE FRANKLY, WHEN YOU HAVE A MARKET, FREE MARKET OUT THERE IN DOLLARS NOW, OF ABOUT DLRS 150 BIGLLION A DAY''.

8. ASKED ABOUT THE DATE FOR A MONETARY CONFERENCE, SECREATRY BAKER SAID, ''I WOULDN'T WANT TO PREDICT THAT HERE NOW. I THINK THAT THE PRESIDENT WILL WANT TO SEE WHAT HAPPENS, WHEN HE GETS OVER THERE TO THE SUMMIT, AND WILL WANT TO SEE WHAT SUPPORT THERE IS FOR THE IDEA OF DISCUSSIONS, MONETARY DISCUSSIONS, HAVING TO DO NOW WITH THE G-10 STUDIES, WHICH IS A PROPOSAL THAT I MADE IN PARIS. IT'S NOT A BRETTON WOODS. WE'RE NOT TALING ABOUT ANOTHER BRETTON WOODS.''

9. ASKED ABOUT THE VALUE OF A SPECIAL MEETING OF HIGH LEVEL OFFICIALS FROM MAJOR INDUSTRAIL COUNTRIES, SECRETARY BAKER SAID, ''THE VALUE, QUITE FRANKLY, IS THAT IF THOSE STUDIES, IF THE CONCLUSION OF THOSE STUDIES TREAT WITH WEAKNESSES IN THE INTERNATIONAL MONETARY SYSTEM, AND WE HAVE REASON TO SUSPECT THAT THAT'S WHAT THEY ARE GOING TO DO, THEN YOU SHOULD BUILD, THE INDUSTRIALIZED COUNTRIES SHOULD BUILD, POLITICAL SUPPORT FOR THAT, IF THEY WANT TO SEE THOSE THINGS ADAPOTED AT AN INTERIM COMMITTEE MEETING OF THE IMF, WHICH IS THE FORUM THAT WILL ULTIMATELY DEAL WITH ANY CHANBGES IN THE MONETARY SYSTEM. SO, IT WOULD BE COMPLEMENTARY TO THE IMF. THE IDEA WOULD BE TO BUILD SUPPORT. AND THAT WOULD BE IT. I MEAN, THAT'S THE REASON THAT WE MADE THE SUGGESTION. AND IT SEEMS TO ME TO BE A VERY REASONABLE AND GOOD SUGGESTION''

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10. ASKED ABOUT THE US POLICY ON CURRENCY INTERVENTION AFTER THE G5 MEETING IN JANUARY, SECRETARY BAKER SAID, ''WELL, I DON'T THINK THE POLICY CHANGED IN JANUARY, AND IF IT DID, WE'VE CHANGED IT BACK. BUT I THINK THE POINT IN JANUARY WAS SIMPLY THAT WE WANTED TO SEND THE SPECULATORS A SIGNAL THAT THEY WOULD CONTINUE TO SPECULATE AT THEIR OWN RISK. AND WE HAVE SINCE INTERVENED TO A GREATER DEGREE, QUITE FRANKLY, THAN WE HAD THERETOFORE. BUT OUR BASIC POLICY REMAINS THE SAME. WE INTERVENE ONLY TO CURE A DISORDERLY MARKET''.

11. FCO PLEASE PASS TO POWELL (NO 10), SIR ROBERT ARMSTRONG (CABINET OFFICE), LITTLER AND LAVELLE (TREASURY), BRAITHWAITE AND TAITE (ERD) AND GREEN (BANK).

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FM WASHINGTON 302330Z APR 85
TO IMMEDIATE F C O
TELEGRAM NUMBER 1443 DATED 30 APRIL
INFO IMMEDIATE BONN, PRIORITY PARIS, ROME, TOKYO, OTTAWA,
UKREP BRUSSELS.

MY TELNOS 1422 AND 1429 OF 29 APRIL: SHULTZ'S PRESS INTERVIEW ON THE BONN ECONOMIC SUMMIT: TRADE ISSUES AND MONETARY CONFERENCE.

1. IN A PRESS INTERVIEW FROM THE WHITE HOUSE ON 30 APRIL, SECRETARY OF STATE SHULTZ ANSWERED QUESTIONS INTER ALIA ON TRADE AND MONETARY ISSUES.

2. ASKED WHAT THE ADMINISTRATION WOULD DO IF THE OTHER PARTICIPANTS AT THE SUMMIT DID NOT AGREE TO A NEW GATT ROUND BEGINNING IN 1986, SHULTZ SAID, "CERTAINLY WE BELIEVE, AND SO FAR AS I CAN SEE VERYBODY HAS SAID THAT ANOTHER ROUND OF NEGOTIATIONS TO DEAL WITH UNCOVERED AREAS AND TO TRY TO BRING MORE COUNTRIES INTO THE GATT REGIME, ARE NECESSARY. THERE HAS BEEN A DIFFERENCE OF OPINION ABOUT HOW RAPIDLY THEY OUGHT TO GET UNDERWAY. THE FACT IS THAT THERE ARE A LOT OF PREPARATIONS GOING ON RIGHT NOW AND WE THINK THE SOONER THEY GET UNDERWAY THE BETTER, PREFERABLY GET GOING IN THE FIRST HALF OF NEXT YEAR. AND THERE ARE ALL SORTS OF REASONS FOR THAT, AND I WON'T ENUMERATE THEM. BUT IS IS A VERY IMPORTANT MATTER. OF COURSE, IF THE DECISION

THEM. BUT IS IS A VERY IMPORTANT MATTER. OF COURSE, IF THE DECISION IS MADE NOT TO GO AHEAD ON A MULTINATIONAL, MULTILATERAL ROUND OF NEGOTIATIONS, THE UNITED STATES WILL HAVE TO PROCEED, BECAUSE WE DO BELIEVE THAT MORE OPEN TRADE IS AN IMPORTANT ELEMENT IN THIS PROSPERITY OF THE WORLD. CONTRAST WHAT'S HAPPENED SINCE WORLD WAR II WITH WHAT HAPPENED IN THE 1930S. AND THERE'S YOUR ANSWER TO THE IMPORTANCE OF OPEN TRADE. SO, WE WILL CONTINUE TO SEEK THAT OBJECTIVE, WHETHER IN MULTILATERAL NEGOTIATIONS OR IN BILATERAL NEGOTIATIONS, AS WE RECENTLY CONCLUDED WITH ISRAEL''.

3. ON THE DISCUSSION OF MONETARY ISSUES AT THE SUMMIT, SHULTZ SAID, ''THE SPECIFIC SUGGESTION ABOUT A CONFERENCE HAS TO DO WITH THE STUDIES BEING CONDUCTED BY THE GROUP OF TEN, I THINK STIMULATED BY AN AGREEMENT REACHED AT WILLIAMSBURG AMONG THE SUMMIT SEVEN HEADS OF STATE, ON MONETARY MATTERS. SO, I SUPPOSE WHAT IS HAPPENING IN THOSE STUDIES AND WHERE THEY ARE TAKING US IS A NATURAL POINT OF DEPARTURE FOR ANY DISCUSSION.''

4. ON THE U S BUDGET DEFICIT, SHULTZ SAID, ''AS FAR AS THE BUDGET BATTLE IS CONCERNED, IT'S VERY MUCH IN PROCESS, AND I THINK THAT IN ADDITION TO PLACING POLITICAL BETS, WHICH IS WHAT YOU SEEM TO BE DOING, ALMOST THIRSTING TO SEE THE PRESIDENT DEFEATED, YOU SHOULD BE ROOTING FOR HIM TO SUCCEED. BECAUSE WHAT HE'S TRYING TO DO IS PROFOUNDLY RIGHT, AND THAT IS TO REDUCE THE VERY LARGE BUDGET DEFICIT OF THE UNITED STATES BY CUTTING DOWN OUR SPENDING. AND THAT'S WHAT HE'S TRYING TO DO AND THAT'S WHAT IS NEEDED. SO, LET'S GET ON THE PRESIDENT'S SIDE AND SAY YOU'RE ON THE RIGHT TRACK: WE SUPPORT YOU: LET'S GET IT DONE. THAT'S WHAT HE'S TRYING TO DO''.

5. FCO PLEASE PASS TO POWELL (NO 10), SIR ROBERT ARMSTRONG (CABINET OFFICE), LITTLER AND LAVELLE (TREASURY), BRAITHWAITE AND TAIT (ERD) AND GREEN (BANK).

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TELEGRAM NUMBER 356 OF 29 APRIL
INFO BONN, OTTAWA, ROME, TOKYO, WASHINGTON, UKREP BRUSSELS, UKDEL NATO, UKDEL OECD, UKMIS GENEVA.
INFO SAVING ATHENS, BRUSSELS, COPENHAGEN, DUBLIN, THE HAGUE, LUXEMBOURG.

MIPT

OUR TELNO 351: BONN SUMMIT: FRENCH APPROACH

1. DURING A WIDE-RANGING INTERVIEW ON FRENCH TELEVISION ON 28 SEPTEMBER MITTERRAND MADE A CLEAR LINK BETWEEN A NEW GATT ROUND AND INTERNATIONAL TALKS ON MONETARY REFORM. HE REMARKED THAT QUOTE ONE CANNOT AGREE TO NEGOTIATE ON TRADE IN THE FACE OF A REFUSAL TO NEGOTIATE ON A SUBJECT AS IMPORTANT AS THE MONETARY SYSTEM UNQUOTE, ADDING THAT THE LDCS WERE JUSTIFIED IN DENOUNCING ATTEMPTS TO SET UP A NEW GATT ROUND WITHOUT PROPER PREPARATION.

2. MITTERRAND BRISTLED AT A SUGGESTION THAT EUREKA MIGHT BE DISCUSSED IN BONN: IT DID NOT NEED AMERICAN BLESSING. HE DENIED BEING DISAPPOINTED AT THE RESPONSE TO EUREKA SO FAR: ACCORDING TO HIM MINISTERS OF TECHNOLOGY AT THEIR RECENT MEETING IN ROME HAD AGREED THAT EUREKA SHOULD BE CARRIED FORWARD. HE ALSO DENIED THAT EUREKA WAS A MILITARY PROJECT.

3. ON SDI HE REMARKED ARCHLY THAT HE DID NOT KNOW WHAT IT WAS FRANCE WAS BEING INVITED TO PARTICIPATE IN. NO-ONE SHOULD TAKE FRANCE'S PARTICIPATION FOR GRANTED. BESIDES IT WAS RISKY ACTING AS THOUGH ARMAMENTS WHICH WERE CURRENTLY THE OBJECT OF DISARMAMENT NEGOTIATIONS WERE ALREADY OBSOLETE AND AS THOUGH ONE WAS EMBARKING ON A NEW ARMS RACE. NEW TECHNOLOGIES WERE INTERESTING, BUT SDI'S STRATEGY WAS QUESTIONABLE.

F C O PLEASE PASS SAVINGS

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TELEGRAM NUMBER 1422 OF 29 APRIL.

MS

REGAN'S WASHINGTON POST INTERVIEW: INTEREST RATES, U.S. DEFICIT AND MONETARY REFORM MEETING

1. ON 28 APRIL, WHITE HOUSE CHIEF OF STAFF REGAN GAVE AN INTERVIEW, IN WHICH HE EXPRESSED HIS VIEWS ON ECONOMIC ISSUES, TWO IN PARTICULAR OF WHICH ARE RELEVANT TO THE BONN SUMMIT.

2. ON THE DEFICIT, AND ITS RELATIONSHIP WITH INTEREST RATES, REGAN ADOPTED THE FORMULATION WHICH HE HAS REPEATED SEVERAL TIMES TO REPORTERS OVER THE LAST WEEK OR SO:

> ''IF FISCAL POLICY IS RESTRAINED, MONETARY POLICY CAN BE EASED, AND AN EASING OF MONETARY POLICY BRINGS DOWN INTEREST RATES''.

3. ASKED HOW HE SAW BAKER'S PROPOSAL FOR A MONETARY CONFERENCE GOING, REGAN SAID:

> ''IT'S A LOGICAL OUTCOME. THE STUDIES ARE GOING TO BE READY IN JUNE. A SMALL GROUP OF MINISTERS WILL STUDY WHAT THE DEPUTIES HAVE DONE. THEY THEN GO TO THE INTERIM COMMITTEE IN SEOUL AND DISCUSS THEM. LET'S SEE WHAT HAPPENS THEN ON WHAT THE STUDIES ARE AND WHAT THE SUGGESTIONS ARE AFTER THEY COME OUT OF THE I.M.F. MEETING''.

4. ASKED ABOUT THE ADMINISTRATION'S DEGREE OF PRIORITY FOR A MONETARY CONFERENCE, REGAN SAID:

> ''WE WERE ANXIOUS TO DO ANYTHING THAT HELPS WORLD TRADE, WORLD ECONOMIC RECOVERY. TO THE EXTENT THAT MONETARY REFORM WILL HELP THAT ... WE WILL BE IN FAVOUR OF IT. BUT WE CAN'T TELL YOU IN ADVANCE, BECAUSE WE DON'T KNOW WHAT THE (MONETARY REFORM) SUGGESTION IS GOING TO BE''.

5. COPY OF INTERVIEW FOLLOWS BY BAG.

6. F.C.O. PLEASE PASS TO POWELL (NO. 10), SIR ROBERT ARMSTRONG (CABINET OFFICE), LITTLER AND LAVELLE (TREASURY), BRAITHWAITE AND TAIT (E.R.D.), AND GREEN (BANK).

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M.I.P.T.

Margot

Please put with Bonn papers

CDM

BONN ECONOMIC SUMMIT

1. THE FOLLOWING IS THE TEXT OF A

LETTER OF 22 APRIL FROM PRESIDENT ERSHAD
TO THE PRIME MINISTER:

BEGINS:

EXCELLENCY,

THE DEVELOPED AS WELL AS THE DEVELOPING COUNTRIES WILL BE WATCHING WITH INTEREST AND CONCERN THE DELIBERATIONS AND OUTCOME OF THE ENSUING SUMMIT MEETING IN BONN EARLY NEXT MONTH. THERE IS NO DOUBT THAT THE WORLD ECONOMY HAS IMPROVED CONSIDERABLY IN RECENT TIMES BUT THE RECOVERY IN OUTPUT AND TRADE IS YET TO SPREAD TO THE DEVELOPING COUNTRIES AND THAT MANY DEVELOPING COUNTRIES, PARTICULARLY THE LEAST DEVELOPED AMONG THEM, CONTINUE TO FACE DIFFICULT PROBLEMS DUE TO INADEQUATE CONCESSIONAL AID FLOWS AND TRADE RESTRICTIONS. SOME OF THESE COUNTRIES ARE STILL FACING SEVERE DIFFICULTIES DESPITE THE FACT THAT THEY HAD ADOPTED COURAGEOUS ADJUSTMENT PROGRAMMES AT TIMES AT CONSIDERABLE SOCIAL AND ECONOMIC COSTS. CONCERTED INTERNATIONAL EFFORTS ARE REQUIRED TO IMPROVE THE FLOW OF FINANCIAL RESOURCES TO DEVELOPING COUNTRIES TO SUPPORT THE REQUIRED ADJUSTMENTS IN THE CONTEXT OF GROWTH. IN AN INTER-DEPENDENT WORLD THESE EFFORTS ARE REQUIRED NOT ONLY TO ASSIST DEVELOPMENT BUT ALSO TO SUSTAIN ECONOMIC RECOVERY.

2. AUGMENTATION OF IDA RESOURCES IS VITALLY IMPORTANT FOR A LEAST DEVELOPED COUNTRY LIKE BANGLADESH. IDA IS THE SINGLE LARGEST SOURCE OF CONCESSIONAL ASSISTANCE FOR US IN HELPING TO BUILD OUR INFRASTRUCTURE. ALTHOUGH IDA MANAGEMENT PROPOSED FOR A REPLENISHMENT LEVEL OF DOLLARS 16 BILLION, AN IDA-7 OF ONLY DOLLARS 9 BILLION WAS AGREED UPONRESULTING IN A DROP OF DOLLARS 3 BILLION FROM THE LEVEL OF IDA-6. UNDERSCORING THEIR CONCERNS ABOUT THE INADEQUACY OF DOLLARS 9 BILLION, THE MAJORITY OF DONORS PROVIDED THE MANAGEMENT OF IDA WITH A MANDATE TO MOBILIZE UPTO DOLLARS 3 BILLION THROUGH A 'SUPPLEMENTARY FUNDING' ARRANGEMENT.
IT IS A MATTER OF GREAT REGRET THAT IT HAS NOT BEEN POSSIBLE TO PUT IN PLACE ANY SUCH 'SUPPLEMENTARY FUNDING' ARRANGEMENT. IT IS OUR EARNEST HOPE THAT YOUR GOVERNMENT WILL PROPOSE CONCRETE MEASURES IN THE COMING MEETING FOR AUGMENTING THE RESOURCES OF IDA-7. IT IS ALSO EXPECTED THAT INITIATIVES WILL BE TAKEN RIGHT NOW FOR AN ADEQUATE AND SUBSTANTIAL EIGHTH REPLENISHMENT OF IDA.

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3. YOU ARE AWARE THAT THE ASIAN DEVELOPMENT FUND (ADF), THE CONCESSIONAL WINDOW OF THE ADB THROUGH WHICH SOFT TERM LOANS ARE GIVEN TO ITS DEVELOPING MEMBER COUNTRIES, HAS ALSO FACED FUNDING PROBLEMS. BANGLADESH IS THE LARGEST RECIPIENT OF ADF RESOURCES. SHORT-FALLS IN ADF RESOURCES HAS RESULTED DUE TO NON-PAYMENT OF COMMITTED CONTRIBUTIONS BY SOME MEMBERS. THE PRESIDENT OF ADF HAS ALSO EXPRESSED DEEP CONCERN ABOUT THE IMPLICATIONS OF POSSIBLE SHORTAGE OF ADF RESOURCES IN 1985 AND 1986. MAY I URGE UPON YOU, EXCELLENCY, TO GIVE FULL SUPPORT TO THE ADEQUATE FUNDING AND REPLENISHMENT OF ADF RESOURCES AND TO PERSUADE YOUR COLLEAGUES AT THE SUMMIT MEETING FOR SIMILAR SUPPORT ?.

4. IN THIS CONNECTION I WOULD LIKE TO ADD A FEW WORDS ABOUT THE IMPLEMENTATION OF THE SUBSTANTIAL NEW PROGRAMME OF ACTION (SNPA) FOR THE LEAST DEVELOPED COUNTRIES ADOPTED BY THE UN CONFERENCE HELD IN PARIS IN SEPTEMBER, 1981. IT IS A MATTER OF CONCERN THAT ABOUT FOUR YEARS AFTER THE ADOPTION OF THE SNPA THE SITUATION OF THE LEAST DEVELOPED COUNTRIES IS NOW WORSE THAN AT THE COMMENCEMENT OF THE DECADE. THE CRITICAL ECONOMIC AND SOCIAL CONDITIONS FACING THE LDCS CALL FOR ADOPTION OF SPECIAL MEASURES BY THE INTERNATIONAL COMMUNITY. THE TARGET OF AID FOR THE LEAST DEVELOPED COUNTRIES (0.15% OF GDP) AGREED AT THE UN CONFERENCE IN PARIS, AND REAFFIRMED AT UNCTAD-VI, AT THE 38TH SESSION OF UNGA AND OTHER FORA, NEED TO BE IMPLEMENTED WITHOUT DELAY. IN THE ABSENCE OF CONCERTED ACTION BY THE INTERNATIONAL COMMUNITY TO REVERSE THE PRESENT TRENDS REGARDING FLOW OF RESOURCES TO THE LDCS, THE LEVEL OF LIVING OF THEIR PEOPLE WILL CONTINUE TO STAGNATE, IF NOT WORSEN, IN SPITE OF THEIR OWN EFFORTS AND DOMESTIC ADJUSTMENT MEASURES.
I HOPE THE LEADERS OF THE INDUSTRIAL WORLD MEETING IN DONN WILL NOT LET THIS OPPORTUNITY PASS BY FOR COORDINATING SUPPORT TO THE LEAST DEVELOPED COUNTRIES.

5. PLEASE ACCEPT , EXCELLENCY, THE ASSURANCES OF MY HIGHEST CONSIDERATION.

HUSSAIN MUHAMMAD ERSHAD

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MR POWELL

Bonn Economic Summit: TGE Reports

I attach copies of the two Technology, Growth and Employment Working Group reports. Both were published on 23 April; the Environment one in the United Kingdom and the general one in West Germany.

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

Carol Bowdery.

C A BOWDERY

26 April 1985

Final

REPORT OF THE TECHNOLOGY, GROWTH AND EMPLOYMENT WORKING GROUP TO THE BONN ECONOMIC SUMMIT 1985

I. Introduction

1. The Technology, Growth and Employment Working Group, set up by the Heads of State and Government at their Versailles Summit meeting in June 1982, submits its report for consideration at the Bonn Summit in May 1985.

   The mandate given at Williamsburg was to provide a stimulus to additional and improved international cooperation in science and technology without developing additional permanent collaborative or administrative structures. Results and experience from the originally proposed projects, outlined for the first time in the 1983 report, are now beginning to emerge, permitting conclusions to be drawn from the analysis formulated at Williamsburg in 1983 and London in 1984.

2. The first tasks of the Working Group, i.e.

   - to identify the contribution of research and technology to economic growth and employment and thus to stable economic and social development in the participating states;

   - to submit proposals which could lead to wider international cooperation in important areas;

   - to indicate ways and means for the realization of such proposals;

   were to a large extent accomplished with the two previous reports. In view of experience gathered since inauguration of

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the programme, the Working Group considered it timely to start the assessment of the status of the 18 areas of co-operation and to propose guidance for the future. (Summaries of the progress reports on the individual areas of cooperation are attached in the Annex.)

The progress achieved within the different areas varies greatly in terms of both the intensity and the scheduling of co-operation. This reflects not only the differences in the definition of the starting points of the various project areas, but also the varying approaches developed in specific fields in order to establish appropriate action and responses to the needs identified.

3. After two years of work in the different areas the Working Group is convinced that international cooperation in science and technology has benefitted substantially from the Summit initiative.

The work done so far in the different areas underlines the main advantages of international cooperation:

- the promotion of high quality basic research as an inherently international task;
- the maximising of the benefits of technological development for world economic growth through the reduction of barriers to international trade and competition, especially those arising from the use of different standards and norms;
- the joining of forces in order to take up technological challenges and to benefit from technological changes;
- the solution of problems common to industrialised societies through joint efforts in research and technology;
- the provision of options for the solution of some basic problems encountered by developing countries.

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4. The Working Group wishes to underline that there is clearly increasing realization, among Summit Countries and others, that research and technology are a motor and motivating force for increasing performance in industry and in the service sector. Industries utilize and enhance opportunities offered by technological innovations. They strive for new ways to mobilize the creativity and imagination of their scientists and businessmen in order to assure growth and employment. For their part, Governments have emphasized their responsibilities by supporting basic research on which new advances will be based. They have a fundamental role in the training of young people to meet the challenges, and benefit from the opportunities provided by new technologies in the future.

5. Progress in the areas for cooperation has been achieved against a background of changing political, economic and social conditions which have influenced research and technology policy, as well as changing public perception of the priorities accorded to particular problems. Scientific concern about environmental problems and bioethics has, since the Versailles Summit, also become a major public concern, and this has rightly been reflected in the growing emphasis on national programmes and international cooperation in these areas. However, the objectives of long-term scientific and technical programmes may transcend short-term fluctuations. For instance, whilst concern over the possibility of energy shortages has somewhat decreased since the Versailles Summit, it would be dangerous to reduce the scientific and technological attention, at national or international level, given to the solution of these problems. These examples show that there is a need to distinguish between short-term trends and perceptions and the long-term needs of science and society and to monitor developments in order to provide political and economic guidance.

6. The Working Group was entrusted by the London Summit with preparing a separate report on the investigation of environmental problems and possible solutions by means of further international cooperation in research and technology. The Report on Environment is being submitted separately to the Bonn Summit. The Working Group refers to its observations and recommendations in the final chapter of the present report.

II. Conclusions from the 18 Collaborative Projects

A. General Observations

7. The Working Group welcomes the fact that cooperation in the individual areas has developed in a flexible, unbureaucratic and pragmatic way, using the existing bilateral and multilateral arrangements to the fullest extent, and thereby avoiding the creation of duplicate international institutions.

The Working Group confirms its general policy of enabling the participation of non-Summit countries in areas of cooperation wherever appropriate. The scope for wider participation is considered by the participants in the respective areas of cooperation and, in doing so, account is taken of the potential mutual benefit. This approach is also evident in those areas in which training facilities have been provided to experts from developing countries and research of direct relevance to these countries' needs has been accelerated.

In its review of the individual areas the Working Group noted, in particular, the following achievements and requirements:

- the attention of the Summit to the subject of technology has stimulated international cooperation and has, thereby, given new momentum to national activities in research and technology;

- cooperation has led to a considerable step forward in the exchange of information on national programmes and underlying science policies;

- of particular importance is the increasing awareness among scientists and administrative officials that the funds from public and private sources, which are internationally available for large scale and long-term R+D projects, are limited. Thus, a better coordinated strategic planning on an international level is considered necessary, taking into account alternative approaches to reach the same goals. In a number of areas of cooperation some improvement in this respect can already be noted. The early involvement of high-level scientific and administrative officials on policy discussions was considered particularly useful.

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- the exchange of views in the different areas of cooperation has led to a better understanding on the respective rôles of government and the private sector in the field of R+D promotion in market economies;

- administrative procedures can and should be improved in order to facilitate exchange of scientific and technical staff and cross-participation in the construction and exploitation of research facilities as well as effective international data transmission and exchange of scientific and technical equipment in cooperative basic research activities;

- symposia and seminars, convened in several areas of cooperation, have helped to increase awareness of technical and socio-economic aspects of scientific and technological development, but much remains to be done, in particular with a view to the public at large;

- the work in areas of cooperation dealing with issues of a general nature, such as public acceptance of new technologies or education and training implications in a technological society, has shown that there is a need to include these questions into the policy considerations of quite a number of other areas of cooperation.

B. Basic Research and Large-scale Projects

8. Science, and in particular fundamental scientific research, have a long tradition of international cooperation. Efforts to enlarge existing knowledge and to make new discoveries have always ignored national boundaries. This is reflected in the traditional freedoms of the scientists' way of life as well as in the many institutionalized structures of exchange and cooperation in fundamental scientific research. Unnecessary restraints to free circulation of ideas and to free movement of scientists could seriously hamper the acquisition of knowledge.

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New benefits of, and incentives for, cooperation have emerged over the last few decades. The problems encountered are becoming ever more complex, the methods applied to their solution ever more refined, and experiments and equipment ever more expensive and specialised.

9. Initiatives taken at and since the Versailles Summit

   - have confirmed that fundamental scientific research not only reflects a basic human urge to search for deeper and wider knowledge in such areas as High Energy Physics, Solar System Exploration, Biological Sciences, but also provides a basis for future technological developments, e.g. in the areas of Controlled Thermonuclear Fusion and Photosynthesis;

   - have encouraged intercontinental and global cooperation beyond the regional and bilateral relationships existing already before.

   Because of the competitive nature of the development of new technologies, collaborative large-scale projects which are familiar in fundamental scientific research are rather the exception in applied research. Such exceptions may be found where an objective can be defined as being internationally desirable in the public interest and its achievement requires, because of large financial and political dimensions, concerted efforts by major industrialized economies. Remote Sensing from Space, High Speed Train Systems and Fast Breeder Reactors are collaborative projects within this category. Another example is cooperative research and possibly joint development of technologies for the preservation and restoration of the environment where the problems are of an inherently transfrontier nature.

10. The advantages of cooperation are especially evident in cases requiring a major financial and logistic effort which individual countries have difficulties in funding alone. In these cases it is only such cooperation which leads to the formation

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of a "critical mass" for the realization of a specific project through cost sharing, risk sharing, division of labour (specialization), and reciprocal utilization of research results and facilities.

In the case of new technologies of emerging importance and with a multiplicity of decentralized applications (such as in the Biotechnology and Aquaculture areas of cooperation), however, the first requirement is an analysis and evaluation of the real needs and of realistic possibilities for efficient division of labour and cooperation.

C. The Significance of Norms and Standards

11. Maximum economic, human and social benefit of technological development is only generated when conditions within and between large economic regions are sufficiently compatible and therefore the same technological innovations can be introduced in the different countries at about the same time. The achievement of this objective requires cooperation in the exploitation of research results.

12. A critical and important example of the foregoing is norms and standards. Different norms and standards in our different countries can suppress the full economic benefit of technological development through fragmenting the market for the developed product or process and cause waste and duplication of scarce resources. Three areas of concern can be identified.

- In the research stage, there is a need for the joint development and validation of measurement methods and testing techniques, definition of test samples and accumulation of critical data, which will accelerate the testing, comparative assessment and subsequent adoption of the best new materials, processes and devices. Amongst the 18 areas for cooperation, this type of collaboration has been a major feature of Advanced Materials and Standards, Photovoltaic Solar Energy and Advanced Robotics.

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- In the development and acceptance stage of a new product, there is a need for mutual recognition of the validity of results from previously agreed testing procedures in our different countries so as to avoid unnecessary duplication of tests. This is especially important in the field of toxicological testing where there is a need for the creation of appropriate conditions and measures for the elimination of repetitive animal experiments.

- In the exploitation stage of a new development, the establishment and enforcement of internationally agreed common standards in our countries will allow uninhibited trade in new products and services. This is essential if the originator of the development is to be fairly rewarded and if the maximum potential from the development is to be realised. Amongst the 18 areas of cooperation, this type of collaboration has been a major feature of Advanced Robotics. Another example - although not immediately derived from the 18 areas of cooperation - is the world-wide exchange of information and data through new technological systems.

13. We cannot be satisfied with the current situation in any of these areas. Common standards in research are largely a matter for scientists and technologists, and we hope that the emphasis placed on this subject in some of our areas of collaboration will be noticed and taken up more widely by appropriate organisations such as national professional and learned societies and the International Council for Scientific Unions. But common norms and standards in the development and exploitation of new products and services are a matter for urgent attention and consideration by governments.

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III. Impacts of Technology on Growth and Employment

14. The Group wishes to underline that it is difficult to determine quantitatively the complex relationship between research and technology on the one hand, and economic growth and employment on the other. Also, scientific and technological research is not, generally, capable of correcting economic or societal dislocation in the short term. Technological change also leads to sectoral and geographic changes in labour demand. The introduction of information technologies, process automation, robotics, and other emerging technologies causes, on the one hand, a decline in traditional methods of production and generates, on the other hand, new products, new processes, new services, hence new job opportunities.

15. The key to understanding this compensatory process is competitiveness. This is above all a challenge for industry to meet.

    Governments should recognise the importance of creating the right conditions for technological dynamism through the encouragement of wide diffusion of emerging technologies, international agreement on common norms and standards to avoid artificial barriers to trade, the use of public procurement as a catalyst for world-wide innovation, and the stimulation of risk-taking and enterprise.

    Scientists will have to venture into new territory and to assume their share of responsibility for the socio-economic effects of their work.

    Entrepreneurs will have to show vision and courage in supporting research and development activities and in taking the risks of innovation.

16. The long-term nature of the interaction between research and technology, on the one hand, and growth and employment, on the other, calls for a three-way partnership between government, the scientific community and industry and for their determined and sustained efforts.

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IV. The Contribution of Young Researchers

17. In this context, it is especially important to ensure that young scientists and engineers are encouraged to pursue careers in research and development and that they obtain access to ongoing educational and training opportunities. During the 1960's and 1970's, our countries expanded their scientific and technological base at a very high rate. Since the new opportunities were then taken by young scientists and engineers who still hold their positions today, and since at present the system is no longer expanding or changing significantly, the new generation's access to scientific and engineering careers is reduced considerably.

    By distorting the age equilibrium in research institutions, in particular by interrupting the supply of the dynamic driving forces represented by young scientists, the situation leads not only to a less than optimal utilization of individual capabilities, but may also lead to longer-term damage to the innovative system of our countries as a whole.

18. Moreover the position may become even worse in the next two decades when the present problem of lack of opportunities for young scientists may be supplanted by a problem of inadequate supply. Demographic expectations of dramatically lowered birthrates may make the replacement of currently employed scientists and engineers extremely difficult. But the objective of stimulating growth and employment through technology in the future will continue to depend upon the active contribution of young scientists and engineers.

19. The Group calls the Summit's attention to the urgent task of Governments, science and industry to relieve the present problem by encouraging greater mobility and flexibility in employment procedures to restore a creative age structure and to anticipate possible future problems. To assist in this task the Group proposes to endeavour to improve the international exchange of relevant information.

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V. Environmental Research and Technology: Conclusions from the TGE Report on Environment

20. Following the request of the Heads of State and Government at the London Summit, the Working Group has prepared and separately presented a Report on Environment. The Report describes some of the most important lines of scientific and technical enquiry in six key areas of environmental research, i.e. atmospheric pollution, toxic and radioactive wastes, marine pollution, pollution of soils and waters, appropriate land husbandry and climatic change. It considers the scope of current international collaboration in these areas, and where gaps in our knowledge might usefully be filled by further international cooperation. This assessment has been set in the broader context of the relationship between environment protection and economic growth and employment. The Report emphasizes that economic and environmental policies can be brought closer together through the medium of science and technology, and that long-term economic growth depends on protecting and conserving environmental resources.

21. The Working Group reaffirms the Report's conclusions and recommendations and, in particular, the specific recommendations regarding priority topics for research, where greater international cooperation is warranted. International bodies dealing with science and technology cooperation in the environmental area will be invited to incorporating these priority topics in their forward plans.

22. The Report also identifies the importance of having available appropriate internationally recognized measurements and considered the setting up of a study-group to investigate the improvement and harmonisation of techniques and practises of environmental measurements in particular where use should be made of new and sophisticated methodology. The Working Group believes that a harmonisation would benefit scientific research, would contribute to the setting and monitoring of environmental standards, and could lead to the mutual recognition of test results.

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In view of the urgency of this issue, the Working Group proposes to establish an ad hoc group to be convened by the Federal Republic of Germany and the United Kingdom. This group should consult with the appropriate international bodies about the most efficient distribution of the work outlined in paras. 32 and 33 of the Report on the Environment and its Annex A. Subject to the results of consultations with international bodies, it should take the proposed terms of reference in this Annex A as a basis for defining the precise modalities of any remaining work to be undertaken. The group should report to the Working Group after consultation of the international bodies referred to above.

23. The Working Group will review the environmental issues raised in this report as soon as reactions from international bodies and the report of the ad hoc group are available, in order to consider whether any further action is to be taken.

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Annex

Summary

The Working Group started a review of activities in the 18 areas of cooperation, particularly with the objective of determining whether already now or at what time the special arrangements set up under the Economic Summit have, or will have led to the establishment of sustained international contacts and cooperation and to the development of appropriate structures for such cooperation, preferably in the context of existing international organisations.

While the Group concludes that in most areas of cooperation the impetus given at the Versailles, Williamsburg and London Summits has successfully served as a catalyst for international exchange and cooperation, it could not complete its review in time for inclusion of the results into the report for the 1985 Summit. The Group undertakes to pursue its review in order to be able to conclude in time for the 1986 Summit for each individual area of cooperation whether the activities in the specific context of the TGE Group can be brought to an end already at that time or at what time such conclusion may be expected.

At any rate, the Group wishes to underline that they consider their efforts of stimulation in the areas of cooperation to be of a finite nature and not designed for an indefinite period of time, the main objective being to set up appropriate international cooperation in a self-sustaining manner and not requiring permanent assistance and monitoring under the specific Summit structures. Already now the Group expects that their actions in a number of areas of cooperation, e.g. High Speed Trains, Housing and Urban Planning in Developing Countries, Public Acceptance of New Technologies, Basic Biology, and Solar System Exploration, may be brought to a successful conclusion before the 1986 or 1987 Summits, usually following the publication of a report summarising results achieved and outlining future activities for each area of cooperation.

Area for Collaboration	Photovoltaic Solar Energy
Lead Countries	Italy, Japan
Participants	European Communities, France, Federal Republic of Germany, United Kingdom
Observers	Canada, United States of America
Invited International Organizations	International Electrotechnical Commission

Aims

1. To exchange information and experiences on photovoltaics, including government incentive policies, basic materials research activities, and national strategic options.
2. To develop proposals for common research.
3. To establish common evaluation methods for photovoltaic cells and modules.
4. To set up a list, to be regularly updated, of photovoltaic research centres open to visiting scientists and exchange programmes.
5. To mount on-site joint studies.

Activities

The second joint co-ordination meeting took place in Tokyo in November 1984. Participating countries have exchanged information and experience on photovoltaic solar energy. Round Robin measurements of solar cells for the establishment of common evaluation methods are being performed as scheduled and the results will be circulated for comparison before the 2nd expert meeting. Lists of host laboratories willing to exchange research scientists in member countries have been presented. New proposals for common activities (the Round Robin testing of PV modules, a case study of PV applications in developing countries, a study of the medium-long term perspectives of PV technology) have been examined.

Outlook

The results of the Round Robin test of PV cells and the possibility of a Round Robin test of PV modules will be discussed at the 2nd expert meeting in Ispra, in Sep. 1985. Member countries will submit to the Italian delegation before the 3rd joint co-ordination meeting their analysis of the medium and long term perspectives of PV technology for a comparative review. Member countries interested in building a case study of PV applications in developing countries will formulate proposals for future action. The 3rd joint co-ordination meeting will be held in Nice, Oct. 1985.

Area for Collaboration	Controlled Thermonuclear Fusion
Lead Countries	European Communities, United States of America
Participants	Canada, France, Federal Republic of Germany, Italy, Japan, United Kingdom
Observers	-
Invited International Organizations	-

Aims

1. To accelerate world development of a new energy source using practically inexhaustible fuels and possessing potential advantages from an environmental point of view.
2. To avoid unnecessary duplication of costly equipment and installations, and to enhance collaborative exploitation of existing devices.
3. To study the possibility of carrying out joint projects in the medium term.

Activities

Since the London Summit in 1984 the Fusion Working Group met in July 1984 and January 1985.

Three sub-panels were established to examine long-term perspectives, short and medium-term common problems in physics, technology and reactor concept improvements, and administrative obstacles to effective international collaboration. Their reports were discussed and their conclusions provide the basis of further activities.

Outlook

Joint planning and collaboration on major fusion research facilities will be pursued in order to avoid duplication and to optimize the utilisation of resources in the spirit of Article 22 of the Report of the "Technology, Growth and Employment" Working Group to the London Summit that urges cost effectiveness in this area of fundamental research. In the same spirit collaborative activities will be undertaken in specific areas of physics, reactor concept improvement and technology. Such collaborative activities presuppose that Summit Members will continue to support their individual programmes at adequate levels. Progress Reports will be submitted within a year.

It is hoped that a Summit endorsement of an in depth review of administrative obstacles to effective international collaboration in science and technology will lead to coordinated action to eliminate them or mitigate their negative impact.

Area for collaboration	Photosynthesis and Photochemical Conversion of Solar Energy
Lead Country	Japan
Participants	European Communities (Federal Republic of Germany, Italy), France, United Kingdom, United States of America
Observers	-
Invited International Organizations	-

Aims

To promote basic research concerning photosynthesis and photochemical conversion and to develop artificial photosynthetic systems through exchange of information and scientists, and through research cooperation.

Activities

The expert meeting (November 1982, Tokyo) and the liaison meeting (July 1984, Tokyo) were held to decide, among other things, on the production of the list of researchers and institutes engaged in photosynthesis and photochemical conversion of solar energy. The list is being prepared for publication in March 1985. Priority fields for and desirable forms of future cooperation in the biological area were on the agenda of the International Workshop on Photosynthesis (November 1984, Japan) and other occasions. Several symposia were held to exchange scientific knowledge under such themes as: Photosynthetic Water Oxidation and Photosystem II, Photochemistry, Photochemistry of Metal Complexes, Photosynthesis 1984/Fundamental Studies and Their Applications. In addition to these meetings, a collaborative research has been initiated with the participation of scientists from member countries.

Outlook

The list of researchers and institutes will be completed in March 1985. An expert meeting is envisaged in the fall of 1985 to review the progress and to identify the areas of future cooperation, such as genetical and artificial control of biomass production, molecular physio-chemical biology of photosynthetic oxygen evolution, photochemical and photoelectrochemical systems for artificial photosynthesis, and molecular design of novel photocatalysts and energy-storage compounds. For the future research cooperation, two international symposia are planned by March 1986. Considering the above work programme, it is proposed that this cooperative project be continued through early 1986, and that a report on future international cooperation will be submitted to the Summit meeting in 1986.

Area for Collaboration	Fast Breeder Reactors
Lead Countries	France, United States of America
Participants	European Communities, Federal Republic of Germany, Italy, Japan, United Kingdom
Observers	-
Invited International Organizations	-

Aims

1. To help provide stable and supportive atmosphere for facilitating orderly breeder development.

2. To encourage international cooperation in breeder development.

Activities

The Working Group recognizes that, at the time of its creation, there were numerous international cooperative arrangements and commitments existant on fast breeder reactors. In 1984, expanded governmental understandings were reached within Europe for breeder cooperation and numerous other agreements and arrangements are under consideration between members of this Working Group. The U.S., in particular, is critically assessing specific options and strategies that may be open for enhanced collaboration. The Summit group has made a useful encouraging contribution in these developments in international breeder reactor cooperation.

Outlook

The Working Group believes that it should continue to examine how best to benefit from international breeder cooperation in research and development programs, and ultimately in joint projects. Progress has been made during 1984 and further decisions will be considered in 1985. The group should be available to assist in this process. The co-leaders will meet in April to consider the current status and the possible contribution of a meeting of the group later in the year.

Area for collaboration	Food Technology
Lead Countries	France, United Kingdom
Participants	Canada, European Communities, Federal Republic of Germany, Italy, Japan
Observers	-
Invited International Organizations	-

Aims

1. To collaborate on areas of research and training in the field of food technology relevant to the Third World.
2. To support international initiatives in the field of safety evaluation of novel foods and food additives and to coordinate fundamental research programmes in this field.
3. To collaborate on food research programmes and to encourage the transfer of existing research knowledge to the stage of application.

Activities

A workshop has already been held in Paris on raw materials and factors affecting food quality with the aim of identifying areas for collaboration and the mechanism of collaboration. The workshop has led to the establishment of an international training network in this area and to the identification of research topics on which collaboration is desirable and feasible. Similar workshops to be held in France and the United Kingdom are planned for the coming months to cover the control of processes, automation and technology transfer, safety evaluation, and Third World aspects.

Outlook

Decisions about a future work plan will be made following the workshops. It is expected that, if these are successful, the collaborative arrangements will build on current national programmes in the participating countries.

Area for collaboration	Aquaculture
Lead Country	Canada
Participants	European Communities, France, Federal Republic of Germany, Italy, Japan, United Kingdom, United States of America
Observers	-
Invited International Organizations	-

Aims

1. To document the present production and R&D programmes and estimate the economic trends to 1990.
2. To review and analyse trends leading to changes in technology and in the economic and legal elements of broad application.
3. To stimulate thinking on the research and development resources that will be required.
4. To strengthen collaborative efforts and foster initiation of new ones.
5. To provide a forum to consider the contribution that Science and Technology can make to aquaculture, to economic growth and employment opportunities, and to outline paths to achieve advances.

Activities

Two workshops were held in 1985, one on optimization of salmon smolt production, the other on optimization of shellfish production. Study groups summarizing the extent of present knowledge in several technical areas, and identifying cooperative research and experimental development programs that can be strengthened. Data on existing production, research efforts, roles in international aid programs, and means of funding collaborative research in aquaculture are being assessed. The next meeting of the planning group will assess the results of these initiatives, and prepare recommendations to member governments.

Outlook

Aquaculture is being practised in most countries of the world. However, the scientific bases for its structuring is limited and fragmented. It is attracting new investment in the fisheries sector, providing growth opportunities through innovation in both food production and recreational oriented industries.

The Planning Group on Aquaculture has an unique role in providing leadership for cohesive and orderly development in this industry. Security of food production is a most basic problem of all countries and wise use of aquatic habitats for aquaculture also complements environmental protection initiatives.

Area for collaboration	Remote Sensing from Space
Lead Country	United States of America
Participants	Canada, European Communities, France, Federal Republic of Germany, Italy, Japan, United Kingdom
Observers	Other countries participate, as appropriate, either actively or as observers, in specific projects within the scope of the panel's purview, in accordance with specific project ground rules.
Invited International Organizations	European Space Agency

Aims

1. To exchange information on remote sensing programmes and plans in participating countries.
2. To coordinate remote sensing programmes and plans with a view to avoiding duplication of efforts and fostering compatibility of activities to enhance the value of these programmes in addressing critical global phenomena.
3. To promote bilateral or multilateral collaboration and cooperation in remote sensing activities in order to enhance scientific return of programmes and use budget resources more efficiently.

Activities

A multilateral meeting of the Panel was held April 4-5, 1984 in Brussels. The panel established a streamlined remote sensing coordination group, CEOS (Committee on Earth Observations Satellites), which met September 24-25, 1984 and a group on Meteorological Satellite Cooperation, IPOMS (International Polar-orbiting Meteorological Satellite Group), which met November 19-20, 1984. Follow-up activities, including meetings of two working groups CEOS and one under IPOMS, have been agreed and scheduled for the next one to two years.

In October 1984, the countries involved in the satellite search and rescue program, COSPAS-SARAT, signed an agreement which assures services through 1990. Also during 1984, discussions were held among Summit countries regarding provision of new remote sensing instruments for flight on the shuttle or satellites. Summit members are planning to meet during the first half of 1985 to discuss coordination of remote sensing training and consider relevant recommendations of a meeting with developing country users hosted by France in October 1984.

Outlook

Bilateral and multilateral consultations are scheduled to be held January-March 1985. From these discussions, a final report will be prepared for review by the working group prior to the Bonn Summit. CEOS is scheduled to meet next in April/May 1986 hosted by ESA. The two CEOS working groups will meet prior to the next plenary. The IPOMS technical working group will meet in May 1985, and the plenary in October 1985. The IPOMS plenary will be hosted by France.

Area of Collaboration	High Speed Trains
Lead Countries	France, Federal Republic of Germany
Participants	Italy, Japan, United Kingdom
Observer	European Communities
Invited International Organisation	UIC (International Union of Railways)

Aims

1. To intensify the exchange of scientific, technical and economic data of the development and construction of high speed systems.

2. To elaborate the methodical basis for the socio-economic assessment of high speed systems.

3. To carry out feasibility studies on high speed systems.

Activities

Two separate working groups have been set up, one for the technological, the other for the socio-economic aspects of high speed systems.

A first symposium was held at Munich and Lathen, from October 25 to 27, 1983. At this symposium, the international state-of-the-art of the development of high speed technology was documented and further cooperation between industries, institutes, railway companies, and ministries concerned has been initiated.

A second symposium on the socio-economic aspects took place in Paris from November 5 - 8, 1984. Framework conditions and criteria for the introduction of high speed systems were discussed.

The main conclusions of the two symposia are presented in a report.

Outlook

The Federal Republic of Germany and France have henceforth decided to actively pursue the study of the high speed line projects Paris - Brussels - Cologne and Brussels - Amsterdam in cooperation with Belgium and the Netherlands. A report of these projects will be presented to governments concerned before the end of 1985.

Area for collaboration	Housing and Urban Planning in Developing Countries
Lead Country	France
Participants	European Communities, Italy, United Kingdom
Observers	Canada, Federal Republic of Germany
Invited International Organizations	-

Activities

Following the meeting on May 10, 1984 between representatives of the Housing and Urban Planning for Developing Countries program the majority of participants confirmed their agreement upon investigating means of mutual cooperation in information, training and research.

Concerning the first point, a questionnaire applied to the organism's cooperation activities underway on developing countries has been launched in France and Italy. French actions are already processed in an computerised data bank and a first document presenting French cooperation activities has been circulated. European Communities and United Kingdom have already supplied an initial series of answers. A complete document will soon be published. As concerns training, France's pilot group is preparing a brochure describing the training facilities available in member countries for developing countries executives. Parallel to this presentation, the pilot group is engaged in a study of the adequacy of training systems in industrialised countries to professional needs in developing countries.

Outlook

France has proposed last December some short and medium term actions relating to the creation of an international training meeting point (bid for innovative training courses, short sessions for discussion of selected experiments in developing countries). During the month of February, France and Italy met and decided to carry on a few short term actions. A meeting is planned in Spring 1985 to discuss these proposals. A general concluding report will be drafted for the end of the year on the results achieved and, if necessary, future steps envisaged.

Area for collaboration	Advanced Robotics
Lead Countries	France, Japan
Participants	Canada, Federal Republic of Germany, Italy, United Kingdom, United States of America
Observers	European Communities, Austria, Netherlands, Norway
Invited International Organizations	-

Aims

1. To hold a "Joint Coordinating Forum" at least once a year in the participating countries in turn, with the attendance of a limited number of officials from each participating country responsible for R and D policy in advanced robot systems.
2. To exchange data/information, researchers/study missions on R and D activities for advanced robot systems undertaken by appropriate organizations.
3. To suggest common standards (robot components, interfaces, communication and languages).
4. To establish common criteria for evaluation.
5. To do joint evaluation (in particular of technical aspects) and joint experiment.

Activities

The Joint Coordinating Forum (JCF) was held three times so far, in Japan in September, 1983, in France in January, 1984 and in Italy in September, 1984. At the first JCF, the framework of collaboration was determined. Under the framework cooperative activities are proceeding in three phases, which comprise the definition of collaboration program (Phase 0), exchange of information and study mission through workshops and joint site study (phase 1), and joint evaluation and joint experiment (phase 2).

The activity in phase 0 was completed by the end of 1983. At the second JCF, application areas for collaborative research, and initiating countries and member countries have been nominated for each as well as the necessary technologies.

The activity in phase 1 began just after the second JCF and is making progress through workshop and study mission activities planned by initiating countries for each application area. The fire fighting and rescue operation group carried out the first workshop in August, 1984 in Japan. The first workshop on system architecture, man-machine and intelligence was held in September, 1984 in Italy. The first study mission has been performed by Japan in the nuclear application area in European countries, France, Federal Republic of Germany, Italy and United Kingdom, in November, 1984.

At the third JCF, member countries agreed that initiating countries for each application area will suggest workshops and study missions.

Outlook

The fourth JCF will be held in the United Kingdom in May 23, 1985, at which plans of the workshops for each application area will be prepared by the initiating countries for the next one year and joint site studies will be discussed. The workshop on mining robotics will be held in France on May 21-22, 1985. Also, the workshop on nuclear robotics has been decided to be held in Japan around September, 1985. Before the end of phase 1, each country will determine the concrete form of collaborative research for phase 2.

Area for collaboration	Impact of New Technology on Mature Industries
Lead Countries	France, Italy
Participants	Australia, European Communities, Federal Republic of Germany, Norway, United Kingdom, United States of America
Observers	-
Invited International Organizations	-

Aims

The aims of the project clearly defined during the first phases of the work have led to the definition of a common working methodology. This approach aims at stimulating the innovation of the traditional sectors, either by the introduction of new technologies specific to those sectors or orginating from elsewhere, or by the promotion of new services directly or indirectly connected to production. An evaluation of the impact of new technologies in general as well as a comparison of difficult national approaches will be carried out.

Activities

Three countries are presently members of the working group involved in this type of evaluation, the others are considering such evaluations in the production sectors already identified. In Italy, ENEA already works in the field of the wool textile industry at Prato. The study has already reached an advanced stage and the introduction of new technologies such as telematics, CAD/CAM, the use of laser is envisaged for 1985.

Other studies in the materials sector, such as silk in Come, tiles in Sassuolo, wood and furnishings in Trento, glass in Murano are presently in the programming stage.

It is within the same direction that the French team at CESTA is working. The chosen sectors are: the woolen textile industry in the Tarn where the experimentation of new technologies is approaching its first stages, the porcelaine tableware at Limoges, and screwcutting in the Arve Valley.

The Federal Republic of Germany is concentrating its efforts on a detailed study concerning the introduction of new technologies in the rubber industry. The team responsible for the study is the Institut für Kunststoffverarbeitung.

It was decided that Norway and Australia could also join the working group as member countries.

Outlook

There will be a general meeting on April 29, 1985 in Italy. Furthermore, a working seminar will be organised in October 1985 in France. The seminar will offer the possibility of taking stock of the studies undertaken concerning the modernisation of traditional sectors and methods of apprehending this question. Each country participating in the working group will make a detailed presentation concerning a precise case study.

Area for collaboration	Biotechnology
Lead Countries	France, United Kingdom
Participants	Canada, European Communities, Federal Republic of Germany, Italy, Japan
Observers	United States of America
Invited International Organizations	FAO, WHO, UNESCO, UNIDO

Aims

The International Biotechnology Network has two aims:

- in education, to help students, especially from third-world countries, to obtain training in biotechnologies, and promote student exchange programmes between industrialized nations.
- In research, to further co-operation on specific topics related to biotechnology, through harmonisation of national research programmes.

Activities

On training, a number of centres are participating in an International Training Network, the aim of which is to help students from third-world countries. A brochure listing training opportunities in each member country has been widely distributed.

During 1984, approximately 40 students for graduate level training in biotechnology were selected, all from countries outside the network.

Three topics have been chosen by the International Committee for possible research co-operation.

1. Downstream processing: United Kingdom - Coordinator
2. Bioconversion of cellulose: Japan - Coordinator
3. Biological nitrogen fixation: Canada - Coordinator (Italy may join later as a co-coordinator).

A conference on Downstream Processing will be held in Toulouse, France, in February 1985. Workshops on Nitrogen Fixation are also being arranged for 1985.

Outlook

The training programme will continue in the academic year 1985/86. The three collaborative research projects are expected to get fully underway during 1985 and other projects may be initiated. The duration of the projects will depend on the success of the collaboration on the individual topics.

Area for collaboration	Advanced Materials and Standards
Lead Countries	United Kingdom, United States of America
Participants	Canada, European Communities, France, Federal Republic of Germany, Italy, Japan
Observers	-
Invited International Organizations	-

Aims

1. To promote cooperation on enabling scientific and technological research in advanced engineering materials in order to support the generation of codes of practice for these materials.
2. To exchange information on codes of practice and specifications in advanced materials and on the key organisations in various countries in order to facilitate cooperation and the adoption of agreed standards.

Activities

Since the last report the Steering Committee has met in Washington and Nice. Terms of Reference have been agreed for the Technical Working Parties which will be responsible for the definition and conduct of programmes on specific topics. Technical Working Parties chaired by the scientists named have been approved in the following areas.

Wear test methods: Prof. H Czichos, F.R. Germany
Surface chemical analysis: Dr C J Powell, USA
Polymer blends: Dr L Utracki, Canada
Ceramics: Prof. P Boch, France
Polymer Composites: Prof. C Bathias, France
Bioengineering Materials: Prof. D De Rossi, Italy
Cryogenic Materials: Dr K Tachikawa, Japan
Weld Characteristics: Dr H I McHenry, USA
Hot Salt Corrosion: Dr T B Gibbons, UK

There is a wide participation in all the above topics.

The first edition of a six-monthly VAMAS Bulletin has been produced and gives general information on the project and details of contacts in the participating countries. In order to insure the ultimate incorporation of the output from VAMAS in national and international standards, an article has been produced suitable for the house journals of national standards organisations.

Outlook

The next meetings of the Steering Committee will be held in Montreal in September 1985 and Berlin in April 1986, hosted respectively by the Institut de Génie des Matériaux, NRCC and Bundesanstalt für Materialprüfung. The Secretariat will move to USA in 1986.

Area for Collaboration	New Technologies Applied to Culture, Education and Vocational Training (ANTEM)
Lead Countries	Canada, France
Participants	Italy, United Kingdom
Observers	European Communities, Federal Republic of Germany
Invited International Organizations	-

Aims

To develop international collaboration and to share experience in the field of new technologies applied to education, through the establishment of databanks, workshops, common terminology, etc.

Activities

Three different networks have been established. The first concerns instructional technology referral centres, with the assembly of information on the educational technology resources of member countries. France and Canada have committed themselves to national databanks, whilst Italy and United Kingdom are investigating the possibilities. The second network is devoted to promoting workshops experimenting with developed technologies, with three centres now established in France and one network based on suppliers of Telidon information planned in Canada. The third is intended to establish communication between users of new technologies, involving an electronic network, in which Canada, Italy and France are participating. The Interactive Audio-Visual Project is exploring the possibilities of using 'intelligent' video discs in comparative research, and France and Canada are together exploring its application to biotechnology training. Lastly, a working group from the co-lead countries is studying the development of a common terminology bank with reference to robotics and biotechnology.

It has been suggested that organisations in non-member countries be able to participate informally in certain projects.

Outlook

ANTEM has as an objective to establish and have operating the information networks by mid-summer 1985.

Area for collaboration	Public Acceptance of New Technologies
Lead Country	United Kingdom
Participants	Canada, France, Federal Republic of Germany, Italy, Japan
Observers	-
Invited International Organizations	-

Aims

1. To investigate experience in the introduction of new technologies, in particular public attitudes towards new technologies.
2. To promote research collaboration and to establish complementary research projects in particular countries.
3. To exchange information from participating countries relevant to the study of the public acceptance of new technologies.
4. To draw out implications for corporate and public policy-making in this area.

Activities

The Working Group agreed a paper which proposed a number of areas where collaborative research might be undertaken. The United Kingdom followed this up by awarding four research contracts, and international co-operation now centres on the main UK contractors (the Policy Studies Institute, Manchester University PREST Team and the Technical Change Centre). These teams have developed research collaboration with research institutions in the participating countries and have promoted international seminars and bilateral meetings. Researchers from all the participating countries have now contributed to one or more of the three major study areas.

Outlook

The UK studies will have been completed by Autumn 1985, and the results disseminated shortly afterwards. The report findings will form the basis of a major international conference planned for the end of 1985. At that stage, the Working Group will have completed its work, but in the knowledge that international collaboration and interest in the theme stimulated by its work will continue.

Provisionally, the results obtained in the UK studies suggest that the anxieties expressed at the outset of the study have not been borne out. However, what has been called the "Fourth Industrial Revolution" has only just begun and the continuing acceptance of new technologies is by no means certain. Continued monitoring and study therefore remains essential but is unlikely to demand the regular attention of Heads of State and Government.

Area for collaboration	Basic Biology
Lead Country	European Communities
Participants	Canada, France, Federal Republic of Germany, Italy, Japan, United Kingdom, United States of America
Observers	-
Invited International Organizations	-

Aims

To keep up the efforts which have been made in this sector in recent years and to build up international cooperation taking due account of the complexity of modern biology.

Activities

The project addresses three themes: information networks, neurosciences, ecology.
According to the views expressed by the TGE Working Group at its Bonn meeting (January 11-12, 1985) future activities should be oriented towards the establishment of an international infrastructure in support to basic biology. In this connection the proposed activity on the establishment of Information Networks and Data Banks amongst the Summit partners must be pursued vigorously. Moreover a network on bionics banks and biological collections should be established; particular attention should be given to specialized organs and cell lines collections (cf. report of the meeting of the ad-hoc working group of march 1985).

In the neurosciences a conference bringing forty experts together from the Summit Countries will be held in Rome in March 1985 with the object of setting out the state of the art in the field in these countries and of defining a suitable international structure for the promotion and encouragement of this discipline internationally.

Lastly, so far as ecology is concerned, discussions are underway with the object of identifying the various possibilities for cooperation, and selecting one or several subjects which could form the subject of special agreements. Among the subjects envisaged the following might be noted: microbial ecology, biological diversity (a seminar could be organized in early 1986), tropical biology and participation in the international geosphere/biosphere programme, as well as in the US long term ecological project.

Outlook

Reconsideration will be envisaged towards the end of 1985 on the basis of a report by the working group on an assessment whether present work can be accommodated in existing international organisations - such as International Council of Scientific Unions, Biology Science Network (United Nations), European Molecular Biology Organization, Asean Molecular Biology Organization - and whether new subject areas should be pursued. Because of developments in science and technology and increasing public awareness particular attention should be given to Bioethics.

Area for collaboration	High Energy Physics
Lead Country	United States of America
Participants	Canada, European Communities, France, Federal Republic of Germany, Italy, Japan, United Kingdom
Observers	-
Invited International Organizations	-

Aims

The aim of the Summit Working Group in High Energy Physics is to further develop international collaboration to foster progress in this field of scientific research.

Activities

In regard to Article 22 of the "Technology, Growth, Employment" Working Group Report to the London Summit, the High Energy Physics Working Group has found that, since its establishment, international collaboration has increased in the use of present accelerators and in the planning for further accelerators. Moreover, continuing collaboration in long range accelerators and detector technology development will lay the ground work for further international collaboration in construction and use of future accelerators in this area of fundamental research. The Working Group has identified a number of obstacles of an administrative nature that hamper effective collaboration.

Outlook

This Working Group has provided a unique forum for discussion of this area of basic science. It is of the greatest importance to continue to review long-term plans for major facilities and related technological research activities on an intergovernmental basis. This should enable progress in this most fundamental science, rich in technical spin-offs, to continue in an orderly, cost-effective way within limited resources.

It is hoped that a Summit endorsement of an in-depth review of administrative obstacles to effective international collaboration in science and technology will lead to coordinated action to eliminate them or to mitigate their negative impact.

Area for collaboration	Solar System Exploration
Lead Country	United States of America
Participants	All Summit members
Observers	-
Invited International Organizations	European Space Agency (ESA)

Aims

1. To exchange information on Summit countries' and the European Space Agency's respective plans for solar system exploration.
2. To identify projects of mutual interest which could be conducted bilaterally or multilaterally.
3. To report on potential cooperative, long-term, high-risk projects to conduct fundamental research about the nature, origin and evolution of the solar system.

Activities

A program known as the International Solar Terrestrial Physics (ISTP) Program for comprehensive investigation and analyses of the flow of plasmas and energy from the sun and earth has been the subject of trilateral discussions among the U.S., Japan and the European Space Agency (ESA). ISTP is a multi-satellite program for operation beginning early next decade. A trilateral NASA (U.S.)/ESA (Europe)/ISAS (Japan) ISTP planning group was formally established in mid-1984. The group met in Paris in June 1984 and in Tokyo in November 1984 and in Washington, D.C. in February, 1985.

Three joint studies are underway concerning planetary and small bodies missions: (1) a joint U.S./German comet rendezvous and asteroid flyby (CRAF) mission; (2) a joint NASA/ESA mission to Saturn and its moon Titan, designated Cassini; and (3) NASA and ESA are conducting a broad-based study of possible primitive body missions. NASA and the German Federal Ministry for Research and Technology have held discussions during the past year on the CRAF mission. A feasibility study of the propulsion system to be used for the mission will be conducted by Germany during 1985. In addition, an announcement will be issued to the scientific community during 1985 soliciting experiments for the CRAF mission. Each side will follow its respective budget procedures to seek approval for start of the mission in FY 1987 for launch in 1990. The Cassini and primitive bodies missions have been the subject of four discussions over the past year by scientific study teams and the proposed sponsoring agencies NASA and ESA.

Outlook

If approved, phased implementation of ISTP could begin in 1986, and would continue through the 1990's. The CRAF mission is currently planned for launch in 1990 and Cassini in 1993. Flight time and data analyses would continue years after launch. The primitive bodies missions have only been identified in a preliminary manner and would likely be conducted in the late 1990's.

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T76/85

CABWTE 001/27

O 271030Z APR 85
FM CABINET OFFICE LONDON
TO THE WHITE HOUSE
BT
S E C R E T AND PERSONAL
FOLLOWING IS TEXT OF PERSONAL MESSAGE FROM PRIME MINISTER TO PRESIDENT REAGAN

''DEAR RON, MY THOUGHTS HAVE BEEN VERY MUCH WITH YOU THIS LAST WEEK OR TWO. I KNOW THAT IT IS NOT IN YOUR NATURE EVER TO BE DOWN-HEARTED BUT ALWAYS TO PERSEVERE WITH WHAT YOU BELIEVE TO BE RIGHT. I AM SURE THAT YOUR OWN INDOMITABLE SPIRIT WILL SOON TRIUMPH. WE RELY VERY MUCH ON YOUR LEADERSHIP AND SHALL DO SO PARTICULARLY AT THE FORTHCOMING ECONOMIC SUMMIT IN BONN.

I HOPE THAT WE CAN WORK VERY CLOSELY TOGETHER AT THE SUMMIT ON THE ECONOMIC ISSUES, ON SETTING THE DATE FOR A NEW GATT ROUND, ON TERRORISM AND IN ANY DISCUSSION OF YOUR STRATEGIC DEFENCE INITIATIVE. IT WOULD BE VERY HELPFUL IF WE COULD, AS USUAL, MEET IN THE MARGINS OF THE SUMMIT TO COORDINATE OUR APPROACH. I AM SURE THAT OUR PEOPLE CAN FIND A TIME CONVENIENT TO BOTH OF US''. YOURS SINCERELY, MARGARET.
BT

NNNN

E.R.

SECRET AND PERSONAL

FOLLOWING IS TEXT OF PERSONAL MESSAGE FROM PRIME MINISTER TO PRESIDENT REAGAN TO PASS OVER CABINET OFFICE/WHITE HOUSE DIRECT TELEX LINK

"Dear Ron

My thoughts have been very much with you this last week or two. I know that it is not in your nature ever to be down-hearted but always to persevere with what you believe to be right. I am sure that your own indomitable spirit will ~~easily surmount any temporary setbacks~~ soon triumph. We rely very much on your leadership and shall do so particularly at the forthcoming Economic Summit in Bonn.

I hope that we can work very closely together at the Summit on the economic issues, on setting the date for a new GATT round, on terrorism and in any discussion of your Strategic Defence Initiative. It would be very helpful if we could, as usual, meet in the margins of the Summit to coordinate our approach. I am sure that our people can find a time convenient to both of us."

SECRET AND PERSONAL

E. R.

PRIME MINISTER

BONN ECONOMIC SUMMIT

I attach the briefs for the Summit which you may find it useful to have over the weekend. The main ones are nos. 1-5.

There is a draft speaking note on the main economic issues attached to brief no.2. It is a bit thin on deregulation.

E.D.?

26 April 19i5

Policy

PRIME MINISTER

Bonn Economic Summit: Bilateral with President Reagan

We are having difficulty in fixing a bilateral with President Reagan. There are various reasons for this. The White House has been virtually under siege in the last week or so with the problems of Nicaragua, the budget and the President's visit to Bitburg. It is very difficult to get any decisions out of them. I understand from Oliver Wright that his staff have committed him to bilaterals with President Mitterrand (who has not seen him since his re-election) and Mr Nakasone but are resistant to fixing any other meetings. Oliver believes firmly that if the question were to be put to the President himself he would certainly want to have a bilateral with you. He is trying to get a decision out of Mike Deaver in the course of today but recommends that, if he does not succeed, you should send a short personal message to the President.

I think this is right. It would be almost unprecedented for you not to have a bilateral with the President in the margins of an Economic Summit. I have had a go at a personal message and attach a draft. If you agree, we ought to despatch it tomorrow, Saturday - unless Oliver Wright succeeds in the meantime.

C.D.P.

26 April 1985

For Bonn Folder

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RESTRICTED

FM MONTEVIDEO 261908Z APR 85
TO IMMEDIATE FCO
TELEGRAM NUMBER 346 OF 26 APRIL

MIPT: LATIN AMERICAN DEBT

1. THE FOLLOWING IS THE TEXT OF PRESIDENT SANGUINETTI'S LETTER TO THE PRIME MINISTER.

BEGINS. I HAVE THE GREAT HONOUR OF ADDRESSING MYSELF TO YOUR EXCELLENCY IN THE NAMES OF THE PRESIDENTS OF ARGENTINA, BOLIVIA, BRAZIL, COLOMBIA, CHILE, ECUADOR, MEXICO, PERU, THE DOMINICAN REPUBLIC, VENEZUELA AND MY OWN COUNTRY, ON THE EVE OF A NEW SUMMIT MEETING OF SEVEN INDUSTRIALISED WESTERN COUNTRIES, TO TAKE PLACE IN BONN NEXT MONTH.

ON EARLIER OCCASIONS LATIN AMERICAN HEADS OF STATE HAVE MADE KNOWN TO POLITICAL LEADERS OF THE INDUSTRIALISED WORLD OUR CONCERN ABOUT THE ACUTE PROBLEMS POSED IN LATIN AMERICA BY THE CRISIS: IN PARTICULAR, THE CURRENT AND PROSPECTIVE STATE OF FOREIGN DEBT, A MATTER WHICH TRANSCENDS THE BOUNDS OF OUR OWN INTERESTS AND AFFECTS THOSE OF THE WHOLE INTERNATIONAL COMMUNITY.

THE RELATIVE IMPROVEMENT IN SOME INDICATORS OF THE LATIN AMERICAN ECONOMY IN 1984, AN IMPROVEMENT WHICH OCCURRED IN INSUFFICIENT AND UNEQUAL FORM, WAS THE PRODUCT OF PARTIAL REACTIVATION IN VARIOUS INDUSTRIALISED COUNTRIES, ABOVE ALL IT WAS DUE TO THE RESPONSIBLE ATTITUDE AND INTERNAL EFFORTS OF LATIN AMERICANS THEMSELVES. WE WISH TO EMPHASISE THAT THE ADJUSTMENT MADE BY OUR COUNTRIES - THE MOST SEVERE IN THE LAST FIFTY YEARS - HAS SO FAR AVOIDED THE PRECIPITATION OF SITUATIONS WHICH WOULD PRESENT A GRAVE RISK TO THE INTERNATIONAL FINANCIAL SYSTEM. THIS ADJUSTMENT CARRIES ITS OWN COST: BASICALLY, A DRASTIC LOWERING OF THE STANDARD OF LIVING IN OUR COUNTRIES, WITH GRAVE ECONOMIC, SOCIAL AND POLITICAL CONSEQUENCES. IN SPITE OF THE FACT THAT RESPONSIBILITY FOR THE CRISIS IN ITS GESTATION WAS CLEARLY SHARED BY FINANCIAL AGENTS AND BY THE INTERNATIONAL ECONOMIC SYSTEM ITSELF, SUCH ADJUSTMENTS HAVE BEEN BORNE EXCLUSIVELY BY THE DEBTOR COUNTRIES.

IT WOULD BE A GRAVE MISTAKE TO THINK THAT THE PROBLEM OF FOREIGN DEBT HAS BEEN OVERCOME OR THAT IT WILL BE CORRECTED AUTOMATICALLY BY THE ECONOMIC DYNAMICS OF THE INDUSTRIALISED COUNTRIES (BOTH ASYMMETRIC AND UNCERTAIN) OR BY A MERE CONTINUATION OF THIS PROCESS OF ADJUSTMENT. FOR THIS REASON, THERE IS ALSO THE GREAT DANGER THAT A HASTY EVALUATION OF THE FACTS COULD LEAD TO A SITUATION OF SELF-SATISFACTION OR IGNORANCE OF THE FRAILTY AND SHORTCOMINGS OF ACHIEVEMENTS SO FAR. RESTRICTED /AS

AS YOUR EXCELLENCY IS AWARE, HIGH INTEREST RATES, A DRAMATIC DROP IN MANY OF THE PRICES OF OUR BASIC EXPORT GOODS, DIFFICULTIES IN PENETRATING OVERSEAS MARKETS AND A DANGEROUS INCREASE IN COMMERCIAL PROTECTIONISM PERSIST IN THE INTERNATIONAL ECONOMY. THE RENEWAL OF NEW AND ADDITIONAL FLOWS OF PUBLIC AND PRIVATE CAPITAL IS UNCERTAIN AND NOT AT ALL ENCOURAGING THEY REMAIN AT A LOW AND INSUFFICIENT LEVEL WHICH DOES NOT COMPENSATE FOR THE TRANSFER OF RESOURCES FROM LATIN AMERICA TO FOREIGN MARKETS, ESPECIALLY THOSE RELEVANT TO THE SERVICING OF FOREIGN DEBT. THESE FACTS AFFECT OUR PAYMENT CAPACITY AND, SINCE THEY COMPEL US TO REDUCE IMPORTS, THEY EMPHASISE RECESSION AND WEAKEN THE CREATION OF DOMESTIC CAPITAL.

THESE CONSIDERATIONS ARE OF GREATER SIGNIFICANCE WHEN THE HIGH TRANSGERS WHICH THE REGION WILL HAVE TO MAKE TO SERVICE THE DEBT, IF PRESENT MARKET RATES ARE MAINTAINED, ARE VIEWED ON A LONG TERM PROJECTION.

IN THIS CONTEXT, AND DESPITE OUR EXPECTATIONS, WE MUST POINT OUT THAT IN THE RECENT DELIBERATIONS OF THE INTERIM COMMITTEE AND DEVELOPMENT COMMITTEE OF THE INTERNATIONAL MONETARY FUND AND THE WORLD BANK, NO SIGNIFICANT PROGRESS WAS RECORDED ON THE ISSUES RAISED BY DEVELOPING COUNTRIES: IN PARTICULAR ON THOSE CONNECTED WITH EXTERNAL DEBT AND INTERRELATED QUESTIONS OF FINANCING AND COMMERCE.

ON THE OTHER HAND, THE ANNOUNCED INITIATIVE ON A NEW ROUND OF COMMERCIAL TALKS, AS WELL AS STEPS TOWARDS REFORM OF THE INTERNATIONAL MONETARY SYSTEM - WHICH WE CONSIDER TO BE OF TOP AND URGENT PRIORITY - ARE BEING OUTLINED IN ACCORDANCE WITH NEGOTIATING CRITERIA WHICH IN SOME CASES EXCLUDE, AND IN OTHERS DO NOT ENSURE, ADEQUATE PARTICIPATION BY DEVELOPING COUNTRIES. WE THINK IT IS FUNDAMENTAL THAT PROGRESS IN THE FIELD OF COMMERCIAL LIBERALISATION SHOULD BE ACCOMPANIED BY PROGRESS IN THE MONETARY AND FINANCIAL FIELDS, BY VIRTUE OF THE CLEAR INTERRELATION BETWEEN BOTH CONCEPTS.

WITHOUT AVOIDING RESPONSIBILITIES WHICH EACH COUNTRY HAS ASSUMED AND WILL CONTINUE TO ASSUME IN THEIR PROCESSES OF ECONOMIC ADJUSTMENT AND REORGANISATION - INCLUDING INDIVIDUAL RENEGOTIATIONS - WE ARE CONVINCED THAT THE LACK OF SUPPORT FOR OUR EFFORTS TO DEVELOP REDUCES THE EFFECTIVE CONTRIBUTION WHICH OUR ECONOMIES ARE ABLE AND WISH TO MAKE TO THE DYNAMICS OF WORLD TRADE AND ECONOMICS. THIS DETERMINATION OF THE REGION, CONFIRMED BY ITS HAVING FACED UP TO ITS EXTERNAL COMMITMENTS, MUST BE SUPPORTED BY THE SUSTAINED GROWTH OF ITS ECONOMIES AND NOT BY THE UNREMITTING REDUCTION OF DOMESTIC STANDARDS OF LIVING.

THAT IS WHY THERE IS AN URGENT REQUIREMENT FOR AN INTEGRAL STUDY OF THE DEBT PROBLEM, PLACING IT WITHIN THE FRAMEWORK OF THE FUNDAMENTAL AIM: TO ACCELERATE THE PROCESSES OF ECONOMIC DEVELOPMENT AND SOCIAL PROGRESS. TO THESE ENDS IT IS NECESSARY TO TAKE POLITICAL DECISIONS THAT WILL ENABLE US TO OVERCOME THE OBSTACLES WHICH STILL PERSIST TODAY, AND WHICH DISTRIBUTE IN SUCH AN UNEQUAL MANNER THE SACRIFICES IMPOSED BY THESE PROCESSES OF ADJUSTMENT. SUCH POLITICAL DECISIONS CAN ONLY BE AGREED UPON BY MEANS OF MECHANISMS FOR DIALOGUE AND CONCERTED EFFORT AT THE HIGHEST LEVEL, TRANSFORMING INTO EFFECTIVE DEEDS THE WORDS SO OFTEN SPOKEN ABOUT WORKING TOGETHER FOR A FAIRER INTERNATIONAL SYSTEM.

THE AIM OF THE DIALOGUE AND THE COOPERATION WE ARE PROPOSING IS TO MAKE REAL PROGRESS TOWARDS LASTING SOLUTIONS. IT IS NECESSARY TO SKETCH A PLAN OF CONCERTED ACTION WHICH WILL GO BEYOND MERELY RELIEVING THE BURDEN OF THE DEBT DUE TO RENEGOTIATION OPERATIONS, AND WHICH WILL TAKE EFFECT THROUGH COMPLEMENTARY MEASURES IN THE FIELDS OF DEBT, TRADE AND FINANCING IN ORDER TO PERMIT A RAPID RESTORATION OF THE CONDITIONS NECESSARY FOR SUSTAINED GROWTH IN DEVELOPING COUNTRIES.

AS WELL AS CALLING YOUR ATTENTION TO THE NEED FOR POLITICAL DIALOGUE WITH A SENSE OF RESPONSIBILITY AND AN EMINENTLY CONSTRUCTIVE ATTITUDE, WE WISH TO SHARE WITH YOU OUR PREOCCUPATION ABOUT THE RISKS TO THE WHOLE INTERNATIONAL ECONOMY IF THERE IS NO RESPONSE. THE CONTINUATION OF SITUATIONS WHICH MAKE CURRENT PROCESSES OF INTERNAL ADJUSTMENT SO BURDENSOME, COULD LEAD TO UNFORE-SEEABLE CIRCUMSTANCES FOR THE ENTIRE INTERNATIONAL COMMUNITY.

YOUR EXCELLENCY MUST BE AWARE THAT THE SOCIAL AND POLITICAL CONSEQUENCES OF THIS STATE OF AFFAIRS AFFECT OUR CLIMATE OF INTERNAL LIVING CONDITIONS. BUT THESE CONSEQUENCES BECOME ALL THE MORE DRAMATIC WHEN THEY ARE CONVERTED INTO SERIOUS OBSTACLES TO THE STABILITY OF THE INTERNATIONAL POLITICAL SYSTEM AND THE STRENGTHENING AND CONSOLIDATION OF OUR DEMOCRACIES, ESPECIALLY THOSE THAT HAVE ARISEN FROM COSTLY PROCESSES OF CHANGE IMPELLED BY THE WILL OF OUR PEOPLE AND SUPPORTED BY THE SOLIDARITY OF FRIENDLY COUNTRIES.

IN THE ASSURANCE THAT THESE VIEWS WILL CONTRIBUTE TO A REALISTIC AND PRAGMATIC VISION OF THE PROBLEMS OF THE WORLD ECONOMY IN RELATION TO THE SITUATION OF OUR COUNTRIES, I TAKE THE OPPORTUNITY TO RENEW TO YOUR EXCELLENCY THE ASSURANCES OF MY HIGHEST CONSIDERATION. ENDS.

2. FCO PLEASE COPY AS APPROPRIATE.

WALLACE

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TELEGRAM NUMBER 351 OF 25 APRIL 1985
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LUXEMBOURG

BONN SUMMIT : FRENCH APPROACH

SUMMARY

1. FRENCH WILL STAND FIRMLY ON THEIR POSITION THAT THE AGENDA FOR THE NEW GATT ROUND MUST BE CAREFULLY PREPARED BY EXPERTS TO ENSURE THAT EUROPEAN INTERESTS ARE TAKEN FULLY INTO ACCOUNT AND LDCS ARE NOT ALIENATED. TO RETAIN LEVERAGE OVER THIS, FRENCH WILL REFUSE TO AGREE THAT BONN SUMMIT SHOULD SET A DATE FOR THE OPENING OF THE NEW ROUND. THEIR IDEAS ON LINKAGE BETWEEN GATT ROUND AND MONETARY REFORM ARE LESS CLEAR. THEY WILL CONTINUE TO PRESS FOR HOLDING OF A SPECIAL INTERIM COMMITTEE DEVOTED SOLELY TO MONETARY REFORM TWO OR THREE MONTHS AFTER THE COMMITTEE HAS MET IN SEOUL. THEY WILL ALSO PURSUE AT BONN THEIR PROPOSALS TO COMBAT FAMINE AND DROUGHT IN AFRICA.

DETAIL

NEW GATT ROUND

2. MME GUIGOU (ELYSEE) BRIEFED FINANCIAL COUNSELLOR TODAY ON FRENCH APPROACH TO ECONOMIC ISSUES AT THE SUMMIT AND WE HAVE HAD AN ACCOUNT OF THE PRESS BRIEFING ON THE SUMMIT GIVEN THIS MORNING BY ATTALI.

3. IS IS CLEAR THAT MITTERRAND WILL STRONGLY RESIST THE SETTING OF A DATE FOR THE OPENING OF THE NEW GATT ROUND AT THE SUMMIT. HE WILL INSIST THAT A BALANCED AGENDA FOR THE ROUND MUST FIRST BE DRAWN UP WHICH TAKES FULLY INTO ACCOUNT EUROPEAN INTERESTS AND DOES NOT ALIENATE THE LDCS. THE FRENCH FEAR THAT THE AMERICANS, CONCERNED FOR THEIR FARMING INTEREST, WILL SEEK TO USE THE ROUND TO INCREASE THEIR SHARE OF WORLD TRADE IN AGRICULTURAL PRODUCTS. THE EUROPEANS MUST RETAIN THE LEVERAGE WHICH THE SETTING OF A DATE OFFERS THEM, IN ORDER TO INFLUENCE WORK ON THE AGENDA AT EXPERT LEVEL. THEY ALSO ATTACH IMPORTANCE TO AVOIDING THE ALIENATION OF LDCS IN THE APPROACH TO THIS ROUND, WHICH THE LDC SPOKESMAN COMPLAINED, AT THE WASHINGTON MEETINGS LAST WEEK, WAS PREMATURE SO LONG AS INDUSTRALISED COUNTRIES HAD NOT FULLY IMPLEMENTED THEIR COMMITMENTS GIVEN IN THE PREVIOUS ROUND. THEY SUSPECT THAT THE JAPANESE WOULD SHELTER BEHIND A VAGUELY POSITIVE ATTITUDE TOWARDS THE NEW ROUND, TO AVOID PRESSURE ON THEM FOR IMPORT LIBERALISATION, IF THE PREPARATION IS RUSHED. MME GUIGOU EMPHASISED THAT THE FRENCH ARE NOT OPPOSED IN PRINCIPLE TO THE HOLDING OF A NEW ROUND. THEY WANT RATHER TO ENSURE THAT IT SUCCEEDS, WHCIH IT COULD NOT DO IF PREPARED HURRIEDLY OR WITHOUT DUE CONCERN FOR COMPROMISE

Can we have a draft speech by Monday?

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OF CONFLICTING INTERESTS.

MONETARY REFORM

4. MME GUIGOU SAID THE FRENCH WERE FAIRLY SATISFIED WITH THE WASHINGTON DISCUSSIONS ON MONETARY MATTERS. THEY WERE PLEASED THAT THE G10 REPORT WOULD BE STUDIED BY THE INTERIM COMMITTEE (AN OBJECTIVE THEY HAD ALREADY PURSUED AT THE LONDON SUMMIT). BUT THEIR CONCERN FOR PARALLELISM BETWEEN TRADE AND MONETARY TALKS HAS NOT BEEN SATISFIED BY THIS AGREEMENT TO PUT THE SUBJECT ON THE AGENDA FOR SEOUL. THEY WILL WANT AGREEMENT THAT A SPECIAL SESSION OF THE INTERIM COMMITTEE SHOULD BE HELD TWO OR THREE MONTHS AFTER SEOUL, WHICH WOULD BE DEVOTED SOLELY TO MONETARY REFORM. THEY VIEW THE G10 REPORT AS JUST THE START OF LONG TERM CONSIDERATION OF WAYS TO ACHIEVE GREATER PREDICTABILITY OF EXCHANGE RATES, A PROCESS WHICH SHOULD INVOLVE LDCS AS WELL AS INDUSTRIALISED COUNTRIES.

MACRO-ECONOMIC POLICY

5. MME GUIGOU APPEARED TO EXPECT LITTLE OF THE SUMMIT BY WAY OR MACRO-ECONOMIC COORDINATION. SHE ADDED THAT DESPITE EUROPE'S PATENT NEED FOR HIGHER GROWTH TO REDUCE UNEMPLOYMENT THE FRENCH HAD NO EXPECTATIONS OF CO-ORDINATED EUROPEAN ACTION TO ACHIEVE THIS, TO COMPENSATE FOR TH ESLOWDOWN OF US GROWTH. EXTERNAL CONSTRAINTS PREVENTED FRANCE FROM ACTING ALONE AND IT WAS CLEAR THAT THE GERMANS WERE NOT READY TO USE THE MARGIN OF MANOEUVRE WHICH THE FRENCH BELIEVE THEY HAVE ON THE FISCAL SIDE. FRANCE WOULD USE WHATEVER MARGIN IT HAD TO BRING DOWN ITS INTEREST RATES BUT MUST MAINTAIN A DIFFERENTIAL WITH GERMANY, REFLECTING THE INFLATION DIFFERENTIAL, TO PROTECT THE FRANC. EUROPE'S SOCIAL SECURITY AND EMPLOYMENT PROTECTION LEGISLATION MEANT THAT IT SUFFERED FROM RIGIDITIES WHICH AMERICA DID NOT HAVE, AND WHICH MEANT THAT AMERICAN REMEDIES FOR LOW GROWTH WOULD NOT WORK ON THIS SIDE OF THE ATLANTIC.

6. IN CONTRAST TO THIS, ATTALI, IN HIS PRESS BRIEFING, SAID THAT MITTERRAND WOULD PUSH AT BONN FOR A STRATEGY OF BALANCED WORLD GROWTH, UNDER WHICH EACH COUNTRY OR REGION WOULD REDUCE ITS OWN EXISTING IMBALANCE, IE THE US ITS BUDGET DEFICIT, JAPAN ITS FOREIGN TRADE SURPLUS AND EUROPE ITS LACK OF INVESTMENT.

FRENCH INITIATIVE ON AFRICA

7. MITTERRAND WILL ADVOCATE AT THE SUMMIT THE PROPOSALS OUTLINED BY ATTALI IN BALTIMORE TO COMBAT FAMINE AND DROUGHT IN AFRICA.

LDC DEBT

8. THE FRENCH CLAIM TO DETECT A CERTAIN COMPLACENCY, EVEN EUPHORIA, ON THE PART OF SOME SUMMIT GOVERNMENTS ON THE SUBJECT OF LDC DEBT. THEY EMPHASISE THE CONTINUING FRAGILITY OF THE POSITION OF LATIN AMERICAN COUNTRIES BUT THERE WAS NO HINT OF ANY SPECIFIC PROPOSALS TO BE MADE BY MITTERRAND AT BONN.

NOT

NON-ECONOMIC SUBJECTS

9. ATTALI APPARENTLY TOLD JOURNALISTS THAT FRANCE TOOK THE VIEW THAT THERE SHOULD BE A SINGLE POLITICAL DECLARATION, THE MAIN THEME OF WHICH WOULD BE THE 40TH ANNIVERSARY OF WORLD WAR 2. IF SUMMIT LEADERS WISHED, THIS DECLARATION COULD REFER, AMONGST OTHER THINGS, TO THE GENEVA ARMS TALKS, SDI, CAMBODIA AND AFGHANISTAN. THE FRENCH WOULD ALSO SUPPORT THE GERMAN INITIATIVE ON THE ENVIRONMENT.

FCO PASS SAVING ADDRESSEES

REPEATED AS REQUESTED

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MR POWELL

Prime Minister's Briefing Meeting for the Bonn Economic Summit :4.30 pm Wednesday 1 May

As discussed, the following Ministers and officials will be invited to attend the Prime Minister's briefing meeting.

The Chancellor of the Exchequer
The Foreign and Commonwealth Secretary
The Secretary of State for Trade and Industry
Sir Robert Armstrong
Mr J G Littler, Treasury
Mr D M Thomas, Foreign and Commonwealth Office
Mr R Q Braithwaite, Foreign and Commonwealth Office

Rosalind Mulligan

(Rosalind Mulligan)
Assistant Private Secretary

25 April 1985

GRS 830

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FM TOKYO 240712Z APR 85

TO PRIORITY FCO

TELEGRAM NUMBER 257 OF 24 APRIL

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

YOUR TELNO 250 (NOT REPEATED): BONN ECONOMIC SUMMIT

1. MR NAKASONE HELD HIS LUNCHEON ON 24 APRIL FOR THE AMBASSADORS OF OTHER SUMMIT COUNTRIES, AND THE HEAD OF THE EC DELEGATION. THE GENERAL IMPRESSION I RECEIVED WAS THAT HE WAS SOMEWHAT APPREHENSIVE THAT JAPAN MIGHT BE MORE OPEN TO CRITICISM THAN HER PARTNERS. BUT HE IS PREPARED TO GIVE A ROBUST DEFENCE OF HIS POLICIES.

2. IN HIS INTRODUCTORY REMARKS, MR NAKASONE SAID THAT HE SUPPOSED HE HAD MORE HEADACHES THAN ANY OF HIS PARTNERS, AND HE SUPPOSED THAT THE BEST REMEDY FOR THEM WAS BAYER'S ASPIRIN. HE LAID GREAT STRESS ON THE FAR-REACHING NATURE OF THE MARKET-OPENING MEASURES WHICH HE HAD PUT FORWARD ON 9 APRIL, WHICH WOULD BE EFFECTIVE IN LARGE AREAS OF TRADE. HE ALSO EMPHASIZED THE NECESSITY FOR FURTHER PROGRESS TOWARDS THE NEW GATT ROUND. HE LOOKED FORWARD TO THE REAFFIRMATION, IN THE FORTIETH YEAR AFTER THE END OF THE WORLD WAR OF DEMOCRATIC VALUES.

3. IN RESPONSE TO INTERVENTIONS HE CONTINUED TO STRESS THESE THEMES. WHEN ASKED FOR TAX EXEMPTION ON INVESTMENTS IN JAPAN, TO ACCOMPANY THE MARKET-OPENING MEASURES, HE SAID THAT THE JAPANESE GOVERNMENT WOULD BE RE-EXAMINING THEIR TAX SYSTEM AND THE IMPLICATIONS OF THEIR HIGH RATE OF SAVINGS, BUT IN GENERAL HE BELIEVED THAT THE ATTRACTIONS OF THE MARKET WOULD GOVERN THE RATE OF FOREIGN INVESTMENTS IN JAPAN REGARDLESS OF MARGINAL ADJUSTMENTS IN TAXATION. HE COMMENDED SCHULZ'S RECENT PRINCETON SPEECH, BUT EXPRESSED DISQUIET ABOUT THE ATTITUDE OF THE US CONGRESS AND FEARS LEST THEY MIGHT INITIATE PROTECTIONIST MEASURES. HE APPLAUDED THE US ADMINISTRATIONS'S SUPPORT FOR THE NEW GATT ROUND. HE SAID HE BELIEVED THE MARKET-OPENING MEASURES TO BE TAKEN BY JAPAN WERE OF HISTORIC IMPORTANCE FOR THE PRESERVATION OF THE OPEN TRADING SYSTEM. HIS AIM WAS TO REVOLUTIONISE ATTITUDES IN JAPAN TOWARDS THE IMPORT OF MANUFACTURED PRODUCTS. HE WAS WIDELY ACCUSED BY THE OPPOSITION OF ACTING AS THOUGH HE REPRESENTED FOREIGN INTERESTS. THE OPPOSITION DID NOT UNDERSTAND CORRECTLY THE ''GRAVE DIFFICULTY'' OF JAPAN'S POSITION. HIS AIM WAS TO ENSURE THAT REGULATION WAS MINIMISED, AND THE USERS' CHOICE MAXIMISED IN THE JAPANESE MARKET. HE WENT INTO SOME DETAIL IN THIS RESPECT ON TELECOMMUNICATIONS EQUIPMENT. HE QUOTED A BELGIAN NEWSPAPER AS HAVING EXPRESSED SCEPTICISM ABOUT THE INTENTIONS OF HIS GOVERNMENT TO TAKE MEASURES WHICH WERE EFFECTIVE AND NOT MERELY COSMETIC. HE HAD NO DOUBT ABOUT HIS OWN INTENTIONS.

5. WHEN I SPOKE ON THE LINES GIVEN IN YOUR TUR, FOR WHICH I WAS MOST GRATEFUL, MR NAKASONE COMMENTED THAT HE WAS ENTIRELY IN AGREEMENT.

/6 . THERE .

6.THERE WAS SOME FURTHER DISCUSSION OF ECONOMIC POLICY, IN WHICH MR NAKASONE AND THE FINANCE MINISTER, TAKESHITA , BOTH INTERVENED, STRESSING THEIR ACCEPTANCE OF THE NEED FOR FLEXIBLE POLICIES AND THEIR RECOGNITION OF THE INFLUENCE WHICH BOTH INTEREST RATES AND EXCHANGE RATES WOULD HAVE ON TRADE SURPLUSES. TAKESHITA SAID THAT THE CURRENT MOVEMENT OF EXCHANGE RATES WAS IN THE RIGHT DIRECTION. HE COULD STILL FORESEE SOUND AND HEALTHY GROWTH FOR THE JAPANESE ECONOMY. MR NAKASONE REMARKED THAT THEY TOO HAD TO BE CONCERNED WITH THEIR BUDGET DEFICIT.

7. THE UNITED STATES AMBASSADOR, MANSFIELD, REFRAINED FROM INTERVENING UNTIL THE CLOSE OF THE DISCUSSION, WHEN HE COMMENDED MR NAKASONE'S QUOTE ACCURATE AND DETAILED OBSERVATIONS UNQUOTE, HE SAID THAT HE LOOK FOR SOME FURTHER LOWERING OF TARIFFS BY THE JAPANESE GOVERNMENT. WHICH WOULD NOT ONLY AFFECT PROSPECTS FOR THE IMPORT OF INDUSTRIAL GOODS BUT WOULD ALSO LEAD TO IMPROVEMENTS IN THE AGRICULTURAL SECTOR. HE REPEATED THE HOPE WHICH HE HAD EXPRESSED LAST YEAR THAT JAPAN WOULD SPEAK IN FAVOUR OF THE INCLUSION OF AUSTRALIA IN FUTURE ECONOMIC SUMMITS. (YANAGIYA, VICE-MINISTER IN THE MFA AND FORMER JAPANESE AMBASSADOR IN CANBERRA, TOLD ME THAT HE BELIEVED THIS ISSUE WOULD NOT GO AWAY. THE AUSTRALIANS HAD BEEN DISAPPOINTED THAT THEY HAD NOT RECEIVED STRONGER SUPPORT, ESPECIALLY FROM US. THOUGH HE ACKNOWLEDGED THE DIFFICULTIES ABOUT DRAWING THE LINE, HE BELIEVED THAT THE LEVEL OF DEVELOPMENT IN THE AUSTRALIAN ECONOMY WOULD JUSTIFY THEIR INCLUSION WITHOUT OPENING QUESTIONS ABOUT OTHER COUNTRIES.)

8. THE GENERAL IMPRESSION WAS THAT MR NAKASONE'S PRINCIPAL OBJECTIVE IS TO AVOID BEING SINGLED OUT FOR CRITICISM AT BONN. HIS RESPONSE TO CALLS FOR THE EFFECTIVE IMPLEMENTATION OF HIS EXISTING POLICIES WILL DEPEND ON THE EXTENT TO WHICH THEY ARE BALANCED BY REFERENCES TO THE RESPONSIBILITIES OF OTHER PARTNERS.

9. MIFT OFFERS AN ASSESSMENT OF HIS CURRENT POSITION IN DOMESTIC JAPANESE POLITICS.

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MR GOODALL
MR JENKINS
MR WESTON
MR DAVID THOMAS

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INFO PRIORITY BRUSSELS COPENHAGEN THE HAGUE LISBON
LUXEMBOURG OSLO MADRID REYKJAVIK UKDEL VIENNA
UKDEL STOCKHOLM OTTAWA ANKARA ATHENS ROME BELGRADE
BUCHAREST BUDAPEST EAST BERLIN PRAGUE SOFIA
WARSAW TOKYO

US/SOVIET GENEVA TALKS: BRIEFING TO NAC

SUMMARY.

1. THE CHIEF US NEGOTIATORS GAVE A COMPREHENSIVE BRIEFING TO THE COUNCIL THIS MORNING ON THE FIRST ROUND OF US/SOVIET TALKS IN GENEVA. THE TALKS HAD GONE AS EXPECTED: THE US SIDE HAD FULLY EXPLAINED THEIR POSITION IN THE AREAS OF DEFENCE AND SPACE, STRATEGIC WEAPONS, AND INTERMEDIATE WEAPONS, AND HAD PROBED HARD FOR SIGNS OF MOVEMENT OR FLEXIBILITY, WITH LITTLE RESULT. THE SOVIET POSITION APPEARED TO HAVE BEEN LARGELY DESIGNED FOR PUBLIC CONSUMPTION, WITH HEAVY INSISTENCE ON THE BANNING OF ''SPACE STRIKE ARMS'' AS THE PRECONDITION FOR PROGRESS IN OTHER AREAS. THIS SUBJECT HAD DOMINATED THEIR APPROACH, ALTHOUGH THEY INDICATED THAT AN APPROPRIATE AGREEMENT ON INF (I.E. ON THEIR TERMS) MIGHT BE REACHED INDEPENDENTLY OF AGREEMENT ON SPACE. THEIR INF AND STRATEGIC WEAPONS PROPOSALS SHOWED SOME REGRESSION FROM THE END 1983 POSITION. THE US SIDE HAD BEEN ABLE TO EXPOSE THE SHORT-COMINGS OF THE MORATORIUM PROPOSAL. DESPITE THE LACK OF MOVEMENT, THE ATMOSPHERE OF THE TALKS HAD BEEN CORDIAL AND QUITE BUSINESS-LIKE. THE SECOND ROUND IS DUE TO START ON 30 MAY. PARTICULAR EXPHASIS WAS GIVEN TO THE IMPORTANCE OF CONFIDENTIALITY.

SIS WAS GIVEN TO THE IMPORTANCE OF CONFIDENTIALITY.

DETAIL.

2. BEGINNING WITH A GENERAL OVERVIEW, KAMPELMAN SAID THERE HAD BEEN FIVE JOINT PLENARY SESSIONS, THREE AT THE OUTSET, ONE MIDWAY, AND ONE FINAL. THE US SIDE HAD ACHIEVED A FUNCTIONAL SEPARATION OF THE THREE NEGOTIATING AREAS, WITH THE SEPARATE GROUPS MEETING REGULARLY AT LEAST ONCE A WEEK. IN THE OPENING PLENARIES THE US HAD STRESSED THEIR PRIORITY TASKS FOR THE TALKS: THE EVENTUAL ELIMINATION OF ALL NUCLEAR WEAPONRY, WITH EQUITABLE AND VERIFIABLE AGREEMENTS FOR SUBSTANTIAL REDUCTIONS AS STEPS ALONG THIS ROUTE: HALTING THE EROSION OF THE ABM TREATY- SETTING OUT THE US STRATEGIC CONCEPT FOR A NEW RELATIONSHIP BETWEEN OFFENSIVE AND DEFENSIVE WEAPONS- AND THE IMPORTANCE OF VERIFICATION AND STRICT COMPLIANCE. THE INITIAL SOVIET LINE HAD BEEN TOUGH AND RIGID, THE MAIN OBJECTIVE BEING TO DISCREDIT THE SDI. AGREEMENTS IN ALL AREAS WERE TO BE CONDITIONAL ON BANNING ''SPACE STRIKE ARMS''. KARPOV HAD DECLARED THAT CONTINUATION OF THE SDI WOULD WRECK THE ABM TREATY AND ''TORPEDO'' THE NEGOTIATIONS. THE SOVIET SIDE HAD STRESSED THE INTER-RELATIONSHIP BETWEEN THE THREE AREAS, AND EMPHASISED THAT PROGRESS IN START WOULD BE CONDITIONAL ON RESOLUTION OF THE INF ISSUE. ON 19 MARCH THEY INTRODUCED THE MORATORIUM PROPOSAL. THE US SIDE HAD RESPONDED TO THIS IN THE SEPARATE GROUPS, AND BY THE END OF THE SESSION BELIEVED THAT IT HAD BEEN STRIPPED OF CREDIBILITY. THE SOVIET SIDE HAD LATER INDICATED THAT AGREEMENT TO THE MORATORIUM WAS NOT A PRECONDITION FOR MOVEMENT ELSEWHERE. HOWEVER THEIR POSITION REMAINED PREDOMINANTLY PROPAGANDISTIC. THE US SIDE BELIEVED THAT THE TONE HAD IMPROVED BY THE END OF THE ROUND, AND HOPED THAT SERIOUS SOVIET PROPOSALS WOULD EMERGE SUBSEQUENTLY. HOWEVER, LONG AND DIFFICULT NEGOTIATIONS WERE CLEARLY IN PROSPECT. KAMPELMAN STRESSED THE IMPORTANCE OF CONFIDENTIALITY, WHICH APPLIED IN PARTICULAR TO THE NEGOTIATORS THEMSELVES, PERHAPS LESS TO POLITICIANS, IN CAPITALS (HE ADDED THAT THERE HAD BEEN SOME INDICATIONS OF SOVIET ABUSE OF THIS AGREEMENT) AND ASKED THAT THE BRIEFING OF THE COUNCIL BE TREATED IN THIS LIGHT.

3. IN THE GROUP ON DEFENCE AND SPACE, THE US HAD SET OUT THEIR VIEW THAT PREVIOUS AGREEMENTS HAD FAILED TO FULFIL THE PROMISE OF CURTAILING THE RACE IN OFFENSIVE ARMS. EFFECTIVE DEFENSES, IF THEY MET THE STRICT CRITERIA SET OUT, COULD PROVIDE A SOUNDER BASIS FOR DETERRENCE. THE US HOPED THAT SOVIET STRATEGIC DEFENCE PROGRAMMES REFLECTED A SIMILAR INTEREST WHICH COULD PROVIDE THE BASIS FOR DIALOGUE. THE EROSION OF THE ABM TREATY SHOULD BE SEEN IN THIS LIGHT (THEY HAD DRAWN ATTENTION TO SPECIFIC ISSUES OF NON-COMPLIANCE).

4. THE CORE OF THE SOVIET PROPOSAL WAS A MORATORIUM, TO BE FOLLOWED BY A BAN ON RESEARCH, DEVELOPMENT, TESTING, AND DEPLOYMENT OF SPACE STRIKE ARMS DEFINED BY THE SOVIETS AS QUOTE SPACE-BASED SYSTEMS OF ANY PRINCIPLE OF ACTION SPECIALLY DEVELOPED OR APPROPRIATELY CONVERTED, TESTED OR BEING TESTED, TO STRIKE OBJECTS IN SPACE OR OBJECTS ON EARTH OR IN THE ATMOSPHERE FROM SPACE UNQUOTE. THIS DEFINITION WOULD EXCLUDE BOTH LONG RANGE MISSILES WHICH TRAVEL THROUGH SPACE AND A NUMBER OF SYSTEMS CAPABLE OF ATTACKING OBJECTS IN SPACE, SUCH AS GROUND-

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US/SOVIET GENEVA TALKS: BRIEFING TO NAC

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SIS WAS GIVEN TO THE IMPORTANCE OF CONFIDENTIALITY.

DETAIL.

2. BEGINNING WITH A GENERAL OVERVIEW, KAMPELMAN SAID THERE HAD BEEN FIVE JOINT PLENARY SESSIONS, THREE AT THE OUTSET, ONE MIDWAY, AND ONE FINAL. THE US SIDE HAD ACHIEVED A FUNCTIONAL SEPARATION OF THE THREE NEGOTIATING AREAS, WITH THE SEPARATE GROUPS MEETING REGULARLY AT LEAST ONCE A WEEK. IN THE OPENING PLENARIES THE US HAD STRESSED THEIR PRIORITY TASKS FOR THE TALKS: THE EVENTUAL ELIMINATION OF ALL NUCLEAR WEAPONRY, WITH EQUITABLE AND VERIFIABLE AGREEMENTS FOR SUBSTANTIAL REDUCTIONS AS STEPS ALONG THIS ROUTE: HALTING THE EROSION OF THE ABM TREATY- SETTING OUT THE US STRATEGIC CONCEPT FOR A NEW RELATIONSHIP BETWEEN OFFENSIVE AND DEFENSIVE WEAPONS- AND THE IMPORTANCE OF VERIFICATION AND STRICT COMPLIANCE. THE INITIAL SOVIET LINE HAD BEEN TOUGH AND RIGID, THE MAIN OBJECTIVE BEING TO DISCREDIT THE SDI. AGREEMENTS IN ALL AREAS WERE TO BE CONDITIONAL ON BANNING ''SPACE STRIKE ARMS''. KARPOV HAD DECLARED THAT CONTINUATION OF THE SDI WOULD WRECK THE ABM TREATY AND ''TORPEDO'' THE NEGOTIATIONS. THE SOVIET SIDE HAD STRESSED THE INTER-RELATIONSHIP BETWEEN THE THREE AREAS, AND EMPHASISED THAT PROGRESS IN START WOULD BE CONDITIONAL ON RESOLUTION OF THE INF ISSUE. ON 19 MARCH THEY INTRODUCED THE MORATORIUM PROPOSAL. THE US SIDE HAD RESPONDED TO THIS IN THE SEPARATE GROUPS, AND BY THE END OF THE SESSION BELIEVED THAT IT HAD BEEN STRIPPED OF CREDIBILITY. THE SOVIET SIDE HAD LATER INDICATED THAT AGREEMENT TO THE MORATORIUM WAS NOT A PRECONDITION FOR MOVEMENT ELSEWHERE. HOWEVER THEIR POSITION REMAINED PREDOMINANTLY PROPAGANDISTIC. THE US SIDE BELIEVED THAT THE TONE HAD IMPROVED BY THE END OF THE ROUND, AND HOPED THAT SERIOUS SOVIET PROPOSALS WOULD EMERGE SUBSEQUENTLY. HOWEVER, LONG AND DIFFICULT NEGOTIATIONS WERE CLEARLY IN PROSPECT. KAMPELMAN STRESSED THE IMPORTANCE OF CONFIDENTIALITY, WHICH APPLIED IN PARTICULAR TO THE NEGOTIATORS THEMSELVES, PERHAPS LESS TO POLITICIANS, IN CAPITALS (HE ADDED THAT THERE HAD BEEN SOME INDICATIONS OF SOVIET ABUSE OF THIS AGREEMENT) AND ASKED THAT THE BRIEFING OF THE COUNCIL BE TREATED IN THIS LIGHT.

3. IN THE GROUP ON DEFENCE AND SPACE, THE US HAD SET OUT THEIR VIEW THAT PREVIOUS AGREEMENTS HAD FAILED TO FULFIL THE PROMISE OF CURTAILING THE RACE IN OFFENSIVE ARMS. EFFECTIVE DEFENSES, IF THEY MET THE STRICT CRITERIA SET OUT, COULD PROVIDE A SOUNDER BASIS FOR DETERRENCE. THE US HOPED THAT SOVIET STRATEGIC DEFENCE PROGRAMMES REFLECTED A SIMILAR INTEREST WHICH COULD PROVIDE THE BASIS FOR DIALOGUE. THE EROSION OF THE ABM TREATY SHOULD BE SEEN IN THIS LIGHT (THEY HAD DRAWN ATTENTION TO SPECIFIC ISSUES OF NON-COMPLIANCE).

4. THE CORE OF THE SOVIET PROPOSAL WAS A MORATORIUM, TO BE FOLLOWED BY A BAN ON RESEARCH, DEVELOPMENT, TESTING, AND DEPLOYMENT OF SPACE STRIKE ARMS DEFINED BY THE SOVIETS AS QUOTE SPACE-BASED SYSTEMS OF ANY PRINCIPLE OF ACTION SPECIALLY DEVELOPED OR APPROPRIATELY CONVERTED, TESTED OR BEING TESTED, TO STRIKE OBJECTS IN SPACE OR OBJECTS ON EARTH OR IN THE ATMOSPHERE FROM SPACE UNQUOTE. THIS DEFINITION WOULD EXCLUDE BOTH LONG RANGE MISSILES WHICH TRAVEL THROUGH SPACE AND A NUMBER OF SYSTEMS CAPABLE OF ATTACKING OBJECTS IN SPACE, SUCH AS GROUND-

LONG RANGE MISSILES WHICH TRAVEL THROUGH SPACE AND A NUMBER OF SYSTEMS CAPABLE OF ATTACKING OBJECTS IN SPACE, SUCH AS GROUND-BASED ABM INTERCEPTORS (EG THE MOSCOW ABM SYSTEM), MISSILE MODIFIED TO ATTACK OBJECTS IN SPACE, AND GROUND BASED DIRECTED ENERGY WEAPONS. THIS WAS BECAUSE THE DEFINITION WAS BASED ON INTENT RATHER THAN CAPABILITY. THE US CRITIQUE HAD DRAWN ATTENTION TO THE DIFFICULTIES OF A COMPREHENSIVE BAN OF SPACE ARMS, AND THE ONE-SIDEDNESS OF THE SOVIET PROPOSALS. IN THE US VIEW THEY WERE NOT SERIOUSLY MEANT.

5. THE SOVIET SIDE HAD DISMISSED US ARGUMENTS ON THE UNVERIFIABILITY OF RESEARCH, AGAIN BASING THEIR POSITION ON INTENT. SUCH A VIEW WAS EUQALLY ONE-SIDED, THE US RESEARCH PROGRAMME BEING OPEN. THE SOVIETS HAD ACCUSED THE US OF DEVIATING FROM THE 8 JANUARY JOINT STATEMENT BY REFUSING TO ACCEPT THE BAN. THE US HAD RESPONDED THAT THEY COMPLETELY ACCEPTED THE STATEMENT AS THE BASIS FOR NEGOTIATION, AND THE SOVIETS WERE DEVIATING FROM IT BY THEIR EXCESSIVE EMPHASIS ON ''SPACE STRIKE ARMS'' IN ISOLATION.

6. THERE HAD BEEN SOME POSITIVE ASPECTS. BOTH SIDES HAD CLEARLY EXPLAINED THEIR POSITION, AND TOWARDS THE END THE SOVIET SIDE HAD INFORMALLY ADDRESSED THE OFFENSIVE/DEFENSIVE RELATIONSHIP. SOVIET PROPOSALS HAD BEEN EXPOSED TO A CAREFUL CRITIQUE. NONETHELESS, THE SOVIET SIDE WOULD CONTINUE TO ATTEMPT TO USE PUBLIC PRESSURE TO UNDERMINE THE US POSITION. IN THIS RESPECT THE LUXEMBOURG NPG COMMUNIQUE HAD BEEN PARTICULARLY USEFUL.

7. REPORTING ON THE INF GROUP GLITMAN SAID THAT SOVIET PROPOSALS HAD BEEN ON PREDICTABLE LINES: EQUATION OF GLCM AND PERSHING IB WITH SOVIET ''COUNTER MEASURES''- FULL EQUIVALENCE WITH UK AND FRENCH FORCES- LIMITS ON AIRCRAFT- AND THREE PROPOSALS FOR MORATORIA. THE UNITED STATES HAD PUT FORWARD THE AGREED ALLIANCE POSITION ON THE ZERO/ZERO AND INTERIM OPTIONS, AND HAD PROBED THE SOVIET POSITION. IN INFORMAL EXCHANGES THE SOVIET SID HAD INDICATED THAT AN APPROPRIATE AGREEMENT ON INF COULD BE REACHED INDEPENDENTLY OF THE OTHER TWO AREAS.

8. IN ADDITION TO THE GENERAL MORATORIUM, THE SOVIET SIDE HAD PROPOSED A BILATERAL MORATORIUM ON INF AS A ''GESTURE OF GOODWILL'' AS WELL AS ANNOUNCING THEIR UNILATERAL MORATORIUM ON SS20 DEPLOYMENT UNTIL NOVEMBER 1985. THEY HAD HOWEVER BEEN UNABLE TO ANSWER DETAILED QUESTIONS ON THIS LATTER PROPOSAL, INCLUDING THE NUMBER AT WHICH SS20S WOULD BE FROZEN. THEIR PROPOSALS ON AIRCRAFT HAD BEEN UNSPECIFIC, BUT WERE PROBABLY A STEP BACK FROM THE NOVEMBER 1983 POSITION, AS WAS THEIR POSITION ON DEPLOYMENT EAST OF THE URALS. SOVIET PROPOSALS ON MISSILE REDUCTION WOULD STILL LEAVE THEM WITH A MONOPOLY IN THIS CATEGORY: THEY HAD BEEN CAREFUL NOT TO ALLOW THE MORATORIUM TO APPEAR AS TACIT ACCEPTANCE OF US DEPLOYMENT. THIS THEREFORE REMAINED THE KEY ISSUE.

9. ON STRATEGIC WEAPONS, TOWER REPORTED THAT VERY LITTLE HAD BEEN REVEALED OF THE SUBSTANTIVE SOVIET POSITION. THERE HAD BEEN SOME REGRESSION FROM THEIR END 1983 POSITION, PARTICULARLY IN RESPECT OF CRUISE MISSILES. THEY HAD PROPOSED A QUANTITATIVE FREEZE ON STRATEGIC DELIVERY SYSTEMS AND WARHEADS, BUT NOT QUALITATIVE RESTRAINTS. THE US HAD PRESENTED THEIR OVERALL CONCEPTUAL APPROACH.

STRATEGIC DELIVERY SYSTEMS AND WARHEADS, BUT NOT QUALITATIVE RESTRAINTS. THE US HAD PRESENTED THEIR OVERALL CONCEPTUAL APPROACH, AND STRESSED THEIR WILLINGNESS TO CONSIDER SOVIET PROPOSALS AND TO TRADE OFF AREAS OF RELEVANT ADVANTAGE. THE SOVIETS HAD SHOWN LITTLE INTEREST. THE US ALSO PROPOSED A SEPARATE SPECIAL WORKING GROUP ON CONFIDENCE-BUILDING MEASURES, BUT THERE HAD BEEN NO RESPONSE.

10. RESPONDING TO QEUSTIONS FROM THE GERMAN REPRESENTATIVE, KAMPELMAN SAID THAT THERE WAS SOME SHIFT FROM SOVIET INSISTENCE ON AGREEMENT ON SPACE AS A PRECONDITION TO ALL ELSE. IT WAS NO LONGER A PRECONDITION TO SERIOUS TALKS, AND POSSIBLY NOT TO INF AGREEMENT. IT STILL REMAINED A PRECONDITION TO AGREEMENT ON STRATEGIC WEAPONS. THERE HAD BEEN NO RESPONSE ON CO-OPERATION IN STRATEGIC DEFENCE RESEARCH, NOR DESIRE TO REVIEW THE RELATIONSHIP. CONFIDENTIALITY OF THE NEGOTIATIONS HAD BEEN DISCUSSED: THERE HAD BEEN SOME UNDERMINING OF THIS BY THE SOVIET SIDE, BUT NOT SERIOUSLY. PROPAGANDA CLEARLY REMAINED A KEY INGREDIENT OF SOVIET OBJECTIVES. TOWER AND GLITMAN HAD MADE CLEAR THEY WOULD INSIST ON TIGHT LANGUAGE ON VERIFICATION, AND THE LATTER FORESAW SOME NEED TO GO BEYOND NATIONAL TECHNICAL MEANS.

11. I ASKED WHETHER THERE HAD BEEN ANY SOVIET RESPONSE TO US COMPLAINTS OF VIOLATIONS OF THE ABM TREATY OR TO US PROBING ON COLLATERAL CONSTRAINTS ON SRINF, ANY INDICATION OF ULTIMATE ACCEPTANCE OF SOME US LRINF DEPLOYMENT, AND WHETHER THE QUESTION OF A BAN ON NUCLEAR TESTS HAD BEN RAISED. OTHER PERMANENT REPRESENTATIVES ASKED ABOUT SALT AND ABH TREATY COMPLIANCE ISSUES, SLCMS, PUBLIC PRESENTATION, AND THE ATMOSPHERE OF THE NEGOTIATIONS.

12. KAMPELMAN REPLIED THAT THE SOVIET RECOGNITION OF THE NEED TO DISCUSS THE OFFENSIVE/DEFENSIVE RELATIONSHIP HAD BEEN MINIMAL, ALTHOUGH THEY HAD BEGUN TO RECOGNISE THE PROBLEM. THEY HAD NOT REACTED TO US ASSERTIONS ABOUT SOVIET RESEARCH ACTIVITY. KAMPELMAN STRESSED THAT THE US WOULD CONTINUE TO ABIDE BY THE ABM TREATY, AND THAT A RECENT IHT REPORT OF PENTAGON STATEMENT WAS OVER-SIMPLIFIED AND FAULTY. THE SOVIETS HAD DENIED ANY NON-COMPLIANCE. HOWEVER, THE US ACCUSATIONS THAT THE KRASNOYARSK RADAR WAS A CLEAR BREACH STOOD. IT WAS NOT A CONCLUSION THE PRESIDENT HAD REACHED WITH ENTHUSIASM. US CONCERNS ABOUT THIS AND OTHER ACTIVITIES HAD BEEN CLEARLY STATED. THE US HAD ALSO MADE CLEAR THAT SDI RESEARCH WOULD CONTINUE.

13. TOWER SAID THAT A MORATORIUM ON NUCLEAR TESTS HAD NOT BEEN PROPOSED, ALTHOUGH THE SOVIET SIDE HAD RAISED THE QUESTION OF US NON-RATIFICATION OF THE TTBT. SLCMS HAD BEEN INCLUDED IN THE SOVIET MORATORIUM PROPOSAL AND IN THEIR PROPOSED BAN ON CRUISE MISSILES WITH MORE THAN 600 KM RANGE. ON LRINF GLITMAN SAID THAT IT WAS TOO SOON TO JUDGE WHETHER THE SOVIET SIDE WOULD ACCEPT ANY US DEPLOYMENT: THEY HAD NOT YET DONE SO. THERE HAD BEEN NO DISCUSSION OF NUMBERS AND NO RESPONSE ON COLLATERAL RESTRAINTS. ON GEOGRAPHIC DISTRIBUTION THEY HAD STEPPED BACK FROM THE NOVEMBER 1983. HOWEVER, THE GENERAL ATMOSPHERE OF THE NEGOTIATIONS HAD BEEN GOOD, AND LESS TENSE THAN IN 1983.

NEGOTIATIONS HAD BEEN GOOD, AND LESS TENSE THAN IN 1983.

14. ROUND TWO WILL BEGIN ON 30 MAY, AND CONTINUE TO 16 JULY. THE THIRD ROUND IS PROVISIONALLY AGREED FOR MID-SEPTEMBER.

15. FULL TEXTS OF OPENING STATEMENTS FOLLOW BY BAG FOR FCO, MODUK, MOSCOW, WASHINGTON, BONN, PARIS.

GRAHAM

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INFO SAVING OTHER EC POSTS AND NATO POSTS, CGS IN USA, UKMIS NEW YORK.

MIPT: BONN SUMMIT: US TRADE POLICY

SUMMARY

1. THE PRIMARY US TRADE POLICY OBJECTIVE AT THE SUMMIT WILL BE TO OBTAIN AGREEMENT TO THE LAUNCHING OF A NEW GATT ROUND IN EARLY 1986. CONFIDENCE THAT THE USA CAN GROW ITS WAY OUT OF ITS TRADE DEFICIT PROBLEM HAS NOW EVAPORATED AND THE BUSINESS COMMUNITY AND CONGRESS ARE DEMANDING EARLY ACTION. IF THE SUMMIT IS SEEN TO FAIL, THE DOMESTIC PROTECTIONIST PRESSURES MAY BECOME IRRESISTIBLE. THE ADMINISTRATION IS NOT WELL-EQUIPPED TO HANDLE THE PROBLEM BUT SHULTZ'S WILLINGNESS TO INTERVENE PUBLICLY AND BAKER'S INFLUENCE WILL BE HELPFUL.

DETAIL

2. IF THE RECENT OUTBURST OF CONGRESSIONAL ANGER OVER US-JAPAN TRADE DID NOTHING ELSE, IT MADE CLEAR THE GTOWING FRUSTRATION ON THE HILL AND IN THE US BUSINESS COMMUNITY AT A PERCEIVED LACK OF CONCERN BY THE ADMINISTRATION AT THE SIZE OF THE US TRADE DEFICIT AND THE CONSEQUENCES OF A CONTINUED HIGH VALUE DOLLAR FOR MUCH OF US INDUSTRY. INTELLECTUALLY, MOST CONGRESSMEN AND AMERICAN BUSINESSMEN KNOW THAT THERE IS A CASUAL RELATIONSHIP BETWEEN THE SIZE OF THE BUDGET DEFICIT AND THE RECORD LEVELS OF CURRENT ACCOUNT DEFICIT BUT THIS BRINGS LITTLE CONSOLATION TO EXPORTERS PRICED OUT OF OVERSEAS MARKETS OR DOMESTIC INTERESTS FACING OVERWHELMING IMPORT COMPETITION. THE TRADE DEFICIT IN 1984 WAS DOLLARS 123 BN AND IN 1985 IT IS FORECAST TO REACH DOLLARS 140-150 BN. LAST YEAR 26 PERCENT OF ALL (NON-AUTO) CAPITAL INVESTMENT WAS SUPPLIED BY IMPORTED EQUIPMENT AND THE PROPORTION IS INCREASING.

3. THE ADMINISTRATION HAVE CRIED WOLF ABOUT CONGRESSIONAL PROTECTIONIST PRESSURES MANY TIMES IN THE PAST , BUT THE UNANIMOUS SENATE RESOLUTION, FOLLOWED BY THE SIMILAR ONE IN THE HOUSE CALLING FOR TRADE RETALIATION AGAINST JAPAN, CLEARLY CAME AS A SHOCK TO THEM. THOSE PRESSING FOR PROTECTIONIST MEASURE, PARTICULARLY AGAINST JAPAN, NOW INCLUDE MANY OF THE KEY REPUBLICAN SENATORS WHO HAD BEEN MOST VEHEMENTLY IN FAVOUR OF FREE-MARKET SOLUTIONS IN THE FIRST REAGAN ADMINISTRATION AND HAD ENSURED THAT THE DOMESTIC CONTENT BILL AND

OTHER TRADE RESTRICTIVE LEGISLATION HAD BEEN BOTTLED UP. THE DEPUTY USTR CONFIDED TO US AT THE TIME THAT HE NO LONGER BELIEVED THAT THERE WERE ENOUGH VOTES IN CONGRESS TO PREVENT OVER-RIDE IF THE PRESIDENT WERE TO VETO PROTECTIONIST TRADE LEGISLATION AGAINST JAPAN. DEALING WITH THE JAPANESE TRADE DEFICIT PROBLEM IS NOW A MAJOR PREOCCUPATION FOR THE ADMINISTRATION, WHICH MUST SHOW SOME PROGRESS IF IT IS TO PREVENT CONGRESS TAKING THE LAW INTO ITS OWN HANDS. IT MUST HANDLE THE PROBLEM DURING A PERIOD OF LOWER ECONOMIC GROWTH AND MORE UNCERTAIN PROSPECTS FOR THE YEAR AHEAD.

4. AGAINST THIS BACKGROUND, THE ADMINISTRATION IS MORE CONCERNED THAT EVER THAT THE BONN ECONOMIC SUMMIT SHOULD NOT ONLY ENDORSE MARKET- OPENING MEASURES BY JAPAN AND GREATER ECONOMIC GROWTH IN EUROPE, BUT SHOULD ALSO SET A TIME FOR THE OPENING OF A NEW GATT ROUND IN EARLY 1986. THEY SEE THE ROUND AS THE BEST WAY OF CONTAINING PROTECTIONIST PRESSURES IN THE MEDIUM-TERM, AND WERE PLEASED WITH THE OUTCOME OF THE OECD MINISTERIAL MEETING WITH ITS PLEDGE TO OPEN PREPARATORY DISCUSSIONS IN THE GATT THIS SUMMER. THERE WAS INTER-AGENCY DISCUSSION LAST WEEK ABOUT WHETHER THE US COULD SETTLE AT BONN FOR THE OECD OUTCOME, BUT THE CLEAR UPSHOT WAS THAT IT SHOULD NOT DO SO, AND AGREEMENT ON A DATE FOR OPENING OF THE TRADE NEGOTIATIONS HAS, PERHAPS UNFORTUNATLY, NOW BECOME FOR THE ADMIN-ISTRATION A LITMUS TEST OF US SUCCESS OF FAILURE AT THE SUMMIT.

5. PARADOXICALLY, THERE IS LITTLE SIGN THAT SIMILAR SIGNIFICANCE IS YET ATTACHED TO THE GATT ROUND ELSEWHERE IN WASHINGTON. KEY CONGRESSIONAL FIGURES ARE DETERMINED THAT QUOTE SOMETHING MUST BE DONE UNQUOTE NOW ABOUT TRADE IMBALANCES. THEY BELIEVE THAT THE GATT PROCESS IS TOO SLOW AND ITS OUTCOME TO INDETERMINATE, AND THEY THEREFORE REMAIN TO BE CONVINCED THAT A NEW ROUND WILL SERIOUSLY HELP, CERTAINLY IN A FORESEEABLE TIME-SCALE. ONLY THE SERVICES SECTOR IN THE BUSINESS COMMUNITY SHOWS ANY REAL ENTHUSIASM FOR THE CONCEPT. TO THE EXTENT THAT THOUGHT HAS BEEN GIVEN TO THE PROPOSAL, THERE IS REAL CONCERN ABOUT THE PRICE THE US WOULD HAVE TO PAY IN ANY NEGOTIATIONS, AND NO WILLINGNESS TO CONSIDER SERIOUSLY THE CONCESSIONS, FOR EXAMPLE ON TEXTILES, WHICH MIGHT NEED TO BE OFFERED UP TO THE LDC'S. THERE REMAINS A PERVASIVE FEELING THAT ONLY THE AMERICANS PLAY BY THE RULES OF THE WORLD TRADING SYSTEM AND THAT THE GATT PROCESS WILL TAKE TOO LONG TO AFFECT THE PRESENT CRISIS OF TRADE IMBALANCES.

6. THERE IS, AT THE MOMENT, AN UNWRITTEN UNDERSTANDING BETWEEN THE WHITE HOUSE AND THE REPUBLICAN LEADERSHIP IN THE SENATE THAT NOTHING WILL BE DONE ON THE TRADE FRONT THIS SIDE OF THE SUMMIT AND PROBABLY FOR SOME WEEKS THEREAFTER. THE RECENT DECLINE IN THE DOLLAR, AND PERHAPS TH US OFFER AT THE OECD MINISTERIAL MEETING TO HOLD A MEETING ON INTERNATIONAL MONETARY REFORM, HAS TEMPORARILY TAKEN SOME OF THE HEAT OUT OF THE FRUSTRATION WHICH WAS EXPRESSED OVER THE US-JAPAN TRADE ISSUE (THOUGH MUCH ATTENTION WILL STILL BE FOCUSSED ON THE REAGAN/NAKAONE BILATERAL IN BONN). IT IS ALSO NOTIC-EABLE, FOR EXAMPLE, THAT THE US CHAMBER OF COMMERCE AND THE NATIONAL ASSOCIATION OF MANUFACTURERS (TWO KEY BUSINESS ORGANISATIONS) HAVE

/BOTH.

BOTH NOW REJECTED THE IMPORT SURCHARGE PROPOSAL AS A SOLUTION TO THE US TRADE PROBLEM. THE PROPOSAL IS FAR FROM DEAD, BUT SO LONG AS THERE ARE SIGNS THAT THE EXCHANGE RATE IS MOVING IN THE RIGHT DIRECTION AND THAT THE ADMINISTRATION IS BECOMING MORE PRAGMATIC AND LESS DOCTRINAIRE IN ITS APPROACH TO INTERNATIONAL ECONOMIC AFFARIS, THE BENEFIT OF THE DOUBT MAY STILL FOR THE PRESENT BE GIVEN TO THE PRESIDENT.

7. THE ADMINISTRATION'S NEW MORE PRAGMATIC TONE IN RECENT WEEKS WAS BEST EXPRESSED BY SECRETARY SHULTZ IN HIS SPEECH AT PRINCETON, BUT IT HAS MUCH TO DO WITH THE EMERGENCE OF SECRETARY BAKER AS THE KEY PLAYER ON THE STAGE. IN MY VIEW, THE WHITE HOUSE HAVE LOST, AND THE TREASURY GAINED. IN BOTH LEGS OF THE BAKER REGAN SWITCH. THE APPOINTMENT COINCIDED WITH A VIRTUAL VACUUM OF POWER IN THE OTHER DOMESTIC ECONOMIC DEPARTMENTS. SECRETARY BAQDRIDGE LOST OUT OVER THE PRESIDENT'S DECISION NOT TO ENDORSE THE IDEA OF A UNIFIED DEPARTMENT OF INTERNATIONAL TRADE AND INDUSTRY. THE USTR'S OFFICE IS TEMPORARILY HEADLESS, FOLLOWING THE NOMINATION OF BROCK AS LABOUR SECRETARY, AND HIS SUCCESSOR, YEUTTER IS STILL AN UNKNOWN QUANTITY AND UNLIKELY TO BE CONFIRMED BY THE SENATE BEFORE MID-MAY. BOTH DEPARTMENTS HAVE LOST OUT IN THE RECENT REORGANISATION OF THE CABINET COMMITTEE STRUCTURE WHICH CLEARLY PLACES BAKER IN CHARGE OF WIDER ECONOMIC POLICY. HIS FLEXIBILITY COULD CONTRAST WELL WITH THE PERFORMANCE OF HIS PREDECESSOR: PROVIDED THE LATTER'S WHITE HOUSE TEAM DOES NOT OBSTRUCT HIM BY ITS OWN INFLEXIBILITY, AND LESS DEFT TOUCH ON THE HILL.

8. IN THE MEDIUM TERM, HOWEVER, THE DANGERS OF AN UPSURGE OF PROT-ECTIONIST ACTION REMAIN. EVEN IF THE DOLLAR CONTINUES TO DECLINE, IT WILL TAKE TIME FOR THE EFFECT TO BE REFLECTED IN US TRADE PERFORMANCE. THE IMPORTS FLOODING INTO THE US MARKET NOW WERE ORDERED IN 1984,: AND THE DOLLAR WOULD HAVE TO FALL VERY MUCH FURTHER BEFORE FOREIGN GOODS LOST THEIR COMPETITIVE EDGE, NOT LEAST BECAUSE EXPORTERS COULD IN LARGE MEASURE ABSORB THE EXCHANGE RATE LOSS AND STILL MAKE A HEALTHY PROFIT. IN THE PERIOD OF LOWER ECONOMIC GROWTH WHICH IS NOW IN PROSPECT, THE PROCESS OF ADJUSTMENT TO THAT COMP-ETITION BY US INDUSTRY WILL BE THAT MUCH HARDER AND THE TEMPTATION TO CALL FOR RELIEF AGAINST IMPORTS THAT MUCH GREATER.

CONCLUSION

9. THE ADMINISTRATION WILL GO INTO THE BONN SUMMIT ACUTELY AWARE THAT IT FACES A RECORD TRADE DEFICIT IN 1985 AND GROWING PROTECT-IONIST PRESSURES AT HOME. RIGHTLY OR WRONGLY, IT SEEMS CONVINCED THAT THOSE PRESSURES CAN ONLY BE RESISTED BY A FORMAL SUMMIT ENDORSEMENT OF A FIRM DATE IN EARLY 1986 FOR THE OPENING OF A NEW GATT ROUND, AND THE PRESIDENT WILL GO HARD FOR THIS IN BONN. HAVING PINNED ITS COLOURS SO PUBLICLY TO THIS MAST, THE ADMINISTRATION'S CREDIBILITY ON TRADE ISSUES - MUCH QUESTIONED RECENTLY ON THE HILL - WILL LOOK VERY THIN IF THE SUMMIT DOES NOT PRODUCE SOME PROGRESS

ON THE ISSUE. BUT IN PRACTICE, WHAT HAPPENS IN THE FOREIGN EXCHANGE MARKET, AND WHAT IS DONE BILATERALLY WITH JAPAN WILL PROBABLY HAVE MUCH GREATER IMPACT ON THE HILL IN THE IMMEDIATE FUTURE. IF THE LEADERS OF THE MAJOR INDUSTRIALISED NATIONS ARE SEEN TO BE IN AGREEMENT ON THE BROAD RANGE OF INTERNATIONAL ECONOMIC ISSUES, THIS WILL DO MUCH TO STRENGTHEN THE ADMINISTRATION'S HAND IN REDUCING DOMESTIC TENSIONS. WE CANNOT HOWEVER RULE OUT THE POSSIBILITY OF FURTHER PRECIPITATE US ACTION IN INDIVIDUAL SECTORS AGAINST EC EXPORTS (EG OVER STEEL CONSULTATION PRODUCTS) EVEN IF THE SUMMIT IS A SUCCESS. IT WILL BE RECALLED THAT THE PRESIDENT TOOK ACTION AGAINST STAINLESS STEEL IMPORTS IMMEDIATELY AFTER THE ANTI-PROTECTIONIST PLEDGES OF THE 1983 ECONOMIC SUMMIT.

10. ADVANCE COPIES TO POWELL (NO 10), PPS/S OF S, PPS/CHANCELLOR, HATFIELD (CABINET OFFICE), PS/PUS, LITTLER (TREASURY), HAYES (DTI), BRAITHWAITE (FCO).

FCO PLEASE PASS SAVING TO ANKARA ATHENS BRUSSELS COPENHAGEN LISBON LUXEMBOURG OSLO REYKJAVIK THE HAGUE UKDEL VIENNA DUBLIN.

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ECONOMIC SUMMIT

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BONN ECONOMIC SUMMIT: FRG VIEWS

SUMMARY

1. PUBLIC GERMAN REJECTION OF A LOCOMOTIVE ROLE FOR THEMSELVES AT THE BONN ECONOMIC SUMMIT. KOHL SAYS THAT HE WILL SPEAK UP FOR THE THIRD WORLD.

DETAIL

2. IN AN INTERVIEW PUBLISHED ON 23 APRIL CHANCELLOR KOHL FIRMLY REJECTED ANY REPEAT LOCOMOTIVE ROLE FOR THE FRG AT THE BONN ECONOMIC SUMMIT. HIS REASONS WERE THE FAILURE OF THE SIMILAR EXPERIMENT AT THE 1978 BONN SUMMIT WHERE THE EXPANSIONARY POLICIES GERMANY HAD INTRODUCED HAD INTERRUPTED THE POLICY OF BUGETARY STRINGENCY WHICH HAD BEGUN IN 1976. MOREOVER, PUBLIC EXPENDITURE PROGRAMMES WERE NOT APPROPRIATE TO COMBAT UNEMPLOYMENT WHICH WAS OVERWHELMINGLY A STRUCTURAL PROBLEM AND NOT TO BE OVERCOME BY THE ARTIFICIAL CREATION OF ADDITIONAL DEMAND. WHAT WAS REQUIRED WAS JOINT EFFORTS BY ALL SUMMIT PARTICIPANTS DIRECTED TOWARDS COMMON GOALS.

3. THE PRESIDENT OF THE BUNDESBANK, POEHL, ALSO DECISIVELY REJECTED LOCOMOTIVE THEORIES AT A SPEECH ON 23 APRIL IN BOCHUM. AMERICAN EXPERIENCE SHOWED HOW DIFFICULT IT WAS TO OVERCOME DEFICITS RESULTING FROM AN EXPANSIVE FISCAL POLICY. FURTHERMORE, THE US TRADE DEFICIT AND INCREASING FOREIGN DEBT REPRESENTED A GROWING DANGER FOR THE STABILITY OF THE INTERNATIONAL MONETARY SYSTEM.

4. THE WEEKEND PRESS REPORTED A SPEECH BY CHANCELLOR KOHL IN WHICH HE SAID HE WOULD SPEAK UP FOR THE THIRD WORLD AT THE SUMMIT. NEWSPAPER COMMENT WAS SCEPTICAL ABOUT HIS COMMITMENT.

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/COMMENT.

COMMENT

5. THE AUSWAERTIGES AMT SAY THAT KOHL'S REMARKS ON NORTH-SOUTH QUESTIONS WERE NOT INTENDED AS A SIGNAL FOR OTHER SUMMIT PARTICIPANTS. THE CHANCELLOR HAD BEEN ADDRESSING A CDU PARTY GATHERING (JOINTLY WITH THE CHURCHES) AND HAD THE DOMESTIC AID LOBBY IN MIND. THE KOHL AND POEHL ATTACK ON THE LOCOMOTIVE THEORY MAY ALSO BE DESIGNED TO REASSURE DOMESTIC OPINION ABOUT THE FEDERAL GOVERNMENT'S RESOLVE TO STICK TO ITS PRESENT FISCAL AND ECONOMIC POLICIES. ACCORDING TO THE FEDERAL CHANCELLERY, THE GERMANS HAVE NOT BEEN PUT UNDER ANY FOREIGN PRESSURE (E.G. FROM THE AMERICANS OR THE FRENCH) TO EASE THE CURRENT POLICY STANCE. IN THE VARIOUS DISCUSSIONS GERMAN MINISTERS AND OFFICIALS HAD AT LAST WEEK'S FUND/BANK MEETINGS NO ATTEMPT WAS MADE TO PUT PRESSURE ON THEM. THE ONLY THING REMOTELY RESEMBLING PRESSURE WAS VOLCKER'S PUBLIC SUGGESTION THAT THE PROPOSED TWO STAGE INCOME TAX REFORM SHOULD BE CARRIED OUT IN ONE STEP IN 1986. THERE IS NO LIKELIHOOD OF THIS CALL BEING HEEDED.

BULLARD

ECONOMIC SUMMIT

STANDARD ~~(PALACE)~~

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INFO SAVING OTHER EC AND NATO POSTS, CG'S IN USA, UKMIS NEW YORK.

MY TWO IPTS: BONN SUMMIT: US ECONOMY AND ECONOMIC POLICIES

SUMMARY

1. THE GROWTH OF THE US ECONOMY HAS SLOWED DOWN TO A CRAWL. A FINAL BUDGET DEAL IS STILL SOME WAY OFF AND WILL PROBABLY NOT BE ON THE ADMINISTRATION'S TERMS. THEIR TAX REFORM PROPOSALS REMAIN IN THE WINGS, AND MAY NOT GET TO CENTER-STAGE SOON ENOUGH FOR A BILL TO PASS THIS YEAR.

2. AT THE SUMMIT BAKER WILL PROBABLY SEEK TO KEEP ALIVE HIS SUGGESTION FOR AN INTERNATIONAL MONETARY MEETING AT LEAST UNTIL AGREEMENT ON A DATE FOR THE START OF A NEW GATT ROUND IS ASSURED, WHILE TRYING TO MINIMISE THE SCOPE OF THE SUGGESTION. HIS VIEWS ON INTERNATIONAL ECONOMIC POLICY ARE STILL FORMING, AND THE BEST STATEMENT OF THE ADMINISTRATION'S POSITION REMAINS SHULTZ'S PRINCETON SPEECH OF 11 APRIL.

THE DOMESTIC US ECONOMY

3. THE MAIN ECONOMIC FIGURES ARE GIVEN IN MY FIRST IPT. WHILE THE US ECONOMY HAS BEEN EXPANDING OVER THE PAST TWO YEARS, IT HAS ENCOURAGED CAPITAL INFLOWS FROM ABROAD AND THE DEFICIT HAS BEEN FINANCED WITHOUT LARGE INCREASES IN INTEREST RATES. IF THE ECONOMY SLOWS DOWN, IT MUST BE QUESTIONABLE WHETHER VOLUNTARY CAPITAL INFLOWS WILL CONTINUE ON THE SAME SCALE WITHOUT AN INCREASE IN INTEREST RATES. THE HEAVY INDEBTEDNESS OF MAJOR SECTORS OF THE US ECONOMY, THE DUBIOUS VALUE OF MANY OF THE ASSETS ON THE BOOKS OF THE US BANKS, THE DECLINE OF SEVERAL MAJOR INDUSTRIES AND US AGRICULTURE, HAVE ALL RAISED ADDED DOUBTS ABOUT THE SUSTAINABILITY OF THE DOLLARS 100 BILLION CAPITAL INFLOW. EVEN IF REAL DEMAND RESPONDED TO FASTER GROWTH IN THE MONEY SUPPLY BY ITSELF GROWING MORE QUICKLY, THIS MIGHT ONLY LEAD TO A WORSENED TRADE DEFICIT AND VERY LITTLE INCREASE IN GNP GROWTH.

4. THE FEDERAL RESERVE IS NOW BEING TORN BETWEEN SEVERAL FACTORS INFLUENCING MONETARY POLICY. THE M1 INCREASE IN THE FIRST QUARTER WAS ABOVE THE TOP OF ITS TARGET ''CONE''. THE LATEST INFLATION FIGURE (A RISE OF 0.5 PERCENT IN THE CONSUMER PRICE INDEX IN MARCH), ALTHOUGH RELATED TO THE PRICE OF PETROL, IS ALSO A SOURCE OF DISCOMFORT. BUT CONCERN ABOUT THE FRAGILITY OF US FINANCIAL INSTITUTIONS AND THE ECONOMY WILL MILITATE AGAINST A RAPID CUTTING BACK OF MONETARY GROWTH. FEARS OF SUSTAINED HIGH INTEREST RATES HAVE TENDED IN RECENT DAYS TO DRIVE THE DOLLAR BACK UP. VOLCKER IS THEREFORE IN A TOUGH POSITION, BUT PAST PERFORMANCE WOULD INDICATE THAT HE MAY CONTINUE WITH HIGH MONETARY GROWTH.

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5. IF RECOVERY IS TO CONTINUE SUSTAINABLY THE BUDGET DEFICIT MUST BE CUT. THE SPENDING REDUCTION PLAN AGREED BETWEEN THE PRESIDENT AND SENATE REPUBLICAN LEADERS ON 4 APRIL AIMS TO ACHIEVE SAVINGS OF DOLLARS 52 BILLION IN FY86, AND TO REDUCE THE FEDERAL DEFICIT TO ABOUT DOLLARS 100 BILLION IN FY88. THE NEXT FEW DAYS WILL DETERMINE ITS FATE IN THE REPUBLICAN SENATE, BUT ITS CHANCES OF SURVIVING INTACT IN THE DEMOCRATIC HOUSE OF REPRESENTATIVES ARE VERY LOW. THE FY86 TOTALS MAY BE ATTAINABLE, BUT THE MIX SEEMS VIRTUALLY CERTAIN TO CHANGE, WITH THE PROPOSED 3 PERCENT REAL INCREASE IN DEFENCE SPENDING PARTICULARLY VULNERABLE. AND EVEN IF THE TOTALS ARE ACHIEVED, THE DEFICIT PROJECTION WOULD REMAIN DOLLARS 175 BILLION IN FY86, AND THE TARGET OF A DEFICIT OF FOLLARS 100 BILLION IN FY88 LOOKS VERY OPTIMISTIC, ESPECIALLY IF THE ECONOMY SLOWS DOWN SIGNIFICANTLY, AUTOMATICALLY REDUCING TAX REVENUES AND MEANS-TESTED EXPANDITURE PROGRAMMES, AND INCREASING THE POLITICAL DIFFICULTY, IN THE RUN-UP TO THE MID-TERM ELECTIONS, OF CUTS IN DISCRETIONARY EXPENDITURE ON AGRICULTURE, PUBLIC WORKS AND OTHER EMPLOYMENT SUPPORT .

TAX REFORM

6. SECRETARY BAKER HAS SAID THAT THE ADMINISTRATION'S PLAN FOR REVENUE-NEUTRAL TAX REFORM WILL BE PUT TO CONGRESS IN EARLY MAY, AND WILL REMAIN BROADLY AS IN THE ORIGINAL REGAN PROPOSALS. THIS WOULD MEAN A SUBSTANTIAL INCREASE IN THE PROPORTION OF TOTAL TAX PAID BY CORPORATIONS COMPARED TO INDIVIDUALS - BASICALLY BECAUSE THEIR ACCELERATED DEPRECIATION ALLOWANCES WOULD BE REDUCED - AND A REDUCED TOP RATE OF INCOME TAX FOR INDIVIDUALS, PERHAPS AS LOW AS 35 PERCENT.

7. THE DEBATE WILL BE LONG AND DIFFICULT. ROSTENKOWSKI (CHAIRMAN OF THE HOUSE WAYS AND MEANS COMMITTEE) IS ALREADY EXAMINING ALTERNATIVE IDEAS, AND MAY CHOOSE TO TAKE HIS COMMITTEE DOWN ITS OWN PATH, PERHAPS ALONG THE LINES OF THE IDEA OF A MINIMUM TAX FAVOURED BY DEMOCRATS SUCH AS REPRESENTATIVES RUSSO AND SCHUMER AND SENATOR METZENBAUM. A MINIMUM TAX WOULD ENSURE THAT AN INDIVIDUAL OR CORPORATION WOULD PAY AT LEAST SOME PERCENTAGE OF NET INCOME, WITH CERTAIN DEDUCTIONS AND ALLOWANCES ADDED BACK INTO NET INCOME FOR THE PURPOSES OF CALCULATING THE MINIMUM TAX BASE. SUCH AN IDEA WOULD BE OPPOSED BY THE ADMINISTRATION AS INIMICAL TO TRUE REFORM, BUT IT MIGHT BE MORE ACCEPTABLE TO THE GROUPS MAINLY AFFECTED THAN SECRETARY REGAN'S ORIGINAL PROPOSALS.

THE SUMMIT

8. THE PRESIDENT GOES TO BONN AGAINST A WEAKER DOMESTIC ECONOMIC BACKGROUND THAT AT ANY TIME SINCE 1982. THE ADMINISTRATION'S MAIN DOMESTIC ECONOMIC POLICIES, EXPENDITURE REDUCTION AND TAX REFORM, ARE NOT YET SAFELY LAUNCHED AND MAY UNDERGO FURTHER RADICAL CHANGE. THE US BANKING SYSTEM FACES SERIOUS SOLVENCY DIFFICULTIES OF ITS BORROWERS IN SEVERAL DOMESTIC SECTORS (ENERGY, REAL ESTATE, AGRICULTURE), AS WELL AS INTERNATIONALLY. AND THE US IS ON THE ROAD TO BECOMING A NET DEBTOR FOR THE FIRST TIME SINCE WORLD WAR I.

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9. THE TEMPTATION FOR THE PRESIDENT WILL BE TO ARGUE IN BONN THAT THE US ECONOMY HAS PULLED THE WORLD ECONOMY A LONG WAY IN THE PRESENT RECOVERY: THAT IT IS NOW TIME FOR OTHER COUNTRIES BOTH TO EXPAND THEIR ECONOMIES AND REDUCE THEIR TRADE BARRIERS TO ALLOW BETTER ACCESS FOR US PRODUCTS. THERE WILL BE A TEMPTATION TO ECHO VOLCKER'S REPEATED HINTS THAT A MORE RESPONSIBLE FISCAL POLICY IN THE US SHOULD BE THE OCCASION FOR SOME LOOSENING IN OTHER COUNTRIES. BUT THE PROOF OF GREATER FISCAL RESPONSIBILITY HERE HAS YET TO BE DEMONSTRATED IN PRACTICE.

10. THERE ARE TWO VIEWS IN THIS TOWN ON THE MOTIVATION FOR BAKER'S SUGGESTION FOR AHIGH-LEVEL MEETING TO DISCUSS INTERNATIONAL MONETARY REFORM. THE FIRST IS THAT IT IS SIMPLY A GAMBIT TO GET THE FRENCH TO AGREE TO A STARTING DATE FOR A NEW GATT ROUND, AND TO DEAL WITH DOMESTIC PRESSURE FROM US INDUSTRY. I AM NOT SURE THAT THIS INTERPRETATION IS RIGHT. THERE HAVE BEEN RECENT SIGNS (PUBLIC STATEMENTS BY BAKER AND SHULTZ'S 11 APRIL SPEECH) THAT THE US WISHES TO REGAIN ECONOMIC LEADERSHIP AMONGST THE SUMMIT SEVEN. BAKER HAS ALSO SHOWN SIGNS OF WANTING MONETARY REFORMS MORE FUNDAMENTAL THAN THOSE RECOMMENDED IN THE G10 REPORT, ALTHOUGH HE DOES NOT APPEAR TO BE CLEAR ABOUT WHAT THEY SHOULD BE. I BELIEVE HIM TO BE MORE OPEN-MINDED ON THIS ISSUE THAT HIS PREDECESSOR, AND HE WILL ALSO BE AWARE THAT THERE IS GROWING ENTHUSIASM FOR MONETARY REFORM ON THE HILL.

11. FCO PLEASE ADVANCE TO POWELL (NO.10), PPS/S OF S, PPS/CHANCELLOR, HATFIELD (CABINET OFFICE), LITTLER (HMT), HAYES (DTI), BRAITHWAITE (FCO) AND LOEHNIS (BANK).

FCO PASS SAVING:
DUBLIN, ANKARA, ATHENS, BRUSSELS, COPENHAGEN, LISBON, LUXEMBOURG, OSLO, REYKJAVIK, THE HAGUE, UKDEL VIENNA,

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THE SECOND REAGAN ADMINISGRATION AND THE APPROACH TO THE BONN SUMMIT

SUMMARY

1. WITH THE RE-ELECTION HONEYMOON OVER, THE ADMINISTRATION IS IN A BAD PATCH. THE ECONOMIC SLOW-DOWN CAUSES CONCERN, AND THE WHITE HOUSE SEEMS TO HAVE LOST ITS TOUCH, AT LEAST FOR THE MOMENT. REAGAN'S PERSONAL APPEAL REMAINS STRONG, BUT HE NEEDS A GOOD SUMMIT, AS THE 1986 MID-TERM ELECTIONS BEGIN TO CAST A LONG SHADOW.

ETAIL

2. THE PRESIDENT HAS FOUND HIS OWN LANDSLIDE VICTORY LAST NOVEMBER A DIFFICULT ACT TO FOLLOW. LITTLE HAS SINCE BEEN ACHIEVED: THE POLITICAL CLIMATE HAS CHANGED APPRECIABLY SINCE YOU AND THE PRIME MINISTER WERE HERE IN FEBRUARY: AND THE ADMINISTRATION HAS IN RECENT WEEKS LOOKED MORE EMBATTLED THAN AT ANY TIME FOR TWO YEARS. IT IS GLAD CONFIDENT MORNING NO MORE.

3. VERY LITTLE HAS GONE RIGHT. ECONOMIC PERFORMANCE IN THE FIRST QUARTER, WITH GNP UP ONLY 1.3 PERCENT AND DOMESTIC PRODUCTION UP 3. PERCENT LESS THAN TOTAL DEMAND, HAS CALLED INTO QUESTION THE ADMINISTRATION'S PROJECTION OF 3-4 PERCENT GROWTH THIS YEAR, AND INDIRECTLY CAST DOUBT ON THE WHOLE MESSAGE OF GROWTH AND PROSPERITY ON WHICH THE ELECTION SUCCESS WAS BASED. THIS MAY TAKE SOME TIME TO PERCOLATE THROUGH TO PUBLIC ATTIDUTES, BUT THERE IS ALREADY EVIDENCE OF A FALL IN CONSUMER CONFIDENNCE, AND CONSUMER SPENDING WAS SHARPLY DOWN IN MARCH. CONTINUING GOOD NEWS - LOWER INTEREST RATES (7 3/4 PERCENT ON A THREE-MONTH TREASURY BILL AND 11.3 PERCENT ON A 20-YEAR US BOND), AND LOW (3.7 PERCENT) INFLATION - HAS BEEN MORE THAN OUTWEIGHED BY A WEAK TREND IN INDUSTRIAL PRODUCTION, STAGNANT CAPACITY UTILISATION (80.8 PERCENT) AND UNEMPLOYMENT (7.3 PERCENT). LOWER INTEREST RATES AND INFLATION ARE INCREASINGLY SEEN PARTLY AS SIGNS OF WEAKENING ECONOMY, RATHER THAN AS UNAMBIGUOUS INDICATORS OF THE SCOPE FOR FURTHER GROWTH. MOREOVER, WITH MONEY SUPPLY (M1) GROWTH OF NEARLY 10 PERCENT IN THE FIRST QUARTER, SOME NOW SEE LOWER INTEREST RATES AS A HARBINGER OF INFLATIONARY PRESSURES TO COME.

4. THE ADMINISTRATION IS NOT DISGUISING ITS DISAPPOINTMENT. DON REGAN, THE NEW EHITE HOUSE CHIEF OF STAFF HAS SAID BLUNTLY THAT THE ECONOMY WAS QUOTE NOT HEALTHY UNQUOTE AT PRESENT. THE ECONOMIC NEWS, INCLUDING THE TROUBLES IN THE BANKING SECTOR IN

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OHIO, AND THE DOLLAR'S RECENT FALL, HAVE REINFORCED CALLS FOR EFFECTIVE DEFICIT REDUCTION MEASURES, BUT WITHOUT MAKING THEIR ACHIEVEMENT ANY EASIER: AND THE SLOW PROGRESS OF THE BUDGET NEGOTIATIONS BETWEEN THE ADMINISTRATION AND THE HILL IS GENERALLY BEING BLAMED ON A LACK OF DIRECTION IN THE WHITE HOUSE. THE PRESIDENT NOW FINDS HIMSELF CRITICISED FOR BEING READY TO BREAK HIS PROMISE TO AVOID CUTS IN SOCIAL SECURITY UPRATINGS, BUT STILL FAR FROM ACHIEVING HIS TARGET OF DOLLARS 50 BILLION REDUCTIONS IN FY 86 EXPENDITURE. HIS GRUDGING CONCESSION OF CUTTING THE RISE IN DEFENCE SPENDING TO ONLY 3 PERCENT IS WIDELY SEEN AS TO LITTLE, TOO LATE: MORE WILL HAVE TO BE PAINFULLY SQUEEZED OUT. AND WHILE THE BUDGET BATTLE RAGES IN WASHINGTON, THERE IS A REAL DISCONTENT THROUGHOUT THE FARM BELT, EVEN THOUGH THE PRESIDENT'S DECISION TO VETO THE FARM AID PACKAGE IN FEBRUARY WILL HAVE BEEN GENERALLY POPULAR IN NON-AGRICULTURAL AREAS. PROTECTIONIST PRESSURES CONTINUE TO GROW, NOT LEAST ON THE HILL, AND THE ADMINISTRATION IS DANGEROUSLY CLOSE TO LOSING CONTROL OVER THEM.

5. PERSONAL CHANGES AT THE WHITE HOUSE PARTIALLY EXPLAIN THE CURRENT ECLIPSE. THE REPLACEMENT OF THE BAKER-MEESE-DEAVER TRIUMVIRATE BY REGAN (AND BUCHANAN) MEANS SUBSTITUTING DRIVE AND ACTION FOR JUDGEMENT AND REFLECTION: MORE STICKS BRANDISHED, FEW CARROTS DISCREETLY OFFERED. INSTEAD OF BAKER'S BEHIND -THE-SCENE MANOEUVRING AND CONSENSUS BUILDING, PARTICULARLY ON THE HILL, A MORE CONFRONTATIONAL, HARD-CHARGING, LESS PRAGMATIC APPROACH HAS DEVELOPED OVER THE PAST COUPLE OF MONTHS. IT HAS BEEN A TIME FOR TAKING ENTRENCHED POSITIONS, AND FOR THE INCREMENTAL UPPING OF THE RHETORICAL ANTE.

6. IT WORKED ON MX: IT HAS FAILED ON NICARAGUA, OVER WHICH THE WHITE HOUSE'S DISCOMFITURE IS SO STRIKING PRECISELY BECAUSE IT CHOSE TO RAISE THE STAKES SO HIGH. THE RESULT IS A SERIOUS BLOW TO THE CREDIBILITY OF ITS POLICIES TOWARDS CENTRAL AMERICA: IT IS FAR FROM CLEAR HOW BEST TO RESTORE IT, GIVEN THAT THE PRESIDENT HAS ACKNOWLEDGED THAT HIS AIM IS TO OVERTHROW THE SANDINISTAS, AND CONGRESS HAVE SHOWN UNAMBIGUOUSLY THAT THEY DO NOT INTEND TO GIVE HIM THE MEANS TO DO SO. HARDLY LESS DAMAGING TO THE PRESIDENT IS THE BITBURG/BELSEN CATALOGUE OF BLUNDERS, FOR WHICH DEAVER MUST TAKE PRIME RESPONSIBILITY, BUT IN WHICH THE PRESIDENT'S OWN REPEATED GAFFES HAVE BEEN REMINISCENT OF HIS SHAKY PERFORMANCE IN THE EARLIEST DAYS OF THE ADMINISTRATION.

6. OF COURSE, THE WASHINGTON HOT-HOUSE EXAGGERATES THE BAD NEWS FOR THE ADMINISTRATION: THERE STILL IS GOOD NEWS ABOUT. DESPITE THE CONFUSED US SIGNALS ON A SUMMIT WITH GORBACHEV, AND SIGNS OF NERVOURSNESS THAT MOSCOW TOO MAY HAVE FOUND A QUOTE GREAT COMMUNICATOR, UNQUOTE A SERIOUS US/SOVIET POLITICAL DIALOGUE HAS BEE RE-ESTABLISHED AT A SENIOR LEVEL, AND THE GENEVA TALKS HAVE GOT UNDERWAY REASONABLY UNEVENTFULLY. THE PRESIDENT'S OPPOSITION TO TAX INCREASES IS NO DOUBT STILL POPULAR, AND THE LATEST (22 APRIL) ABC PUBLIC OPINION POLL STILL GAVE HIM A 54 PERCENT OVERALL JOB APPROVAL RATING (DOWN FROM 68 PERCENT IN JANUARY).

/8. THE .

8. THE PRESIDENT'S ADVISERS MAY ALSO TAKE IRONIC COMFORT FROM THE FACT THAT RECENT FAILURES HAVE BEEN VERY MUCH OF THE ADMINISTRATION'S OWN MAKING: NOT THE RESULT OF ANY PERCEPTIBLE RISE IN DEMOCRAT PARTY FORTUNES. ON THE CONTRARY, THE DEMOCRAT PARTY REMAINS DISORGANISED AND ON THE DEFENSIVE, LACKING LEADERSHIP AND A CLEAR POLICY IDENTITY. BOTH PARTIES STILL HAVE 18 MONTHS TO REGROUP BEFORE THE NEXT CONGRESSIONAL ELECTIONS: WE CAN EXPECT VICE PRESIDENT BUSH, ALREADY RECRUITING STAFF AND SEEKING HIGHER VISIBILITY, TO ACT ON HIS PERSONAL INTEREST IN ENSURING THAT REAGAN'S SECOND TERM IS A SUCCESS: BUT WE MUST ALSO EXPECT THE 22 REPUBLICAN SENATORS UP FOR RE-ELECTION IN 1986 TO BECOME INCREASINGLY LESS WILLING TO BE ASSOCIATED WITH WHITE HOUSE FUMBLING.

9. AND AT THIS STAGE, THE JUDGEMENT MUST BE THAT THE TEFLON IS BEGINNING TO WEAR THIN. THE PRESIDENT BADLY NEEDS TO RECOVER HIS LEGISLATIVE AND POLITICAL FINESSE: HE WILL BE ANXIOUS FOR A SUMMIT SUCCESS. FOR THE LINE HE IS LIKELY TO TAKE IN BONN, SEE MY TWO IFTS.

10. ADVANCE COPIES TO POWELL (NO 10), PPS/S OF S, PPS/CHANCELLOR, HATFIELD (CABINET OFFICE), PS/PUS, LITTLER (TREASURY), HAYES (DTI), BRAITHWAITE (FCO).

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MR. POWELL - No.10 D.St.
PS/CHANCELLOR } H.M TREASURY
MR. LITTLER }
MR. HATFIELD - CAB OFF.
MR. HAYES - DTI

(ADVANCED AS REQUESTED)

cc OPS
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fhle

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cc FCO
CO.

10 DOWNING STREET

THE PRIME MINISTER

24 April 1985

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T74A/85

My dear Chancellor.

Thank you for your recent letter in which you outlined the subjects on which discussions should focus at next month's Economic Summit in Bonn.

I find myself in agreement with virtually all that you say. Certainly we should concentrate on economic issues in our discussions, with the aim of achieving consistent macro-economic policies and, particularly in the European countries represented at the Summit, of encouraging enterprise and helping the labour market to work more efficiently to reduce unemployment. Trade policy issues will be of central importance. As you say, the world trading community will look to the Economic Summit countries to demonstrate leadership. We must, I believe, commit ourselves to work for the successful launching in 1986 of a new Round of multi-lateral trade negotiations. In the light of the outcome of the OECD Ministerial this should be perfectly feasible. We should point out to the developing countries, particularly those with debt problems, that it is the strengthening of the open trading system which offers them the best hope of stable economic growth.

/I endorse

EC

I endorse the importance you attach to the preservation of the informality of our meeting. In this way we can have a real exchange of views, to which I am much looking forward.

Yours sincerely

Margaret Thatcher

His Excellency Herr Dr. Helmut Kohl.

FILE

CANAKE

cc: FCO
HMT
DTI
CO

10 DOWNING STREET

24 April, 1985

From the Private Secretary

The Prime Minister has asked me to thank you for your letter of 15 April enclosing a copy of the ICC statement for the Bonn Economic Summit, which I understand you have also sent to the Foreign Secretary, the Chancellor of the Exchequer, and the Trade and Industry Secretary.

It was very useful to have this and it will be an important part of the background material which the Prime Minister will have to hand for the Summit.

(C D Powell)

Sir Peter Macadam

EC

DSR 11 (Revised)

DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1+

FROM:

PS/No 10

DEPARTMENT: TEL. NO:

Reference

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TO:

Sir Peter Macadam
Chairman
ICC(UK)
Centrepoint
103 New Oxford Street
LONDON WC1A 1QB

Your Reference

Copies to:

RAMAKE

SUBJECT:

The Prime Minister has asked me to thank you for your letter of 15 April enclosing a copy of the ICC statement for Bonn, which I understand you have also sent to the Foreign Secretary, the Chancellor of the Exchequer, and the Trade and Industry Secretary.

~~The Prime Minister is looking forward to a thorough exchange of views with her colleagues at the Bonn Summit. Heads of Government will be discussing developments in the world economy and considering ways in which their countries can ensure sustained and stable economic growth and resist protectionist pressures. The contents of the ICC statement will be studied with considerable interest.~~

It was very useful to have this & it will be an important part of the background ~~material~~ ~~matter~~ material which the Prime Minister will have to ~~[illegible]~~ hand for the Summit.

CM

cc PS

Foreign and Commonwealth Office

London SW1A 2AH

23 April 1985

Dear Charles,

Economic Summit

Thank you for your letter of 15 April with which you enclosed one to the Prime Minister from the International Chamber of Commerce on the Bonn Summit. Identical letters were also sent to the Foreign Secretary, the Chancellor of the Exchequer and the Secretary of State for Trade and Industry.

As the ICC have also sent the same message to all other Summit participants, we do not consider that the letter calls for more than an acknowledgement. This was the procedure followed last year. I enclose a draft.

I am copying this letter to Rachel Lomax (HM Treasury), John Mogg (Department of Trade and Industry) and Richard Hatfield (Cabinet Office).

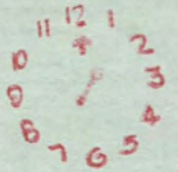
Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

C D Powell Esq
10 Downing Street

23 APR 1985



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10 DOWNING STREET

From the Private Secretary

23 April 1985

Bonn Economic Summit: Bilateral Meetings: Drugs

The Prime Minister has it in mind to raise in some of her bilaterals during the Economic Summit - particularly with President Reagan - the problem of drug smuggling and addiction. I should be grateful if a brief could be prepared on this in close collaboration with the Home Office.

I am copying this letter to Colin Budd (FCO) and Hugh Taylor (Home Office).

(Charles Powell)

Richard Hatfield, Esq.,
Cabinet Office.

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bc PC

10 DOWNING STREET

From the Private Secretary

SIR ROBERT ARMSTRONG

BONN ECONOMIC SUMMIT: MEETING OF PERSONAL REPRESENTATIVES, 19/21 APRIL

Thank you for your various minutes of 22 April recording the meeting of Personal Representatives last weekend. The Prime Minister has read these but made no particular comment on them. She has told me, however, that she finds the French Government's behaviour over the reference in the draft Political Declaration to the Geneva talks and their insistence on a reference in the economic Thematic Paper to President Mitterrand's proposals for dealing with famine and drought in Africa irritating.

She has also said that she continues to believe that a high-level monetary conference is unnecessary and would raise expectations which could not be met. She is disturbed to see from paragraph 9 of your main minute that the American position on this seems to be changing.

Finally, the Prime Minister has said that she hopes that she can see drafts of the speaking notes for her to use at the Summit on the economic issues by this weekend, to leave her adequate time to work on them.

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

CST.

(C. D. POWELL)
23 April 1985

HELMUT SCHMIDT

Helmut Schmidt Hamburg, 23 April 1985

Best Case ...

Wishful Thinking for the Bonn Summit

The first of these economic summits, held ten years ago today in Rambouillet under the chairmanship of Valery Giscard d'Estaing, was probably the best one. We met in a very small group in a large living room. None of us was able to speak with television reporters from our own countries, since the press had been kept at a distance. Instead, we had to concentrate on the five other partners, speaking with them and listening to them. We left Rambouillet with the feeling that we understood the world a little better and that we were thus better able to cooperate with one another. The press was not informed until after the summit but it had no shortage of things to report about. Today thousands of journalists travel to the summit locations. Every hour the press spokesmen for the various heads of state and government rush the scripts of statements to their respective national presses. The result is that presidents and prime ministers tend to direct what they say in the summit debates to the public at home in California, the Palatinate or Paris.

This year's summit in Bonn suffers an additional handicap. It was a mistake to schedule it so close to the 40th anniversary of the end of World War II hostilities in the European theater since, in contrast to the 25th and 30th anniversaries, everyone had agreed this time to make it a world day of commemoration. This was followed by a series of further mistakes on the part of White House and the Chancellery staff. The result is that both the host and his most important guest are going into the summit in a phase of

declining domestic and international prestige. In the past three weeks Dachau, Bergen-Belsen and Bitburg have cast dark shadows on the summit, almost completely obscuring the actual issues at hand.

The central theme of all the previous ten summits was always complex, i.e. "What is the world economic situation? How do we view the political situation in the world? How will, how can and how should the world situation develop? What can we do? What is our overall strategy? What compromises do we have to enter into with one another in order to make a viable joint strategy possible?"

Inflationary use of the word "strategy" tends to blind us to the factual absence of a joint "grand strategy" in the West. Trademark strategies, sales strategies, young socialist double strategies, if-you-can't-beat-them-join-them strategies, deterrent strategies, defense strategies -- endless strategies, but at the current time there is hardly any recognizable joint strategy among the major industrial democracies. Instead, the media and the public in our countries are intimidated by continuing visions of nuclear horror.

Worst-case scenarios reign supreme. Worst-case psychoses can be found in places as diverse as the peace movement, Soviet propaganda and Ronald Reagan. The latter's star wars initiative is an attempted response to an obsession with a worst case affecting his own nation, i.e. the case of an intercontinental nuclear missile attack on the United States. It is still not clear whether and under what circumstances Reagan's strategic defense initiative will be able to contribute to the overall security of the world. What is clear, however, is that it cannot contribute to the economic and social welfare or to the freedom of the nations of the world. In other words, it is at best a partial response. At best ...

It is time the Western nations did some joint thinking as to how we can prepare ourselves for response to more than just a small part of all conceivable cases, i.e. more than just a (highly improbable!) worst case. It is time we engaged in joint thinking on how we can enable the world as a whole to move towards a conceivable "best case" on the basis of joint efforts, making use of all the intellectual, diplomatic, economic and military potentials and instruments at our disposal.

If the world is to be kept in overall economic, social and military equilibrium, the West needs internal cohesion in its European, North American and Japanese alliance. It needs joint strategies not only against Soviet expansionism, but also for the welfare of the developing countries in the Third World. Finally, the West needs a coherent concept for its own economic development. None of the elements necessary for this is inconceivable. None of the necessary and possible elements need necessarily conflict with other elements. Since the second half of the 1970s there has been a declining degree of consensus. Thus, it is time that government leaders were again concentrating on the essential. As a person with many years of experience at economic summits, I would like to present a list of possible summit statements which, from my pragmatic standpoint, would, if they were actually adopted, reflect a "best possible summit result".

Looking at the Alliance

1. We renew the two-track philosophy of the North Atlantic Council Resolution of December 1966, the way to which was paved by John F. Kennedy, Pierre Harmel and others. We continue to support both "main functions" of the Atlantic Alliance:

a. " ... to maintain adequate military strength and political solidarity to deter aggression and other forms of pressure and to defend the territory of member countries if aggression should occur."

b. " ... to pursue the search for progress towards a more stable relationship ... " (with the Soviet Union and the Warsaw Pact countries).

We reaffirm our statement at that time to the effect that "collective defense is a ... necessary condition for effective policies directed towards a greater relaxation of tensions" and that the involvement of the United States and the Soviet Union in the solution of the problems at hand is indispensable.

2. At the same time we renew Kennedy's concept, i.e. our solidarity is based both on an American and a European pillar. We recognize the need for a third pillar in Japan. None of us will undertake major steps in the external security sector without previously consulting our allies.

3. We invite France to reorganize its armed forces, particularly its conventional forces and reserves, for forward defense purposes in Europe. This should take place together with other Western European armed forces and under the supreme command of a French officer.

Addressed to the Soviet Union

4. We do not strive for superiority. Instead we want a stable balance of military forces in Europe.

5. To this end, we will change the structure and equipment of our armed forces in Europe so that any decision on the actual first use of nuclear weapons will not have to be taken by us. Instead, in the future we want to shift the first-use decision onto the Soviet Union.

6. At the same time we pursue the establishment of a stable security balance on the basis of negotiations and treaties aimed at arms limitations in five areas:

a. conventional forces in Europe;
b. nuclear weapons, including INF, in Europe;
c. strategic nuclear weapons;
d. space-based weapons;
e. confidence-building agreements in all of the above-mentioned areas.

We will, however, not enter into any agreements, the complicance with which we cannot verify or monitor by our own means.

Addressed to the Third World

7. We accept and respect genuine non-alignment of any country that decides in favor of this.

8. We will provide economic aid in order to help create acceptable economic conditions in the Third World, conditions that will make a life in dignity possible. We will do this both for moral reasons and for the purpose of preventing the Soviet Communist exploitation of degrading living conditions and Soviet intervention. We will thus continue as well as strengthen official development aid, despite continued non-participation by the Soviet Union.

9. At the same time, we appeal to the countries of the Third World:

a. to undertake a substantial cutback in military spending, which today amounts to many times more than the amount of development aid received;
b. to open up their economies for direct investments by foreign companies, making possible a broad transfer both of technology and productive capital.

10. We will not hinder birth control policies in the developing countries and will support every ethically conscionable approach to family planning so that population explosions can be avoided which would predictably trigger economic crises that could no longer be brought under control.

11. We jointly offer the Central American states a Reagan Plan à la George Marshall for the establishment of a viable economic situation that would double per capita GNP levels within seven years.

12. At the same time, we have asked our finance ministers to formulate a proposal aimed at defusing the time bomb contained in the debt crisis. In this context we assume that the debtor and creditor countries as well as the OPEC states bear a common responsibility for the situation that has emerged following the two oil shocks. We are willing to negotiate a General Agreement to Lend which would include debt rescheduling that would delay repayment for many years and provide predictability of annual transfers.

Looking at Our Own Economic Problems

13. In the near future we will take the following mutually supplementary steps:

a. The United States will reduce its structural budget deficit for fiscal 1986 by around 50 billion dollars and for fiscal 1987 by another 50 billion and, in addition, provide tax incentives for private-sector savings in an attempt to lower market interest rates and the dollar exchange rate;

b. the European countries will at the same time expand their public-sector spending, primarily in the form of tax reductions, in order to partially compensate for the predictable drop in American demand and counteract a further rise in unemployment;

c. Japan will act similarly; in addition, in view of the low levels of Japan's defense expenditure (in past decades, and the same trend will apply in the future) it will rapidly expand its development aid program and in this way help balance out the Japanese balance of payments surplus.

14. We commit ourselves from this day on to doing without any kind of additional export subsidy or import hindrance as well as without any other kind of additional protectionistic measure.

15. We will jointly support a new GATT round. In the "Reagan round" we expect negotiations to go on for several years.

16. At the same time, at the individual level we will initiate a process with regard to our national financial and economic policies that will, in the long run, lead to more stable exchange rates between our currencies. We have come to recognize that the excessive exchange-rate fluctuations of the past twelve years, something that never before existed in the world economy, were the main cause of distortions in international price structures and international competition as well as of the growth of protectionism. We know that today more stable exchange rates on the money foreign exchange markets cannot be imposed by central bank interventions. What is needed instead is an overall system of national economic policies that is aimed at achieving and maintaining current accounts equilibria. From this point of view we consider an international monetary conference desirable prior to conclusion of the GATT round.

17. Independent of this, the European countries will strengthen the role of the European Monetary System and the ECU. The North American countries and Japan expect that over the medium term the possibility will emerge of establishing fairly stable exchange rates between the dollar, the yen and the ECU, something they wish to contribute towards. All of the participatory states are aware that if this objective is

not attained new monetary-based distortions in prices for internationally traded goods would necessarily result in a new danger to the free system of world trade.

18. We jointly recognize that after we have overcome the current crises and dislocations it will be necessary for all the economies in the advanced industrial countries to act in the world economy as net capital exporters, not only for the benefit of the Third World, but also for their own gain.

Looking at the Ecological Problems in the World

19. From the Sahel Zone to the tropical forests, from the whale populations to the forests of Central Europe, from the growing change in the earth's atmosphere to the declining quality of ground water we recognize numerous dangers to our natural environment. They cannot be sufficiently curbed at the national level alone. For this reason we support a joint scientific survey and investigation of the causes and mutual dependencies involved. We would like to initiate this effort in a United Nations context. Involvement of all nations will be necessary, regardless of their political systems, their alliance or non-alliance status and regardless of the degree to which they are developed.

Of course I know that those who will be attending the Bonn summit have not prepared themselves for an agenda of this kind.

As such, they will neither aim for nor by any means achieve a resolution this comprehensive. They will probably not be able to agree on a single one of the 19 points listed in the above. The list itself could be varied greatly. It would be possible to limit it to just a few items or other important items could be added. At the first summit meetings in the 1970s we did not deal with such comprehensive lists of formulated objectives. However, we conducted talks with each other that were indeed as comprehensive as this. In the

1980s this is unfortunately no longer the case. The heads of state and government of the Western world have to be urged to dedicate their joint attention beyond the issues of the day but rather to issues of essential importance. Sometimes governments are like wheelbarrows. They are only useful when they are pushed.

Leadership in Short Supply

The current lack of a coherent concept in the Western World is based on man-made circumstances. It is based above all on an absence of leadership. This applies both to Europe and the United States. Since the establishment of the European Monetary System and the election of the European Parliament in Strasbourg there has been no more genuine progress in Europe. Due to a lack of inner cohesion Europe is currently incapable of action or leadership in any of the 19 different areas of activity listed above.

The size of the United States, its vitality and dynamic energies, the fact that it has a genuine common market, and not one in name only, consisting of 230 million people, with a single currency and a single legal and tax system, and, finally, its superior military strength mean that, given the state of the Western World in the mid-1980s, the leadership role can only be assumed by the United States. However, the United States is not prepared for leadership. Instead, isolationist, America-centered, hegemonial and internationalist tendencies vie for supremacy there. This need not continue to be the case.

Leadership emanated from Harry Truman, George Marshall, and Dean Acheson. It was reflected in Eisenhower's pragmatism, Kennedy's visions and Nixon's outstanding ability to assess strategic situations and make the corresponding decisions. I do not doubt that this can again be so in the future. In free countries with democratic constitutions leadership must reflect both strength of conception as well as the will and

the ability to engage in compromise and arrive at a consensus. No improvement is brought about by issuing unilateral orders.

Consensus is possible. Despite all the differences in our histories and our cultures, we all act on the basis of what are, in principle, the same fundamental values. We jointly believe that the dignity of the human individual is inviolable. We are jointly convinced of the need for an open society and the rule of law. We jointly desire justice, solidarity and peace among nations. And we are jointly aware of our responsibility. Our governments can only do justice to their responsibility by acting, not by adopting tactical communiqués which are formulated so as to be acceptable to or lend themselves to positive interpretation by public opinion in the various summit countries. None of the nineteen proposals listed above is utopian. On the contrary. Of course, the hope that the heads of government could deal with a package as comprehensive as this next week or even to adopt one is, indeed, wishful thinking.

Ref. A085/1145

MR POWELL

Bonn Economic Summit: Arrangements

At their meeting in the United States this weekend the --- Personal Representatives were given the attached notes on the detailed schedule for the programme for the Summit and on the press arrangements.

2. I am afraid that both notes are in German; we were promised translations through diplomatic channels later.

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

RCA

ROBERT ARMSTRONG

22 April 1985

Abteilung 7
700-700.65 BWG
RL: VLR I Bauch

Bonn, 16.04.1985

HR: 2407

Über Herrn Staatssekretär

Herrn Bundesminister

mit der Bitte um Zustimmung,

zur Weiterleitung an den Chef des Bundeskanzleramts.

Betr.: Wirtschaftsgipfel Bonn 1985;
hier: Abläufe der einzelnen Programmpunkte
Bezug: Vorlage vom 06.02.1985 - 700.700.65 BWG
Anlg.: - 8 -

Vorschlag:
Sie stimmen den als Anlage beigefügten Ablaufvorschlägen für die einzelnen Programmpunkte des Wirtschaftsgipfels Bonn 1985 zu.

Begründung:

Die Ablaufvorschläge orientieren sich an den etablierten Wirtschaftsgipfelverfahren sowie an unserer Protokollpraxis. Die einzelnen Programmpunkte selbst sind bis zu den jeweiligen zeitlichen Vorgaben von den Persönlichen Beauftragten der Staats- und Regierungschefs bei deren letzter Sitzung am 23. und 24. März 1985 auf Schloß Gymnich (Vorsitzender: StS Dr. Tietmeyer) verabschiedet worden.

Die Ablaufvorschläge sind mit dem Bundespresse- und Informationsamt sowie mit dem Protokoll des Deutschen Bundestages abgestimmt.

Der Herr Koordinator BWG hat mitgezeichnet.

gez. Schulenburg

Verteiler:

MB
StS 3x
StM 2x
Koordn. BWG
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PROGRAMMÜBERSICHT

Donnerstag, 2. Mai 1985

14.30 Uhr - 16.30 Uhr: Begrüßung mit militärischen Ehren in umgekehrter protokollarischer Reihenfolge vor dem Bundeskanzleramt durch den Herrn Bundeskanzler

in 30 Minuten Abständen

(14.30: EG, 15.00: Kanada, 15.30: Italien, 16.00: Vereinigtes Königreich, 16.30: Frankreich)

gleichzeitig ab

15.00 Uhr: Ankunft Flughafen Köln/Bonn, Sonderposition der Delegationen aus

15.00 Uhr: Italien
15.30 Uhr: Vereinigtes Königreich
16.00 Uhr: Frankreich

anschließend: an militärische Begrüßung jeweils kurzes Begrüßungsgespräch im Bundeskanzleramt

14.55 Uhr - 16.55 Uhr: Fahrt zu den jeweiligen Hotels, Residenzen

18.30 Uhr: Empfang des Bundeskanzlers auf Schloß Augustusburg

20.15 Uhr: Getrennte Abendessen

- des BK für die Staats- und Regierungschefs auf Schloß Falkenlust
- des Bundesministers des Auswärtigen für die Außenminister auf Schloß Falkenlust
- des Bundesministers der Finanzen für die Finanzminister im Palais Schaumburg

Freitag, 3. Mai 1985

09.45 Uhr - 12.15 Uhr — Arbeitssitzungen der

- Staats- und Regierungschefs im historischen Kabinettsaal des Palais Schaumburg
- der Außenminister im Kleinen Kabinettsaal im Bundeskanzleramt
- der Finanzminister im Kabinettsaal des Bundeskanzleramts

13.00 Uhr — Arbeitsessen

- der Staats- und Regierungschefs sowie der Außenminister im kleinen Kabinettsaal des Palais Schaumburg
- der Finanzminister im Kleinen Speisesaal des Bundeskanzleramts

14.30 Uhr - 18.00 Uhr — Plenarsitzung im Bundeskanzleramt (NATO-Saal)

20.00 Uhr — Getrennte Abendessen

- des Bundeskanzlers für die Staats- und Regierungschefs im Hallstein-Zimmer des Palais Schaumburg
- des Bundesministers des Auswärtigen für die Außenminister im Kleinen Kabinettsaal im Palais Schaumburg
- des Bundesministers der Finanzen für die Finanzminister in der Redoute

Samstag, 4. Mai 1985

09.30 Uhr - 12.30 Uhr — Fortsetzung der Plenarsitzung im Bundeskanzleramt (NATO-Saal)

13.00 Uhr — Plenar-Mittagessen im großen Speisesaal des Bundeskanzleramts

15.45 Uhr Bekanntgabe der Gemeinsamen Abschlußerklärung im Plenarsaal des Deutschen Bundestages

20.00 Uhr Abendessen des Bundespräsidenten zu Ehren der Staats- und Regierungschefs, Außenminister und Finanzminister in der Villa-Hammerschmidt

Sonntag, 5. Mai 1985

Abflug der Gipfeldelegationen

außer:

Sonntag, 5. Mai 1985 bis
Montag, 6. Mai 1985

Nachgeschalteter offizieller Besuch von Präsident Reagan

Sonntag, 5. Mai 1985

Fortsetzung und Beendigung offizieller Besuch von Ministerpräsident Nakasone

ABLAUF 1

Ankunft/Begrüßung der offiziellen Delegation

Donnerstag, 2. Mai 1985

(Beispiel: Großbritannien)

15.00 Uhr
Ankunft der britischen Delegation mit Sonderflugzeug auf dem Flughafen Köln/Bonn, ziviler Teil, Sonderposition.

Premierministerin Thatcher verläßt das Flugzeug, wird an der Treppe von Chef Prot begrüßt (Ehrenspalier) und zum bereitstehenden Hubschrauber Nr. 1 geführt. Die Außen- und Finanzminister sowie die übrige offizielle Delegation begeben sich zu den Hubschraubern Nr. 2 und 3 (die Minister werden von besonderen Begleitern des Auswärtigen Ams geführt).

Flug zum Hubschrauberlandeplatz Rheinaue, wo die Wagenkolonne für die offizielle Delegation zum Bundeskanzleramt bereitsteht.

Die Hubschrauber Nr. 2 und 3 landen, die Minister und die offizielle Delegation (geleitet von den besonderen Begleitern des Auswärtigen Amts) begeben sich in ihre Fahrzeuge.

Etwa 15.20 Uhr
Die Wagenkolonne fährt zum Bundeskanzleramt (Fahrzeit etwa 5 Minuten), wo die Minister und die offizielle Delegation von Stell Chef Prot (unterstützt von einem Angehörigen des Referats 701) begrüßt wird. Dieser nimmt die Aufstellung der britischen Delegation vor.

15.15 Uhr
Hubschrauber Nr. 1 landet auf dem Hubschrauber-landeplatz Rheinaue. Die britische Premierministerin wird von einem Angehörigen des Referats 700 zum bereitstehenden Fahrzeug geführt.

15.25 Uhr
Abfahrt mit Eskorte (5 Kräder) zum Bundeskanzler-amt.

15.28 Uhr
Der Bundeskanzler begibt sich zum Eingang des Kanzlerbaus.

15.30 Uhr
Ankunft der britischen Premierministerin, die vom Bundeskanzler am roten Teppich begrüßt wird.

Anschließend
Vorstellung der Delegationen, Begrüßung mit militärischen Ehren.

Gegen 15.40 Uhr
Der Bundeskanzler und die britische Premierministerin begeben sich in das 2. Obergeschoß zum Heckel-Zimmer. Dort findet der übliche Fototermin statt. Im Anschluß daran begeben sich der Bunderkanzler und die britische Premierministerin in das Arbeitszimmer des Bundeskanzlers. Die Minister und die übrigen Mitglieder der offiziellen Delegation begeben sich in das Foyer des Kanzlerbaus, wo Erfrischungen serviert werden.

15.52 Uhr
Der Bundeskanzler begleitet die britische Premierministerin zum Ausgang des Kanzlerbaus.

15.55 Uhr
Abfahrt der britischen Premierministerin und der offiziellen Delegation zum Hotel Steigenberger.

ABLAUF 2

Empfang des Herrn Bundeskanzlers in Schloß Augustusburg/Brühl sowie jeweilige Abendessen in Schloß Falkenlust bzw. Palais Schaumburg

Donnerstag, 2. Mai 1985

18.00 Uhr
Eintreffen des Chefs des Bundeskanzleramtes, Bundesminister Dr. Schäuble in Schloß Augustusburg

bis 18.30 Uhr
Eintreffen der deutschen Gäste, einschließlich deutsche Delegation (aber ohne Persönliche Beauftragte und Minister).
Sie betreten das Schloß durch den rechten (Nord-) Flügel und begeben sich über die Balthasar-Neumann-Treppe in das 1. Stockwerk.
Chef BK - unterstützt von Chef Prot - begrüßt die Gäste am Fuße der Balthasar-Neumann-Treppe bis zum Eintreffen der Bundesminister.

18.12 Uhr
Eintreffen des Persönlichen Beauftragten des Bundeskanzlers, Staatssekretär Dr. Tietmeyer.

18.15 Uhr - 18.35 Uhr
Eintreffen der sieben Delegationen einschließlich Persönliche Beauftragte (aber ohne Minister). Sie betreten das Schloß durch den Haupteingang.
StS Dr. Tietmeyer begrüßt seine Amtskollegen am Fuße der Balthasar-Neumann-Treppe und begibt sich mit Eintreffen der letzten Delegation in die Säle des 1. Stockwerks.

18 Uhr
Eintreffen des Bundesministers des Auswärtigen und des Bundesministers der Finanzen.

18.40 Uhr - 18.50 Uhr
Eintreffen der Außen- und Finanzminister (geführt von besonderen Begleitern des Auswärtigen Amts). Sie werden von Chef Prot/Stell Chef Prot am roten Teppich empfangen und betreten das Schloß durch den Haupteingang.

BM Genscher und BM Stoltenberg begrüßen ihre Amtskollegen am Fuße der Balthasar-Neumann-Treppe und begeben sich mit Eintreffen letzter Minister in die Säle des 1. Stockwerks.

18.53 Uhr
Eintreffen des Bundeskanzlers, er wird von Chef Prot begrüßt.

18.55 Uhr - 19.10 Uhr
Eintreffen der Delegationsleiter in umgekehrter protokollarischer Reihenfolge (geführt durch jeweiliges Prot-Team). Sie werden von Chef Prot/Stell Chef Prot am roten Teppich empfangen und betreten das Schloß durch den Haupteingang.
Der Bundeskanzler begrüßt seine Gäste am Fuße der Balthasar-Neumann-Treppe - die jeweils von dem begleitenden Prot-Team in das 1. Stockwerk geleitet werden - und begibt sich mit Eintreffen Präsident Reagans in die Säle des 1. Stockwerks.

19.50 Uhr
Abfahrt (Flug) der Finanzminister zusammen mit BM Dr. Stoltenberg zum Palais Schaumburg in ihren eigenen Wagen (Abendessen);
Begleitung: RD Dr. Rolle, BMF.

19.55 Uhr
Abfahrt der Persönlichen Beauftragten in ihren Wagen zum Schloß Falkenlust in Begleitung von Chef Prot (Fahrtzeit ca. 5 Minuten); dort Aperitif im Salon.

19.58 Uhr
Abfahrt des Bundesministers des Auswärtigen nach Schloß Falkenlust.

20.00 Uhr
Abfahrt der Außenminister in ihren Wagen (geführt von den besonderen Begleitern des Auswärtigen Amts) zum Schloß Falkenlust; Begrüßung dort durch Chef Prot.; Aperitif im Salon.

20.05 Uhr
Abfahrt des Bundeskanzlers zum Schloß Falkenlust.

20.06 Uhr
Abfahrt des Präsidenten der EG-Kommisson zum Schloß Falkenlust.

Die Delegationsleiter werden von Chef Prot am Tor von Schloß Falkenlust empfangen und bis zum Vestibül geleitet.

20.07 Uhr
Abfahrt des kanadischen MP.

20.08 Uhr
Abfahrt des italienischen MP.

20.09 Uhr
Abfahrt des japanischen MP.

~ 10 Uhr
Abfahrt der britischen PM.

20.11 Uhr
Abfahrt des französischen Staatspräsidenten.

20.12 Uhr
Abfahrt des amerikanischen Präsidenten.

20.10 Uhr
Der Bundeskanzler begrüßt seine Gäste im Vestibül und führt sie nach Eintreffen von Präsident Reagan zu Tisch in das 1. Stockwerk (mittlerer Raum).

Anschließend
führt BM Genscher seine Amtskollegen zu Tisch in das 1. Stockwerk (hinterer Raum, links, durch das "Spiegelkabinett").

Gleichzeitig
führt StS Dr. Tietmeyer seine Amtskollegen zu Tisch in das angrenzende Speisezimmer (Parterre, hinten rechts).

- Toasts jeweils vor dem Dessert -

gegen 21.45 Uhr
- Die Delegationsleiter nehmen den Mokka entweder bei Tisch oder im angrenzenden "Chinesischen Kabinett" stehend ein.
- Die Außenminister nehmen den Mokka entweder bei Tisch oder im angrenzenden "Spiegelkabinett" stehend ein.
- Die Persönlichen Beauftragten nehmen den Mokka entweder bei Tisch oder im Salon des Erdgeschosses (wo der Aperitif gereicht wurde) stehend ein.

gegen 22.05 Uhr
Abfahrt der Delegationsleiter zu ihren jeweiligen Residenzen in protokollarischer Reihenfolge über die Allee des Schloßparks.

22.15 Uhr
Der Bundeskanzler verläßt Schloß Falkenlust.

Anschließend
Abfahrt der Außenminister zu ihren jeweiligen Residenzen in protokollarischer Reihenfolge, über die Landstraße .

BM Genscher verläßt Schloß Falkenlust.

22.25 Uhr
Abfahrt der Persönlichen Beauftragten über die Landstraße (ohne Reihenfolge).

StS Dr. Tietmeyer verläßt Schloß Falkenlust.

[Seite 8 ende]

ABLAUF 3

Getrennte Sitzungen der Delegationsleiter, der Außenminister und der Finanzminister im Palais Schaumburg und im Bundeskanzleramt

Freitag, 3. Mai 1985

09.29 Uhr
Der Bundeskanzler begibt sich - begleitet von Chef Prot - zum Eingang des Palais Schaumburg, wo die Delegationsleiter in umgekehrter protokollarischer Reihenfolge eintreffen.

09.30 Uhr
Ankunft des Präsidenten der EG-Kommission.
Der Bundeskanzler begrüßt Herrn Delors am Eingang, geht mit ihm bis zur Treppe im Eingangsbereich, von wo aus er von Chef Prot (bzw. dem Prot-Teams) in den mittleren Hallstein-Raum geführt wird. Der Bundeskanzler begibt sich zum Eingang zurück.

09.32 Uhr
Ankunft des kanadischen Ministerpräsidenten (w.o.).

09.34 Uhr
Ankunft des italienischen Ministerpräsidenten (w.o.).

09.36 Uhr
Ankunft des japanischen Ministerpräsidenten (w.o.).

09.38 Uhr
Ankunft der britischen Premierministerin (w.o.).

09.40 Uhr
Ankunft des französischen Staatspräsidenten (w.o.).

09.[illegible] Uhr
Ankunft des amerikanischen Präsidenten. Der Bundeskanzler begrüßt Herrn Reagan am Eingang und geht - geleitet von Chef Prot - mit ihm direkt zu den Hallstein-Räumen, wo sich die übrigen Delegationsleiter versammelt haben.

09.45 Uhr
Der Bundeskanzler begibt sich mit den Delegationsleitern in den historischen Kabinettsaal.

09.35 Uhr
Der Bundesminister des Auswärtigen und der Bundesminister der Finanzen treffen im Bundeskanzleramt (Kanzlerbau) ein und begeben sich in den Kleinen bzw. Großen Kabinettsaal.

09.45 Uhr
Eintreffen der Minister vor dem Bundeskanzleramt (Kanzlerbau). Begrüßung durch Stell Chef Prot am Eingang des Kanzlerbaus. Die Minister werden von den jeder Delegation zugeteilten besonderen Begleitern des Auswärtigen Amts zu den beiden Kabinettsälen geleitet.

ABLAUF 4

Familienfoto / Mittagessen

Freitag, 3. Mai 1985

12.15 Uhr
Ende der Sitzungen.

Die Delegationsleiter - geleitet von Chef Prot/ Stell Chef Prot - (diese unterstützt von Frau Blumberger und Herrn Ernst) begeben sich aus dem Kleinen Kabinettsaal über die Treppe zu dem vorgesehenen Platz auf dem Rasen zwischen Palais Schaumburg und dem Kanzlerbau.

Die Außen- und Finanzminister - geleitet von den besonderen Begleitern des Auswärtigen Amts - begeben sich in das Foyer des Kanzlerbaus und treten nach der Aufnahme der Delegationsleiter zu diesen hinzu.

Gegen 12.50 Uhr
Die Delegationsleiter und die Außenminister werden von Chef Prot/Stell Chef Prot (diese unterstützt von Frau Blumberger und Herr Ernst) zum Kaminbereich vor dem früheren Kleinen Kabinettsaal im 1. Obergeschoß des Palais Schaumburg geführt. Apertifs werden gereicht.

Gegen 13.00 Uhr
Nehmen die Delegationsleiter und die Außenminister im Kleinen Kabinettsaal Platz.

Die Finanzminister werden gleichzeitig von den besonderen Begleitern des Auswärtigen Amts zum Speisesaal neben dem Kabinettsaal im 1. Obergeschoß des Kanzlerbaus geführt.

17.45 Uhr

Die Delegationsleiter und die Außenminister werden von Chef Prot/Stell Chef Prot - durch den Park - zum NATO-Saal im Abteilungsbau des Bundeskanzleramts geführt (bei schlechtem Wetter erfolgt Transfer im Fahrzeug).

18.00 Uhr

Die Delegationsleiter - geleitet von Chef Prot/Stell Chef Prot - begeben sich zum Ausgang des Bundeskanzleramts und verlassen dieses in protokollarischer Reihenfolge.

Gegen 18.10 Uhr

Die Minister - geleitet von den besonderen Begleitern - begeben sich zum Ausgang des Bundeskanzleramts und verlassen dieses.

ABLAUF 5

Abendessen

- des Bundeskanzlers für die Delegationsleiter -
- des Bundesministers des Auswärtigen für die Außenminister - im Palais Schaumburg
- des Bundesministers der Finanzen in der Redoute

Freitag, 3. Mai 1985

19.43 Uhr
Der Bundeskanzler trifft im mittleren der Hallstein-Räume ein. Er wird begrüßt von Chef Prot.

19.45 Uhr
Ankunft des Präsidenten der EG-Kommission.
Begrüßung durch Chef Prot am Eingang zum Palais, der ihn anschließend in die Hallstein-Räume geleitet.

19.47 Uhr
Ankunft des kanadischen Ministerpräsidenten.
Begrüßung durch Stell Chef Prot (w.o.).

19.49 Uhr
Ankunft des italienischen Ministerpräsidenten.
Begrüßung durch Chef Prot (w.o.).

19.51 Uhr
Ankunft des japanischen Ministerpräsidenten.
Begrüßung durch Stell Chef Prot (w.o.).

19.53 Uhr
Ankunft der britischen Premierministerin.
Begrüßung durch Chef Prot (w.o.).

19.45 Uhr
Ankunft des französischen Staatspräsidenten.
Begrüßung durch Stell Chef Prot (w.o.).

19.57 Uhr
Ankunft des amerikanischen Präsidenten.
Begrüßung durch Chef Prot (w.o.).

20.00 Uhr
Der Bundeskanzler begibt sich mit seinen Gästen in den Großen Hallstein-Raum.

19.58 Uhr
Der Bundesminister des Auswärtigen trifft im Palais Schaumburg ein und begibt sich - geleitet von Stell Chef Prot - in den Kaminbereich des 1. Obergeschosses.

20.00 - 20.05 Uhr
Ankunft der Außenminister, Begrüßung durch Chef Prot/Stell Chef Prot, die die Minister zum Kaminbereich geleiten. Von dort aus begeben sie sich in den früheren Kleinen Kabinettsaal.

Gegen 21.30 Uhr
Die Delegationsleiter nehmen den Mokka im mittleren Hallstein-Raum ein.

Gegen 21.45 Uhr
Die Delegationsleiter werden vom Bundeskanzler verabschiedet, von Chef Prot/Stell Chef Prot zum Eingang geleitet und verlassen das Palais Schaumburg in protokollarischer Reihenfolge.

Gegen 21.55 Uhr
Die Außenminister werden vom Bundesminister des Auswärtigen verabschiedet, von Chef Prot/Stell Chef Prot zum Eingang geleitet und verlassen das Palais Schaumburg in protokollarischer Reihenfolge.

19.50 Uhr
Der Bundesminister der Finanzen trifft an der Redoute ein und begibt sich in den Blauen Salon (1. Stock, links).

19.55 - 20.00 Uhr
Die Finanzminister treffen in der Redoute ein, sie werden dort von RL 701 begrüßt und von Bediensteten der Redoute zum Blauen Salon geleitet.

Aperitifs werden gereicht.

20.00 Uhr
Abendessen, gegeben vom Bundesminister der Finanzen, im Grünen Salon (1. Stock)

Gegen 21.45 Uhr
Die Finanzminister werden von dem Bundesminister der Finanzen verabschiedet und verlassen die Redoute in protokollarischer Reihenfolge.

[Seit 16 Uhr]

ABLAUF 6

Plenarsitzung der Delegationsleiter, der Außen- und Finanzminister im Bundeskanzleramt

Samstag, 4. Mai 1985

09.10 Uhr
Der Bundesminister des Auswärtigen und der Bundesminister der Finanzen treffen im NATO-Saal des Bundeskanzleramts ein. Sie werden von Chef Prot/Stell Chef Prot begrüßt.

09.15 Uhr
Der Bundeskanzler trifft im NATO-Saal ein. Er wird von Chef Prot begrüßt.

Bis 09.20 Uhr
Die Außen- und Finanzminister sind vor dem Bundeskanzleramt, Abteilungsbau, eingetroffen; sie werden dort von Stell Chef Prot begrüßt und von den besonderen Begleitern des Auswärtigen Amts zum NATO-Saal geführt, wo sich Chef Prot aufhält.

09.22 Uhr - 09.30 Uhr
Eintreffen der Delegationsleiter vor dem Abteilungsbau und Begrüßung durch Stell Chef Prot. Die Delegationsleiter werden von den Prot-Teams zum NATO-Saal geführt.

09.30 Uhr
Beginn der Plenarsitzung.

12.30 Uhr
Ende der Sitzung.

gegen 12.50 Uhr

Die Delegationsleiter, die Außen- und die Finanzminister werden von Chef Prot/Stell Chef Prot (unterstützt von den Prot-Teams sowie den besonderen Begleitern des Auswärtigen Amts) zum Großen Speisesaal des Bundeskanzleramts im Kanzlerbau geführt. Aperitifs werden gereicht.

13.00 Uhr
Plenar-Mittagessen für die Delegationsleiter, Außen- und Finanzminister.

14.30 Uhr
Chef Prot, unterstützt von den Prot-Teams, geleitet die Delegationsleiter in den Eingangsbereich. Die Delegationsleiter verlassen das Bundeskanzleramt in protokollarischer Reihenfolge.

Stell Chef Prot, unterstützt von den besonderen Begleitern des Auswärtigen Amts, geleitet die Minister in den Eingangsbereich. Die Minister verlassen - zuerst Außenminister, dann die Finanzminister - das Bundeskanzleramt in protokollarischer Reihenfolge.

ABLAUF 7

Abschlußerklärung des Bonner Wirtschaftsgipfels im Deutschen Bundestag (Plazierungsskizze als Anlage)

Samstag, 4. Mai 1985

15.20 Uhr
Der Bundesminister des Auswärtigen und der Bundesminister der Finanzen treffen im Deutschen Bundestag, Eingang VII, ein (dort begrüßt von Chef Prot) und begeben sich in Raum P 01.

Bis 15.25 Uhr
sind die Minister im Raum P 01 eingetroffen.
Begrüßung durch Chef Prot am Eingang VII.

15.28 Uhr
Der Bundeskanzler trifft am Eingang VII ein und wird von Chef Prot nach Raum P 01 geleitet, wo inzwischen auch der Präsident des Deutschen Bundestages, Herr Dr. Jenninger, eingetroffen ist.

Bis 15.30 Uhr
haben die Delegationen (Eingang I) in den vorderen Sitzreihen des Plenarsaales Platz genommen;
haben die Journalisten (Eingang II/IIa) in den Sitzreihen hinter den Delegationen im Plenarsaal sowie auf den Tribünen Platz genommen;
hat das Diplomatische Korps (Eingang I) auf der Diplomatentribüne Platz genommen;
haben die Persönlichen Beauftragten (Eingang I) in der zweiten Reihe der Regierungs- bzw. Bundesratsbank Platz genommen.

15.30 Uhr
Eintreffen des Präsidenten der EG-Kommission am Eingang VII. Er wird von Chef Prot in Raum P 01 geleitet.

15.32 Uhr
Eintreffen des kanadischen MP, geleitet durch Stell Chef Prot.

15.34 Uhr
Eintreffen des italienischen MP, geleitet durch Chef Prot.

15.36 Uhr
Eintreffen des japanischen MP, geleitet durch Stell Chef Prot.

15.38 Uhr
Eintreffen der britischen PM, geleitet durch Chef Prot.

15.40 Uhr
Eintreffen des französischen Staatspräsidenten, geleitet durch Stell Chef Prot.

15.42 Uhr
Eintreffen des amerikanischen Präsidenten, geleitet durch Chef Prot.

15.44 Uhr
Die Außen- und Finanzminister - aufgefordert durch Chef Prot - werden von Saaldienern des Deutschen Bundestages zu ihren Plätzen auf der Regierungs- bzw. Bundesratsbank geleitet.

- Ein Gongschlag kündigt den Bundeskanzler und die Delegationsleiter an. -

15.45 Uhr
Die Delegationsleiter - aufgefordert durch Chef Prot - begeben sich auf ihre Plätze auf der Regierungs- bzw. Bundesratsbank.

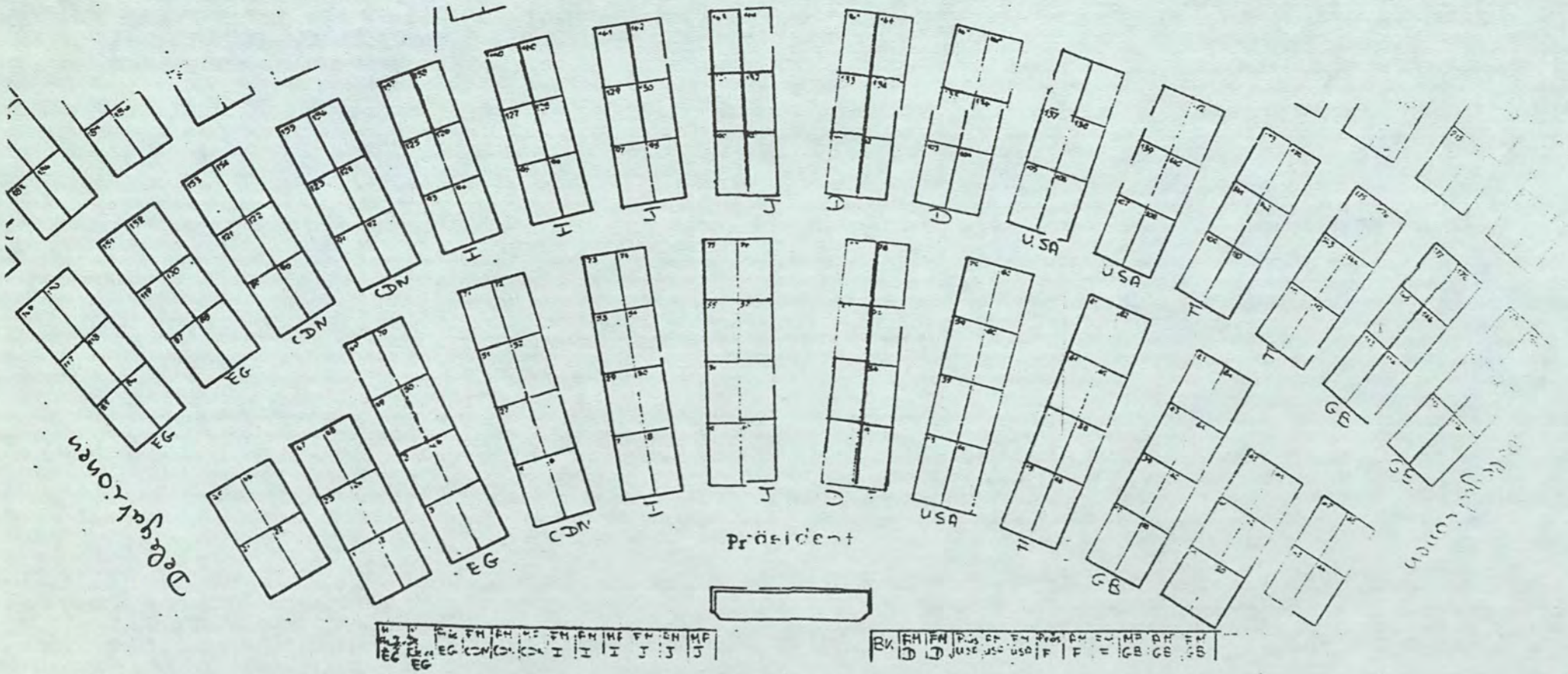
Der Bundeskanzler begibt sich zum Rednerpult und verliest die Abschlußerklärungen.

Gegen 16.15 Uhr
die Delegationsleiter, gefolgt von den Ministern, diese gefolgt von den Persönlichen Beauftragten, verlassen den Plenarsaal und kehren in Raum P 01 zurück.

Der Bundeskanzler begibt sich zum oberen Treppenabsatz (neben Raum P 01) und verabschiedet dort (in protokollarischer Reihenfolge) die Delegationsleiter, Minister und Persönlichen Beauftragten als Delegation.

Die Delegationsleiter, Minister und Persönlichen Beauftragten werden von Chef Prot zum Ausgang VII geleitet, bzw. werden von den Saaldienern zu ihren jeweiligen, im Deutschen Bundestag gelegenen nationalen Pressezentren geführt.

Vorschlag einer Sitzordnung für die Abschlußerklärung des BWG 85 im Deutschen Bundestag



BWG

Stand: 16.4.1985

Pressetermine

Mittwoch, 1. Mai 1985

1 21.00 Uhr

Ankunft auf dem Flughafen Köln/Bonn, Position Sonderflüge, von Premierminister Martin Brian Mulroney
- unbegrenzte Zulassung; Tribüne für rd. 100 P. und Pressegalerie Flughafengebäude

Ausweis: Allgemeiner Presseanhänger (Press Badge)

Donnerstag, 2. Mai 1985

1 14.00 - 16.00 Uhr

Ankunft auf dem Flughafen Köln/Bonn, Position Sonderflüge, von
- o Ministerpräsident Bettino Craxi
- o Premierministerin Margaret Thatcher
- o Staatspräsident Francois Mitterrand

- unbegrenzte Zulassung; Tribüne für rd. 100 P. und Pressegalerie Flughafengebäude

Ausweis: Allgemeiner Presseanhänger (Press Badge)

Anmerkungen:
- Ankunft von Ministerpräsident Yasuhiro Nakasone bereits am 30.4.1985, vormittags
- Ankunft von Präsident Ronald Reagan bereits am 1.5.1985, vormittags
- Anreise von EG-Kommissions-Präsident Jacques Delor am 2. Mai mit dem Wagen

2 14.15 - 16.45 Uhr

Hubschrauber-Landung in der Rheinaue von
- o Ministerpräsident Bettino Craxi
- o Premierministerin Margaret Thatcher
- o Staatspräsident Francois Mitterrand

- unbegrenzte Zulassung; Tribüne für rd. 50 P.

Ausweis: Allgemeiner Presseanhänger (Press Badge)

3 14.3o - 17.oo Uhr

Begrüßung mit militärischen Ehren durch den Bundeskanzler, Bundeskanzleramt
- unbegrenzte Zulassung; 2 Tribünen für rd. 2oo P.

Ausweis: Allgemeiner Presseanhänger (Press Badge)

(14.3o) o EG-Kommissions-Präsident Jacques Delor
(15.oo) o Premierminister Martin Brian Mulroney
(15.3o) o Ministerpräsident Bettino Craxi
(16.oo) o Premierministerin Margaret Thatcher
(16.3o) o Staatspräsident Francois Mitterrand

4 jeweils anschließend

Fototermine im Heckel-Zimmer des Bundeskanzleramtes
- begrenzte Zulassung (jeweils max. 35 P.)

Ausweis: Sonderausweise 2. Mai
- 4a EG -
- 4b Kanada -
- 4c Italien -
- 4d Großbritannien -
- 4e Frankreich -

5 18.3o Uhr

Empfang des Bundeskanzlers im Schloß Augustusburg
- Außen: Unbegrenzte Zulassung; Tribüne für rd. 25o P.
- Innen: Begrenzte Zulassung für rd. 19o P; vor der Balthasar-Neumann-Treppe (12o P.), der linken Empore (rd. 5o P.) und in den Empfangssälen (je 2 Fotografen pro Land und 1 EG = 15 P.)

Ausweis:
- Außen: Allgemeiner Presseanhänger (Press Badge)
- Innen: Sonderausweise 2. Mai
  - 5b Halle -
  - 5c Empore -
  - 5d Empfang -

6 2o.15 Uhr

Getrennte Abendessen in Schloß Falkenlust
- o des Bundeskanzlers für die Staats- und Regierungschefs
- o des Bundesministers des Auswärtigen für die Außenminister
- unbegrenzte Zulassung vor dem Schloß

Ausweis: Allgemeiner Presseanhänger (Press Badge)

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7 2o.15 Uhr

Abendessen des Bundesministers der Finanzen für die Finanzminister im Palais Schaumburg
- unbegrenzte Zulassung bei der Vorfahrt

Ausweis: Allgemeiner Presseanhänger (Press Badge)

Anmerkung:
Für alle Termine im Bundeskanzleramt ist für unbegrenzte Zulassung ein Pressestand vor der Hauptwache (links) eingerichtet

Ausweis: Allgemeiner Presseanhänger (Press Badge)

Freitag, 3. Mai 1985

1 o9.25 Uhr

Arbeitssitzung der Staats- und Regierungschefs im Historischen Kabinettsaal des Palais Schaumburg

- Außen: Begrenzte Zulassung für max. 12oP.
- Innen: CCTV/Gastgeber-TV, Gastgeber-Film, und je 1 Fotograf pro Land (14 P.) vor Beginn im Historischen Kabinettsaal

Ausweis: Sonderausweise 3. Mai
- 1a Außen -
- 1b Innen -

2 09.25 Uhr

Getrennte Arbeitssitzungen der Außen- und Finanzminister im Bundeskanzleramt (Kanzlerflügel

- Außen: - unbegrenzte Zulassung bei der Vorfahrt
- Innen: - begrenzte Zulassung in den Konferenzräumen für jeweils max. 20 P.

Ausweis:

- Außen: Allgemeiner Presseanhänger (Press Badge)
- Innen: Sonderausweise 3. Mai
  - 2b Außenminister -
  - 2c Finanzminister -

3 12.15 Uhr

BWG-Unterrichtung (Pressekonferenz) durch den Bundesminister des Auswärtigen im Saal der Bundespressekonferenz, Tulpenfeld, Pressehaus I

- unbegrenzte Zulassung

Ausweis: Allgemeiner Presseanhänger (Press Badge)

4 12.45 Uhr

Familienfoto im Park des Palais Schaumburg

- unbegrenzte Zulassung; Tribüne für rd. 500 P.

Ausweis: Allgemeiner Presseanhänger (Press Badge)

5 14.15 Uhr

"Spaziergang" vom Palais Schaumburg zum NATO-Saal

- unbegrenzte Zulassung

Ausweis: Allgemeiner Presseanhänger (Press Badge)

6 14.30 Uhr

Plenarsitzung im NATO-Saal des Bundeskanzleramtes

- begrenzte Zulassung an festgelegten Standorten für insg. max. 210 P.

Ausweis: Sonderausweise 3. Mai
- 6a Abteilungsbau Eingang (max. 3o P.)-
- 6b Abteilungsbau Foyer (max. 15o P)-
- 6c NATO-Saal (max. 3o P.) -

Anmerkung:
Für alle Termine im Bundeskanzleramt ist für unbegrenzte Zulassung ein Pressestand vor der Hauptwache (links) eingerichtet

Ausweis: Allgemeiner Presseanhänger (Press Badge)

Samstag, 4. Mai 1985

1 o9.3o Uhr

Fortsetzung der Plenarsitzung im NATO-Saal des Bundeskanzleramtes
- begrenzte Zulassung an festgelegten Standorten für insge. max. 21o P.

Ausweis: Sonderausweise 4. Mai
- 1a Abteilungsbau Vorfahrt (max. 3o P)-
- 1b Abteilungsbau Foyer (max. 15o P)-
- 1c NATO-Saal (max. 3o P.) -

2 15.45 Uhr

Bekanntgabe der gemeinsamen Abschlußerklärung im Plenarsaal des Deutschen Bundestages
- unbeschränkte Zulassung im Plenarsaal (Bildpresse auf der Galerie)

Ausweis: Allgemeiner Presseanhänger (Press Badge)
- beschränkte Zulassung bei der Vorfahrt Eingang VII-Rheinseite (Tribüne für max. 3o P.)
- beschränkte Zulassung für je 2 Fotografen pro Land und 1 EG (15 P.) vor der Regierungsbank (max. 4 Min., dann Zurücknahme auf Sitzplätze)

Ausweis: Sonderausweise 4. Mai
- 2a Bundestag Vorfahrt
- 2b Empfang (CCTV, Gastgeber-TV, Gastgeber-Film, 2 Gastgeber-Fotografen 8 P.) -
- 2c Plenum-Bild

3 20.00 Uhr

Abendessen des Bundespräsidenten zu Ehren der Staats- und Regierungschefs, Außen- und Finanzminister in der Villa Hammerschmidt
- begrenzte Zulassung für rd. 180 P

Ausweis: Sonderausweise 4. Mai
- 3a Begrüßung (max. 30 P.)-
- 3b Familienfoto (max. 150 P.)-
- 3c Innen (CCTV, Gastgeber-TV, 2Gastgeber-Fotografen 6 P.) -

Anmerkung:
Für alle Termine im Bundeskanzleramt ist für unbegrenzte Zulassung ein Pressestand vor der Hauptwache (links) eingerichtet

Ausweis: Allgemeiner Presseanhänger (Press Badge)

1 Samstag, 4. Mai 1985 /
Sonntag, 5. Mai 1985
nachts / vormittags

Abflüge der Staats- und Regierungschefs vom Flughafen Köln/Bonn, Position Sonderflüge (außer Präsident Reagan und Ministerpräsident Nakasone)
- unbegrenzte Zulassung -

Ausweis: Allgemeiner Presseanhänger (Press Badge)

Allgemeine Anmerkung
Zusätzlich zu den o.a. Presseplätzen unterhalten ARD/ZDF für das CCTV elektronische Stand-Kameras an allen Veranstaltungsorten.

(2)

CC BT

Prime Minister

CDP

22/4.

Ref. A085/1141

MR POWELL

Bonn Economic Summit: Political Aspects

The revised draft political declaration (which I discussed with the Prime Minister on 18 April) was considered and further revised first by Political Directors and then by Personal Representatives in the United States on 19 April.

2. On the fourth paragraph of the draft, I voiced the Prime Minister's reservations about including a sentence about German unification; but mine was a lone voice, and my German colleague made it clear that the Federal Chancellor attached the greatest possible importance to the inclusion of such a reference. I was reminded that the wording was drawn from formal documents to which we and other Governments were parties. In the circumstances, and given the attitude implied in the second paragraph of your minute of 18 April, I did not enter a formal reservation on this sentence.

3. The discussion focussed mainly on the fifth paragraph, relating to arms control and disarmament. The United States Political Director produced a revised draft, which was in the main acceptable to the other countries, save for a last sentence which read:

> "We welcome the opening of negotiations in Geneva, and support the United States in its efforts there."

4. This produced an ill-tempered exchange between the United States Political Director, Mr Burt, and the French Personal Representative, Monsieur Attali. Monsiuer Attali said that of course his President was delighted that the United States and

BESAAK

the Soviet Union were negotiating in Geneva, but that it would be impossible and wrong for his President to subscribe to a statement which appeared to support one side rather than the other in negotiations to which his country was not a party. Mr Burt said that the United States' allies should find no difficulty in declaring their support for the United States in this matter. Eventually the disagreement was resolved on the basis of a British draft which read:

> "We welcome the opening of negotiations in Geneva and urge the Soviet Union to respond positively and constructively to the efforts which the United States is making to achieve significant agreements there".

5. Mr Burt also proposed the inclusion of a sentence which would have declared support for the strategic defence initiative (SDI):

> "Looking forward to the problems of maintaining a stable peace in the coming decades, we agree that research into future possibilities for the strategic defence of Western nations, conducted within the terms of the ABM Treaty, is both prudent and necessary".

It was clear, however, that the main purpose of introducing this proposal was tactical: by proposing something even more unacceptable to the French, to get their agreement to suitable words on the Geneva talks. Mr Burt told both Monsieur Attali and me privately that the United States would not press for a sentence on SDI if the French President accepted the revised sentence on the Geneva talks, which Monsieur Attali had no doubt he would. There is therefore no sentence about the SDI in the agreed text.

6. Other changes in the draft were very minor. I drew attention to the use of the word "sacrifices" in connection with

BESAAK

the Second World War twice in the draft: Mr Burt, sensitive because of the row about the President's visit to Bitburg, quickly and gratefully took the point, and the word does not now appear in the draft.

--- 7. The draft as now agreed (copy attached) will be formally sent by the Federal Chancellor to other Heads of State or Government before the Summit. The proposal is that it should be discussed by Heads of State or Government as first order business on the morning of Friday 3 May, with a view to its being issued later that day, possibly after the morning session.

8. The United States Political Director gave notice that the United States would also be proposing declarations from the Summit, but would settle for statements by the Chairman, on Afghanistan and on long-term space goals; he circulated
--- drafts for this purpose (copies attached), which were not discussed. The proposal on Afghanistan led the Japanese representatives to propose a declaration on Kampuchea. This rash of proposals for subject declarations reinforced the general view that the only formal declarations should be the political declaration on the 40th anniversary of the Second World War and the final economic declaration: anything else should be given in the course of an oral briefing to the press by the Federal Chancellor as Chairman of the Summit.

9. It was agreed that terrorism should be discussed, but that there should be no formal declaration: the Federal Chancellor could say that the subject had been discussed, and that Heads of State or Government had committed themselves to increase and strengthen the arrangements for intergovernmental co-operation to deal with the menace of international terrorism.

10. Political Directors agreed a list of suggested political
--- topics to be discussed at the Summit (copy attached). It would be for Ministers to decide, of course; but it was envisaged that

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Heads of State or Government might discuss the East-West Relations issues (and, no doubt, the SDI) at their dinners on Thursday 2 May and Friday 3 May, and that Foreign Ministers might discuss regional issues and international terrorism at dinner on Thursday 2 May and at their formal session on Friday 3 May, and then report the outcome of their discussions to Heads of State or Government at their joint lunch on Friday 3 May.

11. I am sending a copy of this minute to the Private Secretary to the Foreign and Commonwealth Secretary.

RA

ROBERT ARMSTRONG

22 April 1985

BESAAK

DRAFT

POLITICAL DECLARATION

ON THE 40th ANNIVERSARY OF THE END OF THE SECOND WORLD WAR

The Heads of State or Government of Canada, the French Republic, the Federal Republic of Germany, the Republic of Italy, Japan, the United Kingdom and the United States, with the President of the Commission of the European Community, meeting together in Bonn on the eve of the fortieth anniversary of the end of the Second World War, remember in grief all those who lost their lives in that time, whether by acts of war or as victims of inhumanity, repression and tyranny. We acknowledge the duty we owe to their memories, and to all those who follow after them, to uphold peace, freedom and justice in our countries and in the world.

We have learned the lessons of history. The end of the war marked a new beginning. As the sounds of battle ceased, we tackled the tasks of physical reconstruction and moral and spiritual renewal. Among us the victors extended hands of reconciliation and support to the vanquished. Today, linked in a peaceful, secure and lasting friendship, we share in all our countries a commitment to freedom, democratic principles and human rights. We are proud that the Governments of our countries owe their legitimacy to the will of our people, expressed in free elections. We are proud that our people are free to say and write what they

will, to practise the religions they profess, and to travel where they will. We are committed to assuring the maintenance of societies in which individual initiative and enterprise may flourish and the ideals of social justice, obligations and rights may be pursued.

We recognise that we can secure those aims, and meet both the opportunities and the challenges presented by technological and industrial change, more effectively in partnership than on our own. In Europe, the Community, the embodiment of reconciliation and common purpose, is growing in membership strength and prosperity. The nations of the dynamic Pacific region are drawing ever closer together. The partnership of North America, Europe and Japan is a guarantee of peace and stability in the world.

Other nations that shared with ours in the agonies of the Second World War are divided from us by fundamental differences of political systems. We deplore the division of Europe. In our commitment to the ideals of peace, freedom and democracy we seek by peaceful means to lower the barriers that have arisen among the peoples of Europe. We believe that the CSCE process with its promise of enhancing human rights provides an opportunity to increase confidence, cooperation and security in Europe. We look forward to a state of peace in Europe in which the German people will regain its unity through free self-determination.

As recognized in the Charter of the United Nations all countries have a joint responsibility to maintain international peace and security and to this end refrain from the threat and the use of force. We for our part share a determination to preserve the peace while protecting our democratic freedoms. To that end, each of us will work to maintain and strengthen a stable military balance at the lowest possible levels of forces, neither seeking superiority for ourselves nor neglecting our defenses. We are prepared to pursue a highlevel dialogue to deal with the profound differences dividing East and West. We strongly support endeavours to strengthen the peace and enhance deterrence through the negotiation of meaningful reductions in existing levels of nuclear arms, limitations on conventional arms, the banning of chemical weapons and lessening the risks of conflict. We welcome the opening of negotiations in Geneva and urge the Soviet Union to respond positively and constructively to the efforts which the US is making to achieve significant agreements there.

We shall continue to seek to work with the developing countries, so as to help them to fight hunger and disease, to build free and prosperous societies, and to take their part in the community of nations committed to peace and freedom. We respect genuine non-alignmnet as an important contribution to international security and peace.

So, as we look back to the terrible suffering of the second World War and the common experience of 40 years of peace and freedom, we dedicate ourselves and our countries anew to the creation of a world in which all peoples enjoy the blessings of peace, of justice, and of freedom from oppression, want and fear; a world in which individuals are able to fulfil their responsibilities for themselves, to their families and to their communities; a world in which all nations, large and small, combine to work together for a better future for all mankind.

Afghanistan

The Soviet Union's brutal war on Afghanistan is now halfway through its sixth year. Soviet forces, supported by their Afghan surrogates, have used all means, including bombardment and massacre of civilians, torture and chemical agents, in the effort to subjugate the Afghan nation. The Afghan people, however, have made a remarkable stand. Their refusal to submit to foreign domination is unshakeable. We renew our solidarity with those brave people fighting for the liberation of their country.

We call on the Soviet Union to bring an end to this brutal conflict and the suffering of the people of Afghanistan. A negotiated solution, providing for the withdrawal of Soviet forces and the restoration of the rights of the Afghan people, must be sought. We fully support the initiative of the United Nations Secretary General. We appeal to the Soviet Union to pursue this road to a just and lasting peace.

We support the unstinting efforts of the Government of Pakistan both to bring about a political solution as mandated by the United Nations and to provide for the world's largest refugee population. For all Afghans afflicted by Soviet depradations, we call on the international community to join in supporting this vital humanitarian assistance effort.

1881B

US

Draft Summit Declaration on Long-Range Space Goals

The Summit parties joined in emphasizing that international cooperation in the peaceful uses of space offers important benefits which contribute directly to the achievement of shared national goals. Particularly, the parties agreed that working together on space programs can:

Foster and promote the mastery of advanced technologies essential to progress and prosperity;

Expand human knowledge and imagination so as to bolster innovation, and continually renew the inquisitive spirit;

Strengthen Free World capabilities by providing experience in jointly managing large and complex programs;

Demonstrate the ability to work cooperatively together in productive and peaceful pursuits as a symbol of Free World unity;

Expand the application of space-devised techniques and products to the objective of economic and social development;

Contribute to increasing the role of private industry in the development and utilization of space systems.

The parties agreed that these are goals to which they all subscribe and endorsed the principle of continued and expanded peaceful space cooperation.

2

Suggested Topics to be discussed

1. East-West Relations including Arms Control

   1.1. New leadership in the Soviet Union

   1.2. US-Soviet Arms control negotiations in Geneva

   1.3. Other arms control issues, i.a. chemical weapons, non-proliferation

   1.4. Political dialogue with the USSR and the Eastern European countries

2. Regional Issues, including East-West Aspects

   2.1. Middle East, including Iran Iraq War

   2.2. Afghanistan and the Subcontinent

   2.3. Asia (Korea, Kampuchea, Sino-Soviet Relations)

   2.4. Situation in Africa, security and economic aspects

   2.5. Central and South America

3. International Terrorism

Prime Minister (2)

You will want to read RTH's account of the final Sherpas' meeting. I suggest that you leave the supporting documentation until nearer the time. It seems unlikely to be a dramatic summit. Attention will focus on President Reagan's bilateral visit, & perhaps also on the discussion of SDI.

CDP 22/4

Ref. A085/1149

MR POWELL

Bonn Economic Summit: Meeting of Personal Representatives, 19-21 April

This minute reports the outcome of the main discussions of last weekend's meeting of Personal Representatives on the economic aspects of the preparation for the Summit. I am reporting separately on the political apsects.

2. There was general agreement that the main issues on which discussion at the Summit itself would focus were probably:

1. the fiscal deficit of the United States, and the strength and extent of the commitment of the United States Administration and the Congress to reducing it;

2. the risk that world recovery could falter, particularly if the rate of growth in the United States declined;

3. the problems of high unemployment, particularly in Europe;

4. what the countries of the European Community could and should be doing to reduce and where possible remove the "structural rigidities" in their economies which were preventing them from achieving a higher rate of sound non-inflationary growth;

BESAAL

5. the rigidity of the economic structure in Japan, the problems of the structural balance of payments surplus of Japan, and the need to increase Japan's import propensity;

6. the growing risks of reviving protectionism, particularly in the United States, and their threat to the open multilateral trading system; the need for an early start to a new round of multilateral trade negotiations;

7. the debt problems of developing countries.

3. It was felt that, with the Summit coming so soon after the OECD Ministerial meeting and the meetings of the Interim and Development Committees in Washington, there would be something of a problem to find something new and distinctive for the Summit to say. I suggested that it would be important to exploit the two obvious differences between the Summit and the earlier meetings: that it was a meeting of Heads of State or Government, and that it was a meeting of the seven major industrialised countries. This suggested that the final declaration should, even more than usual, distinctively represent the views of the industrialised countries; and that it should be suitably political and elevated, in content and style.

4. There was some support for a suggestion by the German Personal Representative that on this occasion, unlike earlier Summits, the declaration should discuss the positions of individual countries: thus it might include, for instance, commitments by the President of the United States on reducing the fiscal deficit and on resisting protectionist tendencies; by the Heads of State or Government of European countries on containing public expenditure, and on dealing with "structural rigidities"; and by the Prime Minister of Japan on opening the Japanese market and increasing imports. Other Personal Representatives recognised that the inclusion of such commitments in a declaration could give it considerable real

BESAAL

significance as well as political impact, but suggested that this could work only if there was a considerable degree of political will upon the part of each Head of State or Government to make the commitments which others expected of him or her: if any one Head of State or Government held back, the resulting imbalance could do more harm than good. Inevitably, moreover, some Heads of State or Government (notably the President of the United States and the Prime Minister of Japan) would be more exposed and therefore vulnerable than others. There was also the risk of creating a situation in which the world was encouraged to look to certain countries (notably Germany, the United Kingdom and Japan) to provide a "locomotive effect" for the stimulation of world economic recovery.

5. The main points of difference for resolution at the Summit seem likely to be:

1. what the Summit should say about the timing of a new round of multilateral trade negotiations;

2. what the Summit should say about the way in which the work of Finance Ministers on improving the functions of the international monetary system should be followed up;

3. what the Summit should say about the Japanese balance of payments surplus and the need for Japan to improve access to her market and increase imports.

6. On the question of trade negotiations, it is now agreed that there should be a meeting of senior officials in GATT this summer to discuss the coverage of and arrangements for a new round. There remains the question whether the Summit should call for the new round to be launched "in early 1986" (as the United States, the United Kingdom, Germany, Canada and Japan would like), or "as soon as possible" (favoured by France, Italy

and the European Commission). The representative of the European Commission indeed regarded himself as bound by the Council's statement of 19 March, and unable to move beyond that.

7. This difference is linked to the second: the follow-up to Finance Ministers' work on the functioning of the international monetary system. That is due to be completed in June 1985. There is general agreement that the report should be considered first at the meeting of the IMF Interim Committee which is to be held at Seoul during the IMF and World Bank annual meetings; but that will be very much a first look, and the main issue for discussion is likely to be how best to carry on substantive consideration of those proposals. The question is whether the Summit should give a lead on this, and if so what.

8. The French Government is insisting on the need for parallelism as between the discussion of a new trade round and the discussion of international monetary reform. They want therefore to look forward to a high-level international monetary conference (an echo of President Mitterrand's earlier proposal for a "new Bretton Woods"). They do not seem to have a clear view as to whether that should be within the framework of the existing international institutions: on the whole, they seem content that it should be. What is important to them is that it should be at a high level; and that it should continue in being (if necessary with recesses) until it produces results; and that it should go forward in parallel with the new trade round. They would like to see such a conference held before any further discussion in the Interim Committee of the IMF, though they are ready to see any proposals agreed at a conference worked out for implementation in detail subsequently by the Interim Committee.

9. The United States does not seem to rule out the possibility of such a conference - and of itself hosting the conference - if one is to judge from Mr Baker's recent kite. But the United States Personal Representative last weekend seemed both

unsighted and unenthusiastic about Mr Baker's idea: he insisted on emphasising that it was no more than willingness to consider the possibility of such a conference, and that the United States Administration was not committed to the idea.

10. The Germans are opposed to the idea of a high-level monetary conference, and this has also been the British position. The Germans would prefer to see the follow-up work undertaken in the existing groupings, particularly the Group of Ten and the Interim Committee of the IMF. This process is clearly felt by the French to lack impetus: the Group of Ten and the Interim Committee meet relatively occasionally and then only for a day or two at a time, whereas a monetary conference would be more concentrated and intensive.

11. These unresolved differences are reflected in the revised version of the Thematic Paper. The previous draft was discussed in detail at the meeting of Personal Representatives, and considerably amended in detail, though not in substance. The points at which the unresolved differences are reflected are in square bracketed passages in paragraphs 4.3, 9.2 and 9.6 of the final version, a copy of which I attach herewith as Annex B.

12. As in previous thematic papers, individual countries are not singled out by name in the suggested conclusions. But there are coded signals: to the United States in paragraph 5.1, to Europe in paragraphs 5.2 to 5.4, and to Japan in paragraph 9.3; and to the newly industrialised and more prosperous developing countries in paragraph 7.4.

13. At the insistence of the United States the paper includes a brief (and agreed) paragraph on energy (paragraph 6).

14. French insistence that there should be an explicit reference in paragraph 8.2 to the French President's proposals (announced today; copy attached as Annex A) for dealing with

famine and drought in Africa was sourly received by other Personal Representatives; the proposals are seen as motivated as much by French domestic political needs as by any other consideration, and others saw no valid reason for singling out a French initiative for special mention, when many other countries were doing no less than France in this field.

15. The paragraph on the environment (paragraph 11) was agreed more or less as drafted, with the inclusion of references to the effects of pollution on climatic change and on the ozone layer added to paragraph 11.1.

16. The United States (supported by Canada and Japan) reluctantly acquiesced, in the face of French insistence, in a paragraph (12.3) which notes the conclusions of the European Space Agency on the need for Europe to maintain an autonomous capability in space activity, to balance the welcome given in paragraph 12.1 to the positive responses of those invited to participate in the United States manned space station programme.

17. The Germans, as host and Chairman, will take the lead in preparing a draft communiqué for consideration during the Summit. The German Personal Representative has privately asked me to assist in the process; I plan to meet him for the purpose shortly - probably early next week.

18. I am sending copies of this minute and of the Thematic Paper to the Private Secretaries to the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, and the Secretaries of State for Energy, the Environment and Trade and Industry.

RCA

ROBERT ARMSTRONG

22 April 1985

BESAAL

Annex A

SOMMET DE BONN - PROPOSITIONS FRANCAISES POUR LUTTER CONTRE LA FAMINE ET LA SECHERESSE EN AFRIQUE

V E R S I O N A N G L A I S E

DEBUT DE CITATION :

. The present critical situation in Africa is due to exceptional climatic conditions which have been detected much too late.

. Nevertheless drought alone is not the sole cause of this accident whose roots lie also in the crisis of the food production systems and the decline of environmental conditions.

. Donors must at the same time be able to provide a more efficient emergency aid and to address longer term development issues.

1 - Emergency aid could be more efficient.

Two proposals :

1/ Extension of the "early warning system" : satellite observation systems can provide early information on the crops allowing a timely response of donors.

Proposal : financing of two earth reception and treatment stations in Nairobi and Ouagadougou where existing facilities are available ; coordination by existing regional organisations.

2/ Setting up of a transport task force :
transportation from the coast to the interior of the continent is a major constraint.

Proposal : donors could finance transport units in Africa equipped with cargo-planes but mostly trucks for emergency inputs and food transportation ; coordination by W.F.P.

II - Food production should be increased

Two proposals :

1/ Immediate action : donors could provide not only food aid but also agricultural inputs (seeds, pesticides, fertilizer) to boost local production to reduce dependancy on international food aid ; coordination by FAO.

2/ Longer term action : donors could set up a regional and international research network on dry zones grains. The objective is to develop more productive varieties adapted to local conditions. Donors should finance technical assistance and recurrent costs.

The food technology group of the T.G.E. commission could discuss this project.

III - Coordinated program to fight against desertification in the Sahel region.

1/ Proposal : the program should consist of series of pilot projects implemented simultaneously in the Sahelian countries together with agricultural development projects.

2/ Creation of a new fund to fight against desertification, financed by national and multilateral contributions ; coordination by IFAD.

Fin de citation.

SOMMET DE BONN - PROPOSITIONS FRANCAISES POUR LUTTER CONTRE LA FAMINE ET LA SECHERESSE EN AFRIQUE

V E R S I O N F R A N C A I S E

Début de citation :

. La situation actuelle de crise que connait l'Afrique est due à une évolution climatique exceptionnelle qui n'a été décelée que trop tardivement.

. La sécheresse n'est toutefois pas la seule cause de cet accident qui s'explique également par la crise du système de production agricole et la dégradation de l'environnement.

. Les donateurs se doivent dans le même temps d'améliorer l'efficacité de l'aide d'urgence et de répondre aux besoins à plus long terme du développement.

1 - Une action d'urgence plus efficace.

Deux propositions :

1/ Le renforcement du système d'alerte rapide : les systèmes d'observation par satellite peuvent fournir des informations à l'avance, sur l'état des récoltes et permettre une réponse rapide des donateurs.

Proposition : financement de deux stations de réception et de traitement des images satellitaires à Nairobi et à Ouagadougou où existent déjà des installations, la coordination étant assurée par les organisations régionales existantes.

2/ La création d'unités de transports rapides.

Les transports des ports de la côte vers l'intérieur du continent se sont révélé particulièrement difficiles.

Proposition : les donateurs pourraient financer des unités de transports rapides en Afrique équipées d'avions et surtout de camions afin d'acheminer des produits alimentaires et des intrants ;

la coordination serait assurée par le P.A.M.

II - La relance de la production agricole.

Deux propositions :

1/ Une action immédiate : les donateurs pourraient envoyer non seulement de l'aide alimentaire mais également des intrants (semences, pesticides, engrais) pour relancer les productions locales et réduire la dépendance vis à vis de l'aide alimentaire ; la coordination serait assurée par la F.A.O.

2/ Une action à plus long terme : les donateurs pourraient contribuer à créer un réseau régional et international de recherches coordonnées sur les céréales de zones arides. L'objectif est d'élaborer de nouvelles variétés plus productives et adaptées aux conditions locales. L'assistance technique et les coûts de fonctionnement seraient à la charge des donateurs.

Le groupe technologie alimentaire de la commission T.C.E. pourrait étudier ce projet.

III - Lancement d'un programme coordonné de lutte contre la désertification au Sahel.

L'objectif est de préserver l'environnement qui est la base des économies agricoles.

1/ Proposition : le programme consisterait à mettre en oeuvre simultanément une série de projets pilotes dans les pays du Sahel parallèlement à des projets de développement rural.

2/ Un nouveau fond de lutte contre la désertification financé par des contributions multilatérales et bilatérales pourrait être crée, la coordination étant assurée par le FIDA.

Fin de citation.

Annex B

21 April 1985

Bonn Economic Summit, 2-4 May 1985
Thematic Paper

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II. Possible points of emphasis at Bonn Summit: overview	4
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A. Introduction

I. Salient features of the world economy

1. Overall, the world economy is in better shape than it has been for a considerable time. Real progress has been made in dealing with the effects of the crises which have afflicted our economies over the last decade. In the industrial countries, growth has been restored. Inflation has been brought down. Economic adaptability and efficiency have been strengthened. The recovery in the industrial countries is spreading to the developing world. The problems of international indebtedness, though far from being solved, have been addressed in a flexible, effective way.

2. However, the progress achieved varies greatly among individual countries. Major imbalances and obvious risks persist. New concerns have come to the fore, especially in the field of employment. Urgent action is needed in a number of policy areas if we are to seize the opportunity which we now have of moving into a sustained period of more broadly-shared prosperity for industrial and developing countries.

3. The main features of the world economic picture can be summarised as follows:

   3.1 - Fairly robust growth in Japan and, so far, in the United States; continuing expansion in Canada, and steady progress in Europe, although at a markedly slower and uneven pace. Revival of investment and recovery of business profits in a number of industrial countries.

   3.2 - Marked differences in developments on labour markets: Strong expansion of employment and a significant reduction of unemployment in the United States during the recovery. Appreciable rise in employment also in Canada. Success of Japan in holding down unemployment to fairly

low levels. However, persistence of very high unemployment in Europe, due to relatively modest pace of the recovery and unsatisfactory relationship between economic growth and job creation.

3.3 - Substantial and widespread success in curbing inflation. Continuing need to bring inflation down further, particularly in countries where it remains seriously out of line. Fall in inflation over recent years not matched by a comparable fall in interest rates which remain unusually high.

3.4 - More uneven progress in the area of fiscal policy. Growing concern over the domestic and international repercussions of continuing high levels of and pressures for public sector spending and large and growing budget deficits in some countries.

3.5 - Increasingly divergent pattern of balance of payments of major industrial countries: sharp deterioration of the current account of the United States; large and growing surplus on the current account of Japan. Widespread concern over the behaviour and levels of key exchange rates.

3.6 - Encouraging progress of many developing countries towards restoring sound growth - as a result of major adjustments by these countries, the cooperative attitude of official and private creditors, and the revival of world trade. However, wide diversity in the situation of individual countries, many of which continue to face serious economic and financial problems, with social and political implications. Continuing crisis in Africa. Adjustment task of many developing countries complicated by high real interest rates, problems of market access, developments in exchange markets and relative weakness of commodity prices.

3.7 - Despite recovery and renewed growth of world trade unrelenting protectionist pressures and continuing erosion of the disciplines of the multilateral system of free trade, posing threats to the sustainability of the recovery and the future prospects of the world economy.

II. Possible points of emphasis at Bonn Summit

4. The main tasks are now:

4.1 - to build on the progress achieved; to work, individually and jointly, to sustain the recovery, to enhance its momentum and to ensure that it is more widely shared both within and among industrial and developing countries; to accept responsibility for the international repercussions of domestic policies; in particular:

= to deal with persistingly high unemployment, which remains an overriding concern in most countries, particularly in Europe; to enhance the employment opportunities especially for young people; to this end, to remove obstacles to faster non-inflationary economic growth and to improve the link between growth and employment;

= to restore greater stability to the world monetary system; and for this purpose to strengthen policies necessary for convergence towards enduring non-inflationary growth and a sustainable pattern of current accounts and exchange rates; and to continue to pursue policies capable of maintaining that convergence;

= to consolidate the progress achieved in a number of countries in reducing budget deficits and high levels of government spending; to step up efforts where budget deficits and government spending remain too high;

= to make the most of the opportunities presented by technological innovation for the improvement of growth and employment and the raising of standards of living.

4.2 - to recognize the growing interdependence of developing and industrial countries; to work with the developing countries in a spirit of true partnership taking account of their political and social problems, to encourage them as their circumstances allow to take their places in the world economic and financial system; to continue to assist the poorer countries; to work with African countries to help them to achieve greater economic self-reliance and continued development;

4.3 - to resist and roll back protectionism; to take concrete and credible action to maintain and extend the open multilateral trading system; to move decisively towards a new round of comprehensive, multilateral trade negotiations in the GATT [in parallel with negotiations in the monetary and financial areas]; in this context to work to achieve a genuine balance of interests and responsibilities of industrial and developing countries.

4.4 - Moreover, the need to protect the environmental resources which underpin economic growth has come to the forefront of attention. The Summit could stress that economic growth and environmental improvement are reconcilable and mutually supportive goals; that protection of the environment needs to be one of the central elements in national and international policies and that the way ahead lies with high environmental standards and technological innovation to achieve these goals.

B. Suggested conclusions

I. Industrial countries

5. The broad outline of possible conclusions has been given above (Point 4). More specifically, Summit countries could

5.1 - reaffirm their commitment

= to follow prudent and, where necessary, strengthened monetary and fiscal policies;

= to encourage sustainable non-inflationary growth by controlling and where necessary reducing the share of public expenditure in GNP, by cutting excessive budget deficits, and by reducing where possible and appropriate the burden of taxation.

5.2 - stress the need to remove market rigidities and regulations which still stand in the way of more dynamic growth; to exploit to the full the potential for sustainable, non-inflationary and internally generated growth; and to make the most of the opportunities for growth and employment provided by structural adjustment and technological change;

5.3 - in particular, agree to review the regulatory framework of labour markets as well as tax, budgetary and other economic policies in order to improve the incentives for the creation of jobs; to maintain appropriate social standards for those unable to help themselves; to improve the educational and training systems in order to create the knowledge and skills needed in a changing and technologically evolving economy; to encourage productive, job-creating investment;

5.4 - call on both sides of industry also to play their part in improving the employment situation; recall the need to ensure a cost structure of firms and a differentiation of wages favourable to the creation of employment and to secure a level of wage and non-wage labour costs which reflects the relative scarcity of capital and labour;

6. Summit countries could review the situation on energy markets and reaffirm the importance of maintaining adequate oil reserves as well as of promoting long-term policies for energy conservation, substitution and development.

II. Developing countries

7. Summit countries could

7.1 - welcome the progress made my many developing countries in strengthening the basis for sound growth, which has enabled them to take part in the world economic recovery;

7.2 - note, in particular, the success achieved by a number of countries in managing their external debt problems; stress that the difficulties that remain can be solved only by building on the agreed strategy on debt in a way that responds to the changing circumstances of individual debtor countries;

7.3 - reaffirm their will to maintain and, wherever possible, to increase flows of resources, including official development assistance, particularly to the poorest countries; encourage improved coordination of donor activities;

7.4 - stress the decisive contribution to stable growth that the developing countries will have to make themselves by implementing sound, outward-looking economic policies, by strengthening the confidence of domestic as well as foreign investors and by mobilising domestic savings;

7.5 - stress the commitment of Summit countries to support these efforts by policies conducive to sustained non-inflationary growth, lower interest rates and more open markets;

7.6 - affirm their continuing support for the international financial institutions, in particular the IMF and the World Bank; agree to work to ensure that these institutions are equipped with the necessary resources and instruments; encourage continued efforts to strengthen IMF/World Bank cooperation and the efficient use of their resources, and to enhance the catalytic role of the World Bank in stimulating capital flows to developing countries;

7.7 - encourage a stronger role for the World Bank in complementing IMF-supported short- to medium-term balance of payments adjustment by fostering sound, long-term development; agree to stand ready to discuss an increase of resources available to the World Bank which may be necessary in the coming years;

7.8 - welcome the agreements on longer-term debt restructuring which are being arranged by commercial banks for countries with demonstrable adjustment progress; reaffirm that Summit countries, as agreed in London, stand ready, where appropriate, to negotiate multi-year debt reschedulings in the framework of the "Paris Club";

8. With regard to African countries, Summit countries could

8.1 - welcome the positive response of their citizens to the pressing needs of African countries; express their satisfaction about the establishment by the World Bank of a Special Facility for Sub-Saharan Africa; note the special steps taken by Summit countries to provide additional bilateral assistance to support adjustment and development efforts in Sub-Saharan-Africa and express their support for the efforts undertaken to coordinate international aid;

8.2 - stress their commitment to strengthen their action in Africa; to continue to provide emergency food aid commensurate with the worsening situation; to complement the immediate food aid assistance by providing, where

appropriate, additional funds in support of a long-term food strategy. Special attention should be given to measures to strengthen the monitoring of food supplies; to improve the conditions for food production and food distribution and to combat desertification. (In this context, the proposal made to the Summit by the President of the French Republic was noted, as well as the initiatives taken by each of the other Summit countries.);

8.3 - Call upon all countries to step up their efforts to overcome famine and poverty, particularly in Africa.

III. International trade and financial policies

9. Summit countries could

9.1 - reaffirm their commitment effectively to halt protectionism and progressively to dismantle existing trade restrictions; stress the need to achieve more substantial progress in implementing the current GATT work programme and the agreements on trade liberalisation reached in the OECD;

9.2 - emphasise that sustained growth and the balanced expansion of world trade need to be secured by the reinforcement of the multilateral structures and disciplines of the GATT; welcome the growing awareness of the urgent need, for this purpose, of preparing a new comprehensive round of multilateral trade negotiations in the GATT; endorse the agreement reached by the OECD Ministerial Council to propose to the Contracting Parties that a preparatory meeting of senior officials should take place in GATT before the end of the summer to reach a broad consensus on subject matter and modalities for such negotiations; agree to work towards the formal launching of such negotiations [in early 1986] [as soon as possible]; note the importance of giving full consideration to the interests and participation of developing countries in the forthcoming new round;

9.3 - emphasize that further access to markets should be actively facilitated and made use of, so as to increase trade and investment flows, where that would contribute to greater stability in the international trading system and to a more balanced pattern of current accounts;

9.4 - stress the importance of promoting a more dynamic role for developing countries in world trade, and of providing enlarged and secure access for developing countries' exports to the markets of industrial countries; recall the need for developing countries to complement these efforts by progressively opening up their markets in a manner consistent with their stage of economic development;

9.5 - emphasise the critical role of active surveillance by the IMF over members' policies affecting exchange rates and international adjustment; reaffirm their commitment to undertake coordinated intervention in the exchange markets when it would be helpful;

9.6 - welcome the progress made by Finance Ministers in their work on ways to improve the functioning of the international monetary system; invite Finance Ministers to complete their work before the end of June 1985 and to make concrete proposals to be discussed in the first instance at the next meeting of the Interim Committee of the IMF [and subsequently more fully at a special meeting of the Interim Committee of the IMF] [with a view to seeing whether a broad consensus can be established on subject matters and modalities for a high-level monetary conference].

10. In reviewing economic relations with the Soviet Union and the countries of Eastern Europe, Summit countries could note that work continues in the appropriate organisations.

IV. Environmental policies

11. Summit countries could

11.1 - emphasise that new approaches and strengthened international cooperation are needed to anticipate and prevent environmental damage and to ensure sustainable development; confirm their commitment to cooperate in solving pressing environmental problems such as acid deposition and air pollution including emissions from motor vehicles, and to control firmly pollution from all significant sources; note that the prevention of adverse transboundary effects should remain a key concern; state their resolve to tackle other concerns such as climatic change, the protection of the ozone layer and the management of toxic chemicals and hazardous wastes, and to strengthen the protection of soils, fresh water and the sea, in particular of regional seas;

11.2 - affirm their will to harness the mechanisms of the market economy in order to solve environmental problems; to develop and apply the "polluter pays" principle more widely; note that strict and scientifically-based environmental standards can provide incentives for innovation and cost-effective technologies which are clean and efficient in the use of resources; stress that environmental protection is feasible only in cooperation with the economic and technological sectors;

11.3 - welcome the contributions made by the Environment Ministers and by the Technology, Growth and Employment Working Group in considering the role of environmental factors in economic development and areas for continuing cooperation; emphasise the importance of science and technology to reconciling environmental protection and economic growth objectives and to the establishment of internationally consistent techniques and practices of environmental measurement; and encourage their national research institutions to expand cooperation on environmental problems, both with each other and with appropriate international organisations;

11.4 - stress their will to focus their cooperation within existing international bodies, especially the OECD; to work with developing countries for environmentally sound development and for the avoidance of environmental damage and disasters world-wide.

V. Manned space stations

12. Summit countries could

12.1 - welcome the positive responses by the Governments of ESA Member States, Canada and Japan to the invitation of the President of the United States to cooperate in the United States Manned Space Station Programme on the basis of a genuine partnership and a fair and appropriate exchange of information, experience and technologies;

12.2 - note that discussions will begin promptly on intergovernmental cooperation in development and utilisation of permanently manned space stations;

12.3 - note the conclusions of the ESA Council on the need for Europe to maintain and to expand its autonomous capability in space activity, and in the long-term European Space Plan and its objectives.

C. Follow-up to research initiatives of previous Summits

13. In its report, which was commissioned at the London Economic Summit, the Working Group on Technology, Growth and Employment notes the effective work in the 18 areas of cooperation identified after the Versailles Summit. It emphasises that international cooperation in science and technology has benefited substantially from the Summit initiative. Personal Representatives have invited the Working Group to complete its review of the 18 cooperative projects and to report to them in time for their first meeting in 1986.

14. Summit countries could welcome

14.1 - the positive contribution which the Ministerial Conference, held in Venice on "Technological Development and Employment" has made towards wider acceptance of the role of technological change in promoting growth and employment;

14.2 - the results of the Rambouillet Conference on Bioethics and the readiness of the government of the Federal Republic of Germany to host a symposion on neurobiology in 1986.

(2)

cc PS

Prime Minister

CDP
22/4

Ref. A085/1143

MR POWELL

Bonn Economic Summit: Timetable

I attach a copy of the latest schedule for the Bonn Summit programme. The Federal German Government proposes to make this programme available to the press (without details of meeting rooms) on Wednesday 24 April.

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

RTA

ROBERT ARMSTRONG

22 April 1985

The Co-ordinator
for the Bonn Economic Summit

Bonn, 18 April 1985

Projected order of events for the Economic Summit in Bonn
(2 to 4 May 1985)

Thursday, 2 May 1985

15.00 to 16.00 hrs	Arrival of delegations at Cologne|Bonn airport at 20-minute intervals in reverse order of protocol
15.10 to 16.10 hrs	Transfer to Bonn by helicopter
On arrival in Bonn	Proceed to the Federal Chancellery
14.30 to 17.00 hrs	Welcome in reverse order of protocol with military honours by the Federal Chancellor ~~in 30-minute intervals:~~ ~~14.30: EC, 15.00: Canada, 15.30: Italy, 16.00: United Kingdom, 16.30: France~~
Following official welcome	Introductory talks between the Federal Chancellor and each delegation at the Federal Chancellery
15.00 to 17.00 hrs	Delegations proceed to residences|hotel
18.30 hrs	Reception given by the Federal Chancellor at Schloss Augustusburg

20.15 hrs — Separate dinners, given by

- the Federal Chancellor for the Heads of State and Government at Schloss Falkenlust (first floor)
- the Federal Minister for Foreign Affairs for the Foreign Ministers at Schloss Falkenlust
- the Federal Minister of Finance for the Finance Ministers in Palais Schaumburg (Hallstein Rooms)
- the German Personal Representative for his colleagues in Schloss Falkenlust (Ground Floor)

Friday, 3 May 1985

9.45 to 12.15 hrs — Working sessions for

- the Heads of State and Government in the historical Cabinet Room, Palais Schaumburg
- the Foreign Ministers in the small Cabinet Room of the Federal Chancellery
- the Finance Ministers in the Cabinet Room of the Federal Chancellery

12.30 hrs — Press briefing by the Federal Minister for Foreign Affairs in the Main Hall of the Federal Press Conference Centre

13.00 hrs — Working luncheon for

- the Heads of State and Government and the Foreign Ministers in the historical Small Cabinet Room, Palais Schaumburg
- the Finance Ministers in the Federal Chancellery
- the Personal Representatives in the Hallstein Rooms, Palais Schaumburg

14.30 to 18.00 hrs — Plenary session in the Federal Chancellery, NATO room

20.00 hrs — Separate dinners given by

- the Federal Chancellor for the Heads of State and Government in Palais Schaumburg (Hallstein Rooms)
- the Federal Minister for Foreign Affairs for the Foreign Ministers in the historical Small Cabinet Room, Palais Schaumburg
- the Federal Minister of Finance for the Finance Ministers in the Redoute
- the German Personal Representative for his colleagues in the Corner Room (No. 2) of Palais Schaumburg

Saturday, 4 May 1985

9.30 to 12.30 hrs	Continuation of the plenary session in the Federal Chancellery, NATO room
13.00 hrs	Plenary luncheon in the "large dining room" of the Federal Chancellery (first floor)
	- Luncheon for the Personal Representatives in Palais Schaumburg (Hallstein Rooms)
15.45 hrs	Promulgation of the joint final communiqué in the Debating Chamber (Plenarsaal) of the German Bundestag
20.00 hrs	Dinner given by the Federal President in honour of the Heads of State and Government, Foreign Ministers and Finance Ministers at Villa Hammerschmidt

CCBY (2)

Prime Minister
CDP
22/4

Ref. A085/1142

MR POWELL

Bonn Economic Summit: Manned Space Station

At the meeting of Personal Representatives this weekend we were reminded that in London last year the President of the United States had undertaken to report to the Bonn Summit on the development of international participation in the United States manned space station programme. The United States Personal Representative circulated a report (copy attached), with the request that it should be submitted to Heads of State or Government.

2. I am sending a copy of this minute to the Private Secretary to the Foreign and Commonwealth Secretary.

RTA

ROBERT ARMSTRONG

22 April 1985

UNDER SECRETARY OF STATE
FOR ECONOMIC AFFAIRS
WASHINGTON

April 16, 1985

MEMORANDUM

TO: Ms. Sylvia Ostry
Mr. Pascal Lamy
Dr. Hans Tietmeyer
Mr. Jacques Attali
Mr. Renato Ruggiero
Mr. Reishi Teshima
Sir Robert Armstrong

SUBJECT: U.S. Report on International Participation in the Space Station

The Declaration of the London Economic Summit committed the United States to report on the status of international participation in the Space Station Program at the Bonn Summit. That report is attached.

The President of the United States will draw upon the report in his discussion of the Space Station at the Summit. In preparation, I would appreciate your providing it to your Heads of State/Government.

Allen Wallis

Attachment:

As Stated.

U.S. REPORT TO THE BONN ECONOMIC SUMMIT
Space Station International Participation

In January 1984, the President of the United States committed the U.S. to develp a permanently manned Space Station within a decade in order to satisfy civil and commercial requirements for a space operations facility. At the same time, he invited friends and allies to join the U.S. in order to share the benefits of this major technological undertaking. The U.S. is confident that the Station will be the focal point for free world space operations well into the next century and believes that international participation in the undertaking represents a tangible and highly visible demonstration of the Western industrialized nations' commitment to working together for mutual benefit.

In June 1984, at the London Economic Summit, discussions among the Heads of State/Government resulted in their conclusion that the Space Station is "the kind of programme that provides a stimulus for technological development leading to strengthened economies and improved quality of life." The Summit participants further welcomed "the intention of the U.S. to report at the next Summit on international participation in their programme."

Since last June, Europe (working through the European Space Agency), Japan and Canada have made the political and budgetary decisions necessary to accept the invitation of the U.S. to participate in the Space Station Program. Agreements governing cooperation during the next two years' design phase of the Program have been negotiated and will be signed in the very near future.* All of the international partners have indicated their intent to continue into the follow-on development, operation and utilization phases of the Program, pending the satisfactory negotiation of follow-on agreements, the successful completion of their design studies, and the availability of their funds for the Program. Formal decisions to proceed will be made by each of the international partners at the end of the design phase.

At the Bonn Summit, the President plans to express his appreciation for the extremely positive responses of Europe, Japan and Canada to his invitation for international participation in this important program. The accomplishments of the past year portend a productive long-term partnership in the peaceful use of space for the benefit of all mankind here on earth.

*Signing ceremonies are scheduled April 16, Ottawa, for the NASA/Canada agreement; April 26, Washington, D.C., for the NASA/ESA agreement; May 9, Tokyo, for the NASA/Japan agreement.

April 19, 1985

File SRW

10 DOWNING STREET

From the Private Secretary

Sir Robert Armstrong

Economic Summit:
Speech by Secretary Shultz at Princeton
on 11 April

The Prime Minsiter has seen HM Ambassador Washington's letter of 16 April covering the text of Secretary Shultz's address to the Woodrow Wilson School of Public and International Affairs. She notes that Sir Oliver Wright judges that this speech will be a harbinger of the United States approach at the Economic Summit and has suggested that we should take this into account in drafting some possible conclusions of our own for the Bonn Economic Summit.

I am copying this minute to the Private Secretaries to the Foreign and Commonwealth Secretary, the Secretary of State for Trade and Industry and the Chancellor.

C D POWELL

22 April 1985

Ref. A085/1154

MR POWELL

With his minute of 10 April, Mr Addison sent Mr Hatfield a copy of the letter which the Prime Minister had received from the Federal German Chancellor, outlining the subjects on which discussions would focus at the Economic Summit.

2. The Federal Chancellor's letter has been discussed with the Departments concerned. It seems to cover the ground admirably, and closely reflects the German Thematic Paper. It shows that the Chancellor's concerns generally speaking match our own, though he perhaps gives rather more emphasis to the protection of the environment than, left to ourselves, we might do.

3. I recommend that the Prime Minister should send a reply to the Federal Chancellor; it appears that other Heads of State or Government are likely to reply. I attach a draft, which has been agreed with the Departments concerned.

ROBERT ARMSTRONG

22 April 1985

DRAFT LETTER FROM THE PRIME MINISTER TO

Federal German Chancellor

Thank you for your recent letter in which you outlined the subjects on which discussions should focus at next month's Economic Summit in Bonn, to which I am greatly looking forward.

I certainly agree that we should concentrate on economic issues in our discussions. I also share your views on the need to achieve consistent macroeconomic policies and on the importance (particularly in the European countries represented at the Summit) of encouraging enterprise and helping the labour market to work more efficiently to reduce unemployment. In doing so we should not forget the importance of carrying forward the progress we have so far achieved.

Trade policy issues will be of unusual importance for us this year. As you say, the world trading community looks to the Economic Summit countries to demonstrate leadership. We must, I think, commit ourselves to work for the successful launching in 1986 of a new Round of multilateral trade negotiations. In the light of the outcome of the OECD Ministerial this seems perfectly feasible. We must also renew our pledges to resist continuing protectionist pressures more effectively and to

pursue the progress made to date in reducing existing barriers to trade.

We shall also need to make clear to developing countries that by strengthening the open trading system and keeping our markets open to their goods we can help developing countries once again to enjoy the fruits of stable economic growth. This is particularly relevant to those with debt problems. This was one of the main concerns expressed at the recent meetings of the Interim and Development Committees in Washington. Discussions at those meetings will make a useful contribution towards our discussions in Bonn and towards helping these countries overcome their difficulties.

I agree that environmental protection must play an important part in our future economic prosperity. In this respect, I am encouraged by signs of greater co-operation in our national and international policies.

Finally, I endorse the importance you attach to the preservation of the informality of our meeting. In this way we can look forward to a positive and constructive exchange of views; an exchange which will be greatly facilitated by the excellent work put in by your people in Bonn on the preparation of the Thematic Paper.

LOZACH

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Federal German Chancellor

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I ~~certainly~~ agree ~~that we should~~ Certainly we should concentrate on economic issues in our discussions, ~~I also share your views on the need to achieve~~ with the aim of achieving consistent macroeconomic policies and, ~~on the importance~~ particularly in the European countries represented at the Summit, of encouraging enterprise and helping the labour market to work more efficiently to reduce unemployment. ~~In doing so we should not forget the importance of carrying forward the progress we have so far achieved~~.

Trade policy issues will be of ~~unusual crucial~~ central importance ~~for us this year~~. As you say, the world trading community ~~looks~~ will look to the Economic Summit countries to demonstrate leadership. We must, I ~~think~~ believe, commit ourselves to work for the successful launching in 1986 of a new Round of multilateral trade negotiations. In the light of the outcome of the OECD Ministerial this ~~seems~~ should be perfectly feasible. ~~We must also renew our pledges to resist continuing protectionist pressures more effectively and to~~

If I find myself in agreement with virtually all that you say

We should point out to developing countries, particularly those with debt problems that it is by strengthening the open trading system which offers the best hope of stable economic growth

pursue the progress made to date in reducing existing barriers to trade.

We shall also need to make clear to developing countries that by strengthening the open trading system and keeping our markets open to their goods we can help developing countries once again to enjoy the fruits of stable economic growth. This is particularly relevant to those with debt problems. This was one of the main concerns expressed at the recent meetings of the Interim and Development Committees in Washington. Discussions at those meetings will make a useful contribution towards our discussions in Bonn and towards helping these countries overcome their difficulties.

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RCA

ROBERT ARMSTRONG

22 April 1985

TPM

Ref. A085/1149

MR POWELL

Bonn Economic Summit: Meeting of Personal Representatives, 19-21 April

This minute reports the outcome of the main discussions of last weekend's meeting of Personal Representatives on the economic aspects of the preparation for the Summit. I am reporting separately on the political apsects.

2. There was general agreement that the main issues on which discussion at the Summit itself would focus were probably:

1. the fiscal deficit of the United States, and the strength and extent of the commitment of the United States Administration and the Congress to reducing it;

2. the risk that world recovery could falter, particularly if the rate of growth in the United States declined;

3. the problems of high unemployment, particularly in Europe;

4. what the countries of the European Community could and should be doing to reduce and where possible remove the "structural rigidities" in their economies which were preventing them from achieving a higher rate of sound non-inflationary growth;

BESAAL

5. the rigidity of the economic structure in Japan, the problems of the structural balance of payments surplus of Japan, and the need to increase Japan's import propensity;

6. the growing risks of reviving protectionism, particularly in the United States, and their threat to the open multilateral trading system; the need for an early start to a new round of multilateral trade negotiations;

7. the debt problems of developing countries.

3. It was felt that, with the Summit coming so soon after the OECD Ministerial meeting and the meetings of the Interim and Development Committees in Washington, there would be something of a problem to find something new and distinctive for the Summit to say. I suggested that it would be important to exploit the two obvious differences between the Summit and the earlier meetings: that it was a meeting of Heads of State or Government, and that it was a meeting of the seven major industrialised countries. This suggested that the final declaration should, even more than usual, distinctively represent the views of the industrialised countries; and that it should be suitably political and elevated, in content and style.

4. There was some support for a suggestion by the German Personal Representative that on this occasion, unlike earlier Summits, the declaration should discuss the positions of individual countries: thus it might include, for instance, commitments by the President of the United States on reducing the fiscal deficit and on resisting protectionist tendencies; by the Heads of State or Government of European countries on containing public expenditure, and on dealing with "structural rigidities" and by the Prime Minister of Japan on opening the Japanese market and increasing imports. Other Personal Representatives recognised that the inclusion of such commitments in a declaration could give it considerable real

significance as well as political impact, but suggested that this could work only if there was a considerable degree of political will upon the part of each Head of State or Government to make the commitments which others expected of him or her: if any one Head of State or Government held back, the resulting imbalance could do more harm than good. Inevitably, moreover, some Heads of State or Government (notably the President of the United States and the Prime Minister of Japan) would be more exposed and therefore vulnerable than others. There was also the risk of creating a situation in which the world was encouraged to look to certain countries (notably Germany, the United Kingdom and Japan) to provide a "locomotive effect" for the stimulation of world economic recovery.

5. The main points of difference for resolution at the Summit seem likely to be:

1. what the Summit should say about the timing of a new round of multilateral trade negotiations;

2. what the Summit should say about the way in which the work of Finance Ministers on improving the functions of the international monetary system should be followed up;

3. what the Summit should say about the Japanese balance of payments surplus and the need for Japan to improve access to her market and increase imports.

6. On the question of trade negotiations, it is now agreed that there should be a meeting of senior officials in GATT this summer to discuss the coverage of and arrangements for a new round. There remains the question whether the Summit should call for the new round to be launched "in early 1986" (as the United States, the United Kingdom, Germany, Canada and Japan would like), or "as soon as possible" (favoured by France, Italy

and the European Commission). The representative of the European Commission indeed regarded himself as bound by the Council's statement of 19 March, and unable to move beyond that.

7. This difference is linked to the second: the follow-up to Finance Ministers' work on the functioning of the international monetary system. That is due to be completed in June 1985. There is general agreement that the report should be considered first at the meeting of the IMF Interim Committee which is to be held at Seoul during the IMF and World Bank annual meetings; but that will be very much a first look, and the main issue for discussion is likely to be how best to carry on substantive consideration of those proposals. The question is whether the Summit should give a lead on this, and if so what.

8. The French Government is insisting on the need for parallelism as between the discussion of a new trade round and the discussion of international monetary reform. They want therefore to look forward to a high-level international monetary conference (an echo of President Mitterrand's earlier proposal for a "new Bretton Woods"). They do not seem to have a clear view as to whether that should be within the framework of the existing international institutions: on the whole, they seem content that it should be. What is important to them is that it should be at a high level; and that it should continue in being (if necessary with recesses) until it produces results; and that it should go forward in parallel with the new trade round. They would like to see such a conference held before any further discussion in the Interim Committee of the IMF, though they are ready to see any proposals agreed at a conference worked out for implementation in detail subsequently by the Interim Committee.

9. The United States does not seem to rule out the possibility of such a conference - and of itself hosting the conference - if one is to judge from Mr Baker's recent kite. But the United States Personal Representative last weekend seemed both

unsighted and unenthusiastic about Mr Baker's idea: he insisted on emphasising that it was no more than willingness to consider the possibility of such a conference, and that the United States Administration was not committed to the idea.

10. The Germans are opposed to the idea of a high-level monetary conference, and this has also been the British position. The Germans would prefer to see the follow-up work undertaken in the existing groupings, particularly the Group of Ten and the Interim Committee of the IMF. This process is clearly felt by the French to lack impetus: the Group of Ten and the Interim Committee meet relatively occasionally and then only for a day or two at a time, whereas a monetary conference would be more concentrated and intensive.

11. These unresolved differences are reflected in the revised version of the Thematic Paper. The previous draft was discussed in detail at the meeting of Personal Representatives, and considerably amended in detail, though not in substance. The points at which the unresolved differences are reflected are in square bracketed passages in paragraphs 4.3, 9.2 and 9.6 of the final version, a copy of which I attach herewith as Annex B.

12. As in previous thematic papers, individual countries are not singled out by name in the suggested conclusions. But there are coded signals: to the United States in paragraph 5.1, to Europe in paragraphs 5.2 to 5.4, and to Japan in paragraph 9.3; and to the newly industrialised and more prosperous developing countries in paragraph 7.4.

13. At the insistence of the United States the paper includes a brief (and agreed) paragraph on energy (paragraph 6).

14. French insistence that there should be an explicit reference in paragraph 8.2 to the French President's proposals (announced today; copy attached as Annex A) for dealing with

famine and drought in Africa was sourly received by other Personal Representatives; the proposals are seen as motivated as much by French domestic political needs as by any other consideration, and others saw no valid reason for singling out a French initiative for special mention, when many other countries were doing no less than France in this field.

15. The paragraph on the environment (paragraph 11) was agreed more or less as drafted, with the inclusion of references to the effects of pollution on climatic change and on the ozone layer added to paragraph 11.1.

16. The United States (supported by Canada and Japan) reluctantly acquiesced, in the face of French insistence, in a paragraph (12.3) which notes the conclusions of the European Space Agency on the need for Europe to maintain an autonomous capability in space activity, to balance the welcome given in paragraph 12.1 to the positive responses of those invited to participate in the United States manned space station programme.

17. The Germans, as host and Chairman, will take the lead in preparing a draft communiqué for consideration during the Summit. The German Personal Representative has privately asked me to assist in the process; I plan to meet him for the purpose shortly - probably early next week.

18. I am sending copies of this minute and of the Thematic Paper to the Private Secretaries to the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, and the Secretaries of State for Energy, the Environment and Trade and Industry.

ROBERT ARMSTRONG

ROBERT ARMSTRONG

22 April 1985

BESAAL

Annex A

SOMMET DE BONN - PROPOSITIONS FRANCAISES POUR LUTTER CONTRE LA FAMINE ET LA SECHERESSE EN AFRIQUE

V E R S I O N A N G L A I S E

DEBUT DE CITATION :

. The present critical situation in Africa is due to exceptional climatic conditions which have been detected much too late.

. Nevertheless drought alone is not the sole cause of this accident whose roots lie also in the crisis of the food production systems and the decline of environmental conditions.

. Donors must at the same time be able to provide a more efficient emergency aid and to address longer term development issues.

1 - Emergency aid could be more efficient.

Two proposals :

1/ Extension of the "early warning system" : satellite observation systems can provide early information on the crops allowing a timely response of donors.

Proposal : financing of two earth reception and treatment stations in Nairobi and Ouagadougou where existing facilities are available ; coordination by existing regional organisations.

2/ Setting up of a transport task force :
transportation from the coast to the interior of the continent is a major constraint.

Proposal : donors could finance transport units in Africa equipped with cargo-planes but mostly trucks for emergency inputs and food transportation ; coordination by W.F.P.

II - Food production should be increased

Two proposals :

1/ Immediate action : donors could provide not only food aid but also agricultural inputs (seeds, pesticides, fertilizer) to boost local production to reduce dependancy on international food aid ; coordination by FAO.

2/ Longer term action : donors could set up a regional and international research network on dry zones grains. The objective is to develop more productive varieties adapted to local conditions. Donors should finance technical assistance and recurrent costs.

The food technology group of the T.G.E. commission could discuss this project.

III - Coordinated program to fight against desertification in the Sahel region.

1/ Proposal : the program should consist of series of pilot projects implemented simultaneously in the Sahelian countries together with agricultural development projects.

2/ Creation of a new fund to fight against desertification, financed by national and multilateral contributions ; coordination by IFAD.

Fin de citation.

SOMMET DE BONN - PROPOSITIONS FRANCAISES POUR LUTTER CONTRE LA FAMINE ET LA SECHERESSE EN AFRIQUE

V E R S I O N F R A N C A I S E

Début de citation :

. La situation actuelle de crise que connait l'Afrique est due à une évolution climatique exceptionnelle qui n'a été décelée que trop tardivement.

. La sécheresse n'est toutefois pas la seule cause de cet accident qui s'explique également par la crise du système de production agricole et la dégradation de l'environnement.

. Les donateurs se doivent dans le même temps d'améliorer l'efficacité de l'aide d'urgence et de répondre aux besoins à plus long terme du développement.

1 - Une action d'urgence plus efficace.

Deux propositions :

1/ Le renforcement du système d'alerte rapide : les systèmes d'observation par satellite peuvent fournir des informations à l'avance, sur l'état des récoltes et permettre une réponse rapide des donateurs.

Proposition : financement de deux stations de réception et de traitement des images satellitaires à Nairobi et à Ouagadougou où existent déjà des installations, la coordination étant assurée par les organisations régionales existantes.

2/ La création d'unités de transports rapides.

Les transports des ports de la côte vers l'intérieur du continent se sont révélé particulièrement difficiles.

Proposition : les donateurs pourraient financer des unités de transports rapides en Afrique équipées d'avions et surtout de camions afin d'acheminer des produits alimentaires et des intrants ;

la coordination serait assurée par le P.A.M.

II - La relance de la production agricole.

Deux propositions :

1/ Une action immédiate : les donateurs pourraient envoyer non seulement de l'aide alimentaire mais également des intrants (semences, pesticides, engrais) pour relancer les productions locales et réduire la dépendance vis à vis de l'aide alimentaire ; la coordination serait assurée par la F.A.O.

2/ Une action à plus long terme : les donateurs pourraient contribuer à créer un réseau régional et international de recherches coordonnées sur les céréales de zones arides. L'objectif est d'élaborer de nouvelles variétés plus productives et adaptées aux conditions locales. L'assistance technique et les coûts de fonctionnement seraient à la charge des donateurs.

Le groupe technologie alimentaire de la commission T.C.E. pourrait étudier ce projet.

III - Lancement d'un programme coordonné de lutte contre la désertification au Sahel.

L'objectif est de préserver l'environnement qui est la base des économies agricoles.

1/ Proposition : le programme consisterait à mettre en oeuvre simultanément une série de projets pilotes dans les pays du Sahel parallèlement à des projets de développement rural.

2/ Un nouveau fond de lutte contre la désertification financé par des contributions multilatérales et bilatérales pourrait être crée, la coordination étant assurée par le FIDA.

Fin de citation.

Annex B

21 April 1985

Bonn Economic Summit, 2-4 May 1985
Thematic Paper

	Paragraphs
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II. Possible points of emphasis at Bonn Summit: overview	4
B. Suggested conclusions	5 - 12
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III. International trade and financial policies	9 - 10
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A. Introduction

I. Salient features of the world economy

1. Overall, the world economy is in better shape than it has been for a considerable time. Real progress has been made in dealing with the effects of the crises which have afflicted our economies over the last decade. In the industrial countries, growth has been restored. Inflation has been brought down. Economic adaptability and efficiency have been strengthened. The recovery in the industrial countries is spreading to the developing world. The problems of international indebtedness, though far from being solved, have been addressed in a flexible, effective way.

2. However, the progress achieved varies greatly among individual countries. Major imbalances and obvious risks persist. New concerns have come to the fore, especially in the field of employment. Urgent action is needed in a number of policy areas if we are to seize the opportunity which we now have of moving into a sustained period of more broadly-shared prosperity for industrial and developing countries.

3. The main features of the world economic picture can be summarised as follows:

   3.1 - Fairly robust growth in Japan and, so far, in the United States; continuing expansion in Canada, and steady progress in Europe, although at a markedly slower and uneven pace. Revival of investment and recovery of business profits in a number of industrial countries.

   3.2 - Marked differences in developments on labour markets: Strong expansion of employment and a significant reduction of unemployment in the United States during the recovery. Appreciable rise in employment also in Canada. Success of Japan in holding down unemployment to fairly

low levels. However, persistence of very high unemployment in Europe, due to relatively modest pace of the recovery and unsatisfactory relationship between economic growth and job creation.

3.3 - Substantial and widespread success in curbing inflation. Continuing need to bring inflation down further, particularly in countries where it remains seriously out of line. Fall in inflation over recent years not matched by a comparable fall in interest rates which remain unusually high.

3.4 - More uneven progress in the area of fiscal policy. Growing concern over the domestic and international repercussions of continuing high levels of and pressures for public sector spending and large and growing budget deficits in some countries.

3.5 - Increasingly divergent pattern of balance of payments of major industrial countries: sharp deterioration of the current account of the United States; large and growing surplus on the current account of Japan. Widespread concern over the behaviour and levels of key exchange rates.

3.6 - Encouraging progress of many developing countries towards restoring sound growth - as a result of major adjustments by these countries, the cooperative attitude of official and private creditors, and the revival of world trade. However, wide diversity in the situation of individual countries, many of which continue to face serious economic and financial problems, with social and political implications. Continuing crisis in Africa. Adjustment task of many developing countries complicated by high real interest rates, problems of market access, developments in exchange markets and relative weakness of commodity prices.

3.7 - Despite recovery and renewed growth of world trade unrelenting protectionist pressures and continuing erosion of the disciplines of the multilateral system of free trade, posing threats to the sustainability of the recovery and the future prospects of the world economy.

II. Possible points of emphasis at Bonn Summit

4. The main tasks are now:

4.1 - to build on the progress achieved; to work, individually and jointly, to sustain the recovery, to enhance its momentum and to ensure that it is more widely shared both within and among industrial and developing countries; to accept responsibility for the international repercussions of domestic policies; in particular:

= to deal with persistingly high unemployment, which remains an overriding concern in most countries, particularly in Europe; to enhance the employment opportunities especially for young people; to this end, to remove obstacles to faster non-inflationary economic growth and to improve the link between growth and employment;

= to restore greater stability to the world monetary system; and for this purpose to strengthen policies necessary for convergence towards enduring non-inflationary growth and a sustainable pattern of current accounts and exchange rates; and to continue to pursue policies capable of maintaining that convergence;

= to consolidate the progress achieved in a number of countries in reducing budget deficits and high levels of government spending; to step up efforts where budget deficits and government spending remain too high;

= to make the most of the opportunities presented by technological innovation for the improvement of growth and employment and the raising of standards of living.

4.2 - to recognize the growing interdependence of developing and industrial countries; to work with the developing countries in a spirit of true partnership taking account of their political and social problems, to encourage them as their circumstances allow to take their places in the world economic and financial system; to continue to assist the poorer countries; to work with African countries to help them to achieve greater economic self-reliance and continued development;

4.3 - to resist and roll back protectionism; to take concrete and credible action to maintain and extend the open multilateral trading system; to move decisively towards a new round of comprehensive, multilateral trade negotiations in the GATT [in parallel with negotiations in the monetary and financial areas]; in this context to work to achieve a genuine balance of interests and responsibilities of industrial and developing countries.

4.4 - Moreover, the need to protect the environmental resources which underpin economic growth has come to the forefront of attention. The Summit could stress that economic growth and environmental improvement are reconcilable and mutually supportive goals; that protection of the environment needs to be one of the central elements in national and international policies and that the way ahead lies with high environmental standards and technological innovation to achieve these goals.

B. Suggested conclusions

I. Industrial countries

5. The broad outline of possible conclusions has been given above (Point 4). More specifically, Summit countries could

5.1 - reaffirm their commitment

= to follow prudent and, where necessary, strengthened monetary and fiscal policies;

= to encourage sustainable non-inflationary growth by controlling and where necessary reducing the share of public expenditure in GNP, by cutting excessive budget deficits, and by reducing where possible and appropriate the burden of taxation.

5.2 - stress the need to remove market rigidities and regulations which still stand in the way of more dynamic growth; to exploit to the full the potential for sustainable, non-inflationary and internally generated growth; and to make the most of the opportunities for growth and employment provided by structural adjustment and technological change;

5.3 - in particular, agree to review the regulatory framework of labour markets as well as tax, budgetary and other economic policies in order to improve the incentives for the creation of jobs; to maintain appropriate social standards for those unable to help themselves; to improve the educational and training systems in order to create the knowledge and skills needed in a changing and technologically evolving economy; to encourage productive, job-creating investment;

5.4 - call on both sides of industry also to play their part in improving the employment situation; recall the need to ensure a cost structure of firms and a differentiation of wages favourable to the creation of employment and to secure a level of wage and non-wage labour costs which reflects the relative scarcity of capital and labour;

6. Summit countries could review the situation on energy markets and reaffirm the importance of maintaining adequate oil reserves as well as of promoting long-term policies for energy conservation, substitution and development.

II. Developing countries

7. Summit countries could

7.1 - welcome the progress made my many developing countries in strengthening the basis for sound growth, which has enabled them to take part in the world economic recovery;

7.2 - note, in particular, the success achieved by a number of countries in managing their external debt problems; stress that the difficulties that remain can be solved only by building on the agreed strategy on debt in a way that responds to the changing circumstances of individual debtor countries;

7.3 - reaffirm their will to maintain and, wherever possible, to increase flows of resources, including official development assistance, particularly to the poorest countries; encourage improved coordination of donor activities;

7.4 - stress the decisive contribution to stable growth that the developing countries will have to make themselves by implementing sound, outward-looking economic policies, by strengthening the confidence of domestic as well as foreign investors and by mobilising domestic savings;

7.5 - stress the commitment of Summit countries to support these efforts by policies conducive to sustained non-inflationary growth, lower interest rates and more open markets;

7.6 - affirm their continuing support for the international financial institutions, in particular the IMF and the World Bank; agree to work to ensure that these institutions are equipped with the necessary resources and instruments; encourage continued efforts to strengthen IMF/World Bank cooperation and the efficient use of their resources, and to enhance the catalytic role of the World Bank in stimulating capital flows to developing countries;

7.7 - encourage a stronger role for the World Bank in complementing IMF-supported short- to medium-term balance of payments adjustment by fostering sound, long-term development; agree to stand ready to discuss an increase of resources available to the World Bank which may be necessary in the coming years;

7.8 - welcome the agreements on longer-term debt restructuring which are being arranged by commercial banks for countries with demonstrable adjustment progress; reaffirm that Summit countries, as agreed in London, stand ready, where appropriate, to negotiate multi-year debt reschedulings in the framework of the "Paris Club";

8. With regard to African countries, Summit countries could

8.1 - welcome the positive response of their citizens to the pressing needs of African countries; express their satisfaction about the establishment by the World Bank of a Special Facility for Sub-Saharan Africa; note the special steps taken by Summit countries to provide additional bilateral assistance to support adjustment and development efforts in Sub-Saharan-Africa and express their support for the efforts undertaken to coordinate international aid;

8.2 - stress their commitment to strengthen their action in Africa; to continue to provide emergency food aid commensurate with the worsening situation; to complement the immediate food aid assistance by providing, where

appropriate, additional funds in support of a long-term food strategy. Special attention should be given to measures to strengthen the monitoring of food supplies; to improve the conditions for food production and food distribution and to combat desertification. (In this context, the proposal made to the Summit by the President of the French Republic was noted, as well as the initiatives taken by each of the other Summit countries.);

8.3 - Call upon all countries to step up their efforts to overcome famine and poverty, particularly in Africa.

III. International trade and financial policies

9. Summit countries could

9.1 - reaffirm their commitment effectively to halt protectionism and progressively to dismantle existing trade restrictions; stress the need to achieve more substantial progress in implementing the current GATT work programme and the agreements on trade liberalisation reached in the OECD;

9.2 - emphasise that sustained growth and the balanced expansion of world trade need to be secured by the reinforcement of the multilateral structures and disciplines of the GATT; welcome the growing awareness of the urgent need, for this purpose, of preparing a new comprehensive round of multilateral trade negotiations in the GATT; endorse the agreement reached by the OECD Ministerial Council to propose to the Contracting Parties that a preparatory meeting of senior officials should take place in GATT before the end of the summer to reach a broad consensus on subject matter and modalities for such negotiations; agree to work towards the formal launching of such negotiations [in early 1986] [as soon as possible]; note the importance of giving full consideration to the interests and participation of developing countries in the forthcoming new round;

9.3 - emphasize that further access to markets should be actively facilitated and made use of, so as to increase trade and investment flows, where that would contribute to greater stability in the international trading system and to a more balanced pattern of current accounts;

9.4 - stress the importance of promoting a more dynamic role for developing countries in world trade, and of providing enlarged and secure access for developing countries' exports to the markets of industrial countries; recall the need for developing countries to complement these efforts by progressively opening up their markets in a manner consistent with their stage of economic development;

9.5 - emphasise the critical role of active surveillance by the IMF over members' policies affecting exchange rates and international adjustment; reaffirm their commitment to undertake coordinated intervention in the exchange markets when it would be helpful;

9.6 - welcome the progress made by Finance Ministers in their work on ways to improve the functioning of the international monetary system; invite Finance Ministers to complete their work before the end of June 1985 and to make concrete proposals to be discussed in the first instance at the next meeting of the Interim Committee of the IMF [and subsequently more fully at a special meeting of the Interim Committee of the IMF] [with a view to seeing whether a broad consensus can be established on subject matters and modalities for a high-level monetary conference].

10. In reviewing economic relations with the Soviet Union and the countries of Eastern Europe, Summit countries could note that work continues in the appropriate organisations.

IV. Environmental policies

11. Summit countries could

11.1 - emphasise that new approaches and strengthened international cooperation are needed to anticipate and prevent environmental damage and to ensure sustainable development; confirm their commitment to cooperate in solving pressing environmental problems such as acid deposition and air pollution including emissions from motor vehicles, and to control firmly pollution from all significant sources; note that the prevention of adverse transboundary effects should remain a key concern; state their resolve to tackle other concerns such as climatic change, the protection of the ozone layer and the management of toxic chemicals and hazardous wastes, and to strengthen the protection of soils, fresh water and the sea, in particular of regional seas;

11.2 - affirm their will to harness the mechanisms of the market economy in order to solve environmental problems; to develop and apply the "polluter pays" principle more widely; note that strict and scientifically-based environmental standards can provide incentives for innovation and cost-effective technologies which are clean and efficient in the use of resources; stress that environmental protection is feasible only in cooperation with the economic and technological sectors;

11.3 - welcome the contributions made by the Environment Ministers and by the Technology, Growth and Employment Working Group in considering the role of environmental factors in economic development and areas for continuing cooperation; emphasise the importance of science and technology to reconciling environmental protection and economic growth objectives and to the establishment of internationally consistent techniques and practices of environmental measurement; and encourage their national research institutions to expand cooperation on environmental problems, both with each other and with appropriate international organisations;

11.4 - stress their will to focus their cooperation within existing international bodies, especially the OECD; to work with developing countries for environmentally sound development and for the avoidance of environmental damage and disasters world-wide.

V. Manned space stations

12. Summit countries could

12.1 - welcome the positive responses by the Governments of ESA Member States, Canada and Japan to the invitation of the President of the United States to cooperate in the United States Manned Space Station Programme on the basis of a genuine partnership and a fair and appropriate exchange of information, experience and technologies;

12.2 - note that discussions will begin promptly on intergovernmental cooperation in development and utilisation of permanently manned space stations;

12.3 - note the conclusions of the ESA Council on the need for Europe to maintain and to expand its autonomous capability in space activity, and in the long-term European Space Plan and its objectives.

C. Follow-up to research initiatives of previous Summits

13. In its report, which was commissioned at the London Economic Summit, the Working Group on Technology, Growth and Employment notes the effective work in the 18 areas of cooperation identified after the Versailles Summit. It emphasises that international cooperation in science and technology has benefited substantially from the Summit initiative. Personal Representatives have invited the Working Group to complete its review of the 18 cooperative projects and to report to them in time for their first meeting in 1986.

14. Summit countries could welcome

14.1 - the positive contribution which the Ministerial Conference, held in Venice on "Technological Development and Employment" has made towards wider acceptance of the role of technological change in promoting growth and employment;

14.2 - the results of the Rambouillet Conference on Bioethics and the readiness of the government of the Federal Republic of Germany to host a symposion on neurobiology in 1986.

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CDP 22/4

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. A085/1140

19 April 1985

Dear Graham,

Briefing Arrangements for the Bonn Economic Summit

Thank you for your letter of 15 April concerning the briefing arrangements for this years Economic Summit.

We have spoken about this on the telephone and you may by now have seen a copy of the Private Secretary letter I have sent calling for briefs (I attach a copy for convenience).

When we spoke, I emphasised that No 10 see the key briefs, so far as the Prime Minister is concerned, as being Nos 1-3. The Steering Brief will be along the lines described in Sir Robert Armstrong's letter of 12 February outlining the revised briefing arrangements for Prime Minister's meetings. The brief on the thematic paper will, I think, be much less easy to fit into that sort of format as it is very much sui generis. This will need to discuss the main issues raised by the thematic paper which are likely to be reflected in the discussions leading up to the Economic Declaration. It will need to identify the likely points of controversy and difficulty at the Summit, and where the United Kingdom's interest is likely to lie in each case. No 10 have also indicated that the Prime Minister is likely to want a full speaking note on the economic issues at the Summit and such a speaking note should form an annex to this brief. The third brief should be confined to the proposed declaration to mark the 40th anniversary of the Second World War, again concentrating on any issues which seem likely to cause difficulty in discussion.

We agreed that the Foreign Office should take the lead in preparing these briefs, although Sir Robert Armstrong would wish

/to

G M Stegmann Esq

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to see them before they are finalised. Accordingly, I would be grateful if you could let us have a copy of these briefs by 5.00 pm on Thursday 25 April and I will undertake to arrange for the subsequent reproduction and distribution of these briefs in the same time scale as for the background briefs, which should be sent to the Committee Section here in the normal way.

I am sending copies of this letter to Michael Jenkins, Michael Tait and Alison Bailes in the Foreign and Commonwealth Office and to Charles Powell at No 10.

Yours

(R P Hatfield)
Private Secretary

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

PS(85) 9

19 April 1985

Dear Private Secretary,

Bonn Economic Summit: 2-4 May 1985

This letter sets out the briefing arrangements for the Bonn Economic Summit on 2-4 May 1985.

The list of briefs to be prepared, with an indication of departmental responsibility is at Annex A. This reflects the revised briefing arrangements for the Prime Minister described in Sir Robert Armstrong's letter of 12 February (A085/476) to Sir Antony Acland, modified to take account of the particular circumstances of the Economic Summit. The key briefs are numbered 1 to 3, which should be free-standing. The Steering brief will on this occasion be supplemented by a brief on the "thematic paper" which will provide the focus for the Summit's economic discussions and a specific brief on the draft political declaration to be issued by the Summit to mark the 40th anniversary of the end of the Second World War. The brief on the thematic paper should address the main issues that are likely to arise in the economic discussions and should also include a speaking note for the Prime Minister on economic issues. In principle, the Prime Minister should not need to read any of the background briefs, although they will be available for consultation if required.

Bilaterals

Separate briefs should be prepared for the Prime Minister's bilateral meetings with other Summit leaders in the margins of the Summit. The briefs for these meetings should be in the form laid down for "Short Bilateral Meetings" in Sir Robert Armstrong's letter of 12 February. It is likely that the meetings will concentrate on non-Summit matters but the briefs should cross-refer to Summit briefs where appropriate.

/Format

ANNEX A

LIST OF BRIEFS FOR BONN ECONOMIC SUMMIT 2-4 MAY 1985

		Lead Dept	In Consultation with
1.	Steering Brief	FCO	as appropriate
2.	Thematic Paper + Speaking Note on Economic Issues	FCO	HMT, DTI, DOE DEn, ODA
3.	Political Declaration	FCO	
Background Briefs:			
a)	Economic Issues		
4.	World Economy	HMT	FCO
5.	Trade	DTI	HMT, FCO
6.	Developing Country Issues	FCO	HMT, ODA
7.	Environment	DOE	FCO
8.	Energy	DEn	FCO
9.	Science and Technology	Cabinet Office	FCO
b)	Political Issues		
10.	Terrorism	FCO	as appropriate
11.	Arms Control Questions: a) US/Soviet negotiations at Geneva (including SDI) b) Non-nuclear issues, including CW		
12.	Non-proliferation		
13.	East-West Relations: a) Relations with the Soviet Union and its allies (with special reference to Western co-ordination) b) Internal developments in the Soviet bloc		
13.	Global Security Questions: a) The US/Europe/Japan relationship b) Soviet expansionism in the Third World		
14.	Regional Issues: a) Iran/Iraq b) Central and South America c) Arab/Israel and Lebanon d) Afghanistan and Indian sub-continent e) Southern Africa f) Far East (Sino-Soviet relations, the Koreas, Cambodia) g) Mediterranean		

ANNEX B

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.

Layout

(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 PMV (84) 10) with the date of circulation below: a copy number in red at the top righ-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 PMV (83) 10 (Revise)). Subsequent revises should be numbered (eg PMV (83) 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 PMV (83) 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 1½" margin]

PMV (85) [Serial No as specified in Annex A] COPY NO [in red]

[Date]

BONN ECONOMIC SUMMIT: 2-4 MAY 1985

[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]

CDP.

FCRB

No 10

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

PS(85) 9

19 April 1985

Dear Private Secretary,

Bonn Economic Summit: 2-4 May 1985

This letter sets out the briefing arrangements for the Bonn Economic Summit on 2-4 May 1985.

--- The list of briefs to be prepared, with an indication of departmental responsibility is at Annex A. This reflects the revised briefing arrangements for the Prime Minister described in Sir Robert Armstrong's letter of 12 February (A085/476) to Sir Antony Acland, modified to take account of the particular circumstances of the Economic Summit. The key briefs are numbered 1 to 3, which should be free-standing. The Steering brief will on this occasion be supplemented by a brief on the "thematic paper" which will provide the focus for the Summit's economic discussions and a specific brief on the draft political declaration to be issued by the Summit to mark the 40th anniversary of the end of the Second World War. The brief on the thematic paper should address the main issues that are likely to arise in the economic discussions and should also include a speaking note for the Prime Minister on economic issues. In principle, the Prime Minister should not need to read any of the background briefs, although they will be available for consultation if required.

Bilaterals

Separate briefs should be prepared for the Prime Minister's bilateral meetings with other Summit leaders in the margins of the Summit. The briefs for these meetings should be in the form laid down for "Short Bilateral Meetings" in Sir Robert Armstrong's letter of 12 February. It is likely that the meetings will concentrate on non-Summit matters but the briefs should cross-refer to Summit briefs where appropriate.

/Format

Format

The format of the main briefs (1-3) should be on the lines indicated in Sir Robert Armstrong's letter of 12 February referred to above. Although the nature of the discussions on the Economic Summit will inevitably mean that these briefs are to some extent sui generi.

The background briefs should be in accordance with the instructions at Annexes B and C of this letter. Those preparing such briefs should note carefully the details set out in Annex B and should therefore aim to ensure that individual subject briefs do not exceed 2 sides of paper. I should emphasise that these background briefs should include only supplementary material and should not repeat material included in the 3 main briefs.

Deadline

70 copies of each brief should be sent to the Cabinet Office as soon as that are ready. In any case, they should reach the Cabinet Office by 12 noon on Friday 26 April AT THE VERY LATEST. They should be addressed to Mrs M Wagner in Committee Section, who should be consulted (telephone number 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 Brian Hayes, Sir Kenneth Stowe, Mr Heiser, Sir Clive Whitmore, Sir Brian Cubbon, Sir Kenneth Couzens, Sir Michael Franklin, Sir Michael Quinlan, Mr Andrew, Sir Robin Nicholson and Charles Powell at No 10.

Yours sincerely

(Signed) R P HATFIELD

PMVI(85)

ANNEX A

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5.	Trade	DTI	HMT, FCO
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7.	Environment	DOE	FCO
8.	Energy	DEn	FCO
9.	Science and Technology	Cabinet Office	FCO
b)	Political Issues		
10.	Terrorism	FCO	as appropriate

11. Arms Control Questions:
    a) US/Soviet negotiations at Geneva (including SDI)
    b) Non-nuclear issues, including CW

12. Non-proliferation

13. East-West Relations:
    a) Relations with the Soviet Union and its allies (with special reference to Western co-ordination)
    b) Internal developments in the Soviet bloc

13. Global Security Questions:
    a) The US/Europe/Japan relationship
    b) Soviet expansionism in the Third World

14. Regional Issues:
    a) Iran/Iraq
    b) Central and South America
    c) Arab/Israel and Lebanon
    d) Afghanistan and Indian sub-continent
    e) Southern Africa
    f) Far East (Sino-Soviet relations, the Koreas, Cambodia)
    g) Mediterranean

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[CLASSIFICATION]

ANNEX C

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[Leave 1½" margin]

PMV (85) [Serial No as specified in Annex A] COPY NO [in red]

[Date]

BONN ECONOMIC SUMMIT: 2-4 MAY 1985

[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]

GRS 500
CONFIDENTIAL
FM WASHINGTON 192232Z APR 85
TO IMMEDIATE FCO
TELNO 1325 OF 19 APRIL
INFO IMMEDIATE CABINET OFFICE (FOR PS/SIR R ARMSTRONG)
PRIORITY BONN, PARIS, ROME, TOKYO, OTTAWA, UKREP BRUSSELS

BONN ECONOMIC SUMMIT: POLITICAL ASPECTS

1. POLITICAL DIRECTORS OF THE SUMMIT SEVEN COUNTRIES MET IN WASHINGTON THIS MORNING UNDER FRG CHAIRMANSHIP AND APPROVED, AD REFERENDUM TO PERSONAL REPRESENTATIVES AND HEADS OF STATE AND GOVERNMENT, THE NON-BINDING POLITICAL AGENDA FOR THE SUMMIT CONTAINED IN PARA 4 BELOW. THEY ALSO SUPPORTED FRG PROPOSALS FOR THE APPORTIONMENT AND SEQUENCE OF POLITICAL DISCUSSIONS AMONG HEADS OF DELEGATION AND FOREIGN MINISTERS RESPECTIVELY, HEADS OF DELEGATION STARTING (IN THE SEPARATE MORNING SESSION ON 3 MAY) WITH EAST-WEST AND ARMS CONTROL SUBJECTS AND FOREIGN MINISTERS STARTING WITH REGIONAL SUBJECTS AND TERRORISM. IT WAS AGREED AD REFERENDUM THAT IN DISCUSSION ONE FOREIGN MINISTER SHOULD BRIEFLY INTRODUCE EACH REGIONAL SUBJECT: AFGHANISTAN AND INDIA WERE PROVISIONALLY ASSIGNED TO THE SECRETARY OF STATE.

2. THE FRG TABLED A FURTHER REVISE OF THE MAIN POLITICAL DECLARATION ON FORTIETH ANNIVERSARIES, BASED HEAVILY ON A UK COUNTER-DRAFT OF 29 MARCH. POLITICAL DIRECTORS WERE HAPPY WITH THE GREATER PART OF IT, BUT THERE WAS AN INCONCLUSIVE SKIRMISH ON SDI BETWEEN THE FRENCH (SEEKING TO DELETE REFERENCE TO SUPPORT OF US EFFORTS AT GENEVA) AND THE US (RETALIATING TACTICALLY BY SEEKING TO INSERT EXPLICIT REFERENCE TO SDI RESEARCH). THE FRG WILL ON THEIR OWN RESPONSIBILITY SUBMIT THE OVERALL TEXT - UNAMENDED ON THIS POINT - TO THE JOINT MEETING OF POLITICAL DIRECTORS AND PERSONAL REPRESENTATIVES THIS EVENING AT BALTIMORE.

3. OVER LUNCH, BURT (US) PROPOSED A CHAIRMAN'S STATEMENT AT THE SUMMIT ON AFGHANISTAN AND CIRCULATED A TEXT: ONLY FRANCE HAD SERIOUS RESERVATIONS ABOUT THE PRINCIPLE OF A STATEMENT AND NO-ONE CHALLENEGED THE SUBSTANCE. THE JAPANESE, HOWEVER, SAID THAT IF THERE WAS A STATEMENT ON AFGHANISTAN THEY WOULD WANT A PUBLIC REFERENCE (PERHAPS A LESS FORMAL ONE, IN THE CHAIRMAN'S REMARKS) TO CAMBODIA. NO (REPEAT NO) DELEGATION PROPOSED A DECLARATION OR STATEMENT ON TERRORISM. DISCUSSION OF ALL THESE POINTS IS TO CONTINUE AT THE BALTIMORE MEETING.

4. AGENDA IS AS FOLLOWS:

1. EAST-WEST RELATIONS INCLUDING ARMS CONTROL:
   1.1 NEW LEADERSHIP IN THE SOVIET UNION

1.2 US-SOVIET ARMS CONTROL NEGOTIATIONS IN GENEVA
1.3 OTHER ARMS CONTROL ISSUES I.A. CHEMICAL WEAPONS, NON-PROLIFERATION.
1.4 POLITICAL DIALOGUE WITH THE USSR AND THE EASTERN EUROPEAN COUNTRIES.

2. REGIONAL ISSUES, INCLUDING EAST-WEST ASPECTS:
2.1 MIDDLE EAST, INCLUDING IRAN/IRAQ WAR
2.2 AFGHANISTAN AND THE SUB-CONTINENT
2.3 ASIA (KOREA, CAMBODIA, SINO-SOVIET RELATIONS)
2.4 SITUATION IN AFRICA, SECURITY AND ECONOMIC ASPECTS.
2.5 CENTRAL AND SOUTH AMERICA.

3. INTERNATIONAL TERRORISM.

WRIGHT

ECONOMIC SUMMIT

STANDARD ~~(PALACE)~~

ERD
ECONOMIC ADVISERS
FED
NAD
ECDs
TRED
SOVIET D
EED
MAED
SCD
MR MAUD
MR WILSON
MR EGERTON
MR JOHNSON

ADDITIONAL DISTRIBUTION
ECONOMIC SUMMIT

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bc PC.

10 DOWNING STREET

From the Private Secretary

SIR ROBERT ARMSTRONG

Bonn Economic Summit

You spoke this morning to the Prime Minister about the Thematic Paper for the Bonn Economic Summit. The Prime Minister felt that the possible points of emphasis at the Bonn Summit (paragraph 4 of the revised version) were still cast in terms so general as to reduce their usefulness. The same applied to the suggested conclusions in paragraph 5. You pointed out the difficulties of reconciling views but agreed to see if there were ways in which the drafting could be sharpened up and key points made with greater clarity.

You also discussed the revised draft of the political declaration. The Prime Minister is in general content with this though she continues to have reservation about German reunification in the last sentence of paragraph 4. If others press for the exclusion of this, you should join them. But the Prime Minister recognises that something will probably have to be said to content the Germans and would if necessary be prepared to accept the proposed wording in paragraph 3(a) of your minute of 18 April.

I have sent under separate cover a copy of the Prime Minister's speaking note on deregulation and jobs at the European Council in March. The Prime Minister is likely to want a full speaking note on the economic issues for the Bonn Economic Summit and I should be grateful if work could be set in hand on this.

I am copying this minute to the Private Secretaries to the Chancellor and the Foreign Secretary.

18 April 1985

GRS 310 Confidential

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D E D I P
FM PARIS 181510Z APR 85
TO IMMEDIATE FCO
TELEGRAM NUMBER 323 OF 18 APRIL
INFO BONN, OTTAWA, ROME, TOKYO, UKREP BRUSSELS, WASHINGTON.

YOUR TELNO 159: BONN SUMMIT, 2-4 MAY.

SUMMARY.

1. FRENCH WILL HAVE TWO MAJOR POSITIVE AIMS FOR THE SUMMIT, AND TWO DEFENSIVE ONES. THEIR POSITIVE AIMS WILL BE TO EXTRACT COMMITMENTS SATISFACTORY TO THEM ON THEIR MONETARY CONFERENCE PROPOSAL AND ON EFFORTS TO SUSTAIN WORLD RECOVERY. THEIR DEFENSIVE AIMS WILL BE TO PREVENT THE AMERICANS HAVING IT ALL THEIR OWN WAY ON THE DESIGN OF THE NEXT TRADE ROUND AND TO RESIST AMERICAN PRESSURE ON TRADE IN AGRICULTURE.

DETAIL.

2. WITH BEREGOVOY AND HIS SENIOR OFFICIALS IN WASHINGTON FOR THE IMF AND IBRD MEETINGS, AND THE FINAL SHERPA MEETING STILL TO TAKE PLACE, THE FRENCH APPROACH TO THE SUMMIT HAS NOT YET FINALLY CRYSTALLIZED, BUT BERNARD (DIPLOMATIC ADVISER, MATIGNON) TOLD MINISTER THAT THE PRIORITIES FOR THE FRENCH AT BONN WOULD BE MEASURES TO SUSTAIN THE RECOVERY, A COMMITMENT TO A MONETARY CONFERENCE IN RETURN FOR A NEW GATT ROUND NEXT YEAR AND A FIRMING-UP OF THE PRESSURES ON JAPAN TO ADMIT IMPORTS. THERE WOULD BE LITTLE TO SAY ON ENERGY. THE FRENCH POSITION ON TERRORISM WAS WELL-KNOWN AND FIRM.

3. WITH THEIR ECONOMY DEPENDENT ON EXPORTS FOR GROWTH AND THE US ECONOMY SLOWING DOWN, THE FRENCH ARE LOOKING TO OTHERS, PARTICULARLY THE GERMANS, TO SUSTAIN WORLD RECOVERY. IT IS CRUCIAL FOR THE PROSPECTS OF THE SOCIALIST PARTY IN THE LEGISLATIVE ELECTIONS OF NEXT MARCH THAT THE MAJOR ECONOMIC STATISTICS WHICH HAVE BEEN IMPROVING SHOULD NOT GET WORSE IN THE INTERVENING PERIOD (THE ONE EXCEPTION IS UNEMPLOYMENT, WHICH THE GOVERNMENT CANNOT EXPECT TO HOLD DOWN). AT THE VERY LEAST, MITTERRAND WILL WISH TO BE SEEN TO HAVE TRIED TO SECURE COMMITMENTS FROM SUMMIT COUNTRIES ABLE TO STIMULATE THEIR ECONOMIES IN THE SHORT-TERM TO DO SO.

4. IT WOULD

4. IT WOULD BE IN CHARACTER FOR THE FRENCH TO DEMAND SATISFACTION ON THE MONETARY CONFERENCE AS THEIR PRICE FOR ACCEPTING A PRECISE COMMITMENT TO THE NEW TRADE ROUND. BUT AS VIDAL TOLD BRAITWAITE IN LONDON ON MONDAY AND AS THE GERMANS LEARNED IN THE MARGINS OF THE OECD MINISTERIAL (BONN TELNO 358), IT IS NOW ACCEPTED IN PARIS THAT THERE WILL BE A NEW ROUND NEXT YEAR. IN THIS CONTEXT AND MORE WIDELY THEY ARE DETERMINED TO RESIST US PRESSURE TO WRITE THE RULES OF AGRICULTURAL TRADE TO SUIT THEIR OWN SYSTEM OF SUBSIDIES.

5. I SHALL REVERT IF SOUNDINGS NEXT WEEK GIVE A MORE PRECISE PICTURE OF FRENCH PRIORITIES.

FRETWELL

LIMITED

HD/ERD
HD/PLANNING STAFF
HD/FED
HD/ECD(I)
HD/ECD(E)
HD/NAD
HD/WED
PS
MR BRAITHWAITE
SIR L HARDING
MR DEREK THOMAS
MR FERGUSSON
MR JENKINS
MR RENWICK
MR MAUD
MR DAVID THOMAS
MR WILSON

COPIES TO:-

PS/NO 10 DOWNING ST
PS/CHANCELLOR
PS/SIR R ARMSTRONG, CAB. OFF
MR LITTLER) TREASURY
MR GRAHAM)
MR MADELIN DTI.

cc Press Office

Ref. A085/1116

MR POWELL

Bonn Economic Summit: Political Declaration

You may have seen from a recent telegram from Bonn that the Germans found the revised draft that we produced for the proposed political declaration from the Bonn Economic Summit was highly acceptable (with one or two changes) and proposed to base further discussion on that draft.

2. We have now received a revised German text. A copy is attached herewith.

3. It is indeed very close to the draft which the Prime Minister approved and which you sent to Herr Teltschik on 28 March. The main changes are as follows:

a. In paragraph 4 the Germans have added two sentences at the end. The first refers to the CSCE process in words which seem innocuous, though they represent the triumph of hope over experience. The second brings back a reference to the unification of Germany which, on the Prime Minister's instruction, we had deliberately omitted from our draft. I do not think that the words will do as they stand; but it looks as if the Federal Chancellor will attach much importance to including some reference, and I shall therefore go to Washington tomorrow with forms of words which would in effect repeat what we have said in the past. The sentence might read, for example: "We look forward to further development in Europe which will bring about a state of peace in which a German nation, exercising free self-determination, need no longer be divided against its will".

b. In paragraph 5, dealing with arms control and disarmament, the Germans have added a sentence which reads: "we do not seek superiority". That seems acceptable.

[Camp David language]

c. In paragraph 6, the Germans have added at the end a sentence referring to "genuine non-alignment", which again seems unobjectionable.

4. I am sending a copy of this minute to the Private Secretary to the Foreign and Commonwealth Secretary.

Carol Bowdery.

ROBERT ARMSTRONG

(Dictated by Sir Robert Armstrong and signed in his absence)

18 April 1985

Bonn Economic Summit: Political Declaration

German Draft Text

POLITICAL DECLARATION ON THE 40TH ANNIVERSARY OF THE END OF THE SECOND WORLD WAR

The Heads of State of Governments of Canada, the French Republic, the Federal Republic of German, the Republic of Italy, Japan, the United Kingdom and the United States, meeting together in Bonn on the eve of the Fortieth Anniversary of the end of the Second World War, remember in grief all those who lost their lives in that time, whether by acts of war or as victims of inhumanity, repression and tyranny. We acknowledge the duty we owe to their memories, and to all those who follow after them, to uphold peace, freedom and justice in our countries and in the world.

2. We have learned the lessons of history. The end of the War marked a new beginning. As the sounds of battle ceased, we all tackled the tasks of physical reconstruction and moral and spiritual renewal. Among us, the victors extended hands of reconciliation and support to the vanquished. Today, linked in a peaceful, secure and lasting friendship, we share in all our seven countries a commitment to freedom and to democratic rights and principles. We are proud that the Governments of our countries owe their legitimacy to the will of our peoples expressed in free elections. We are proud that our people are free to say and write what they will, to

practise the religions they profess, and to travel where they will. We are committed to assuring the maintenance of societies in which individual initiative and enterprise may floursih and the ideas of social justice, obligations and rights may be pursued.

3. We recognise that we can secure those aims, and meet both the opportunities and the challenges presented by technological and industrial change, more effectively in partnership than on our own. In Europe, a community of like-minded nations, committed to freedom with responsibility and enterprise, is growing in number, strength and prosperity. The nations of the Pacific region are drawing closer together. The partnership of North America, Europe and Japan is a guarantee of peace and stability in the world.

4. Other nations that shared with ours in the sacrifices of the Second World War are divided from us by fundamental differences of political systems. We deplore the division in Europe that is the consequence of those differences and, in our commitment to the ideals of peace, freedom, and self determination, we seek by peaceful means to lower the barriers that have arisen among and within the peoples of Europe. We believe that the CSCE-process provides a promising opportunity to increase confidence and co-operation among East and West. We express the expectation that the further development in Europe will

bring about a state of peace in Europe in which the German people will regain its unity through free self-determination.

5. According to the charter of the United Nations, all countries have a joint responsibility to maintain peace and security, and to this end refrain from the threat and use of force. We welcome dialogue and seek understanding and long-term co-operation across the barriers that divide us. We are committed to the search for balanced and verifiable agreements on arms reductions and disarmament, in the fields of strategic nuclear weapons and intermediate-range nuclear forces, with regard to out space, in chemical weapons and in conventional forces. We do not seek superiority. Our goal is peace with the minimum of armaments required to assure security. We seek a stable balance at the lowest possible levels of forces.

6. We shall continue to seek to work with the developing countries, so as to help them to fight hunger and disease, to build free and prosperous societies, and to take their part in the community of nations committed to peace and freedom. We respect genuine non-alignment as an important contribution to international security and peace.

7. So, as we look back to the sacrifices of the Second World War and the common experience of 40 years of peace

and freedom, we dedicate ourselves and our countries anew to the creation of a world in which all peoples enjoy the blessings of peace, of justice, and of freedom from oppression, want and fear, a world in which individuals are able to fulfil their responsibilities for themselves, to their families and to their communities, a world in which all nations, large and small, combine to work together for a better future for all mankind.

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BONN SUMMIT: BILATERALS
WASHINGTON TELNO 1242, TOKYO TELNO 225, PARIS TELNO 296 REFER.

1. THE PRIME MINISTER WOULD LIKE BILATERALS WITH PRESIDENT REAGAN, MR NAKASONE AND PRESIDENT MITTERRAND IN THAT ORDER OF PRIORITY.

2. FOR WASHINGTON. THE PRIME MINISTER WOULD PREFER TO SEE PRESIDENT REAGAN BEFORE THE SUMMIT STARTS IF POSSIBLE. THE BEST TIME WOULD BE BETWEEN 1600 HRS AND 1830 HRS AFTER ARRIVAL IN BONN ON 2 MAY. GRATEFUL IF YOU COULD APPROACH THE AMERICANS ASKING THEM TO IDENTIFY A SLOT IN THIS PERIOD. IF THIS IS NOT POSSIBLE, THE PRIME MINISTER WOULD RELUCTANTLY AGREE TO A MEETING AFTER THE PRESS CONFERENCE ON 4 MAY.

3. AS FOR SUBJECT MATTER, THE PRIME MINISTER WOULD WISH TO DISCUSS SDI, THE GENEVA NEGOTIATIONS, THE MIDDLE EAST, CENTRAL AMERICA, THE US ECONOMY AND SOUTH AFRICA. SHE MIGHT ALSO TOUCH ON SHIP VISITS TO NEW ZEALAND, MR GANDHI'S FORTHCOMING VISIT TO US AND IRELAND. THE PRIME MINISTER WOULD INTEND TO SEE THE PRESIDENT ALONE WITH A NOTE TAKER ONLY.

4. FOR TOKYO. THE TIMING OF A MEETING WITH MR NAKASONE CAN ONLY BE SETTLED ONCE WE HAVE FIXED THE MEETING WITH PRESIDENT REAGAN. IF PRESIDENT REAGAN AGREES TO A MEETING ON 2 MAY, WE WOULD HOPE THE PRIME MINISTER COULD MEET MR NAKASONE AFTER THE PRESS CONFERENCE ON 4 MAY.

5. WE HAVE TOLD THE FRENCH EMBASSY THAT THE PRIME MINISTER HAS AGREED TO A BILATERAL WITH PRESIDENT MITTERRAND BETWEEN 1830 AND 1930 HRS ON 3 MAY IN THE PALAIS SCHAUMBURG. AGAIN THIS WILL BE WITH A NOTE TAKER ONLY.

Howe

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TELEGRAM NUMBER 238 OF 17 APRIL
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YOUR TELNO 159 TO BONN: BONN SUMMIT

1. JAPANESE PREOCCUPATIONS AT THE BONN SUMMIT WILL BE CLOSELY RELATED TO THOSE EVIDENT AT THE RECENT OECD MINISTERIAL MEETING. BUT THEY PROBABLY BELIVE THAT THE RISK OF THEIR BEING SINGLED OUT FOR CRITICISM AT BONNN WILL BE EVEN GREATER. MR NAKASONE'S DOMESTIC POLITICAL CREDIBILITY WILL ALSO BE AT STAKE.

2. THE JAPANESE HAVE THREE MAIN PREOCCUPATIONS. FIRST, THEY ARE ANXIOUS THAT THE CURRENT TENDENCY FOR ''THE JAPAN PROBLEM'' TO BE TREATED AS A MULTILATERAL ISSUE MIGHT LEAD TO THEIR BEING ISOLATED AMONG THE INDUSTRIALISED COUNTRIES. SECONDLY, THEY HAVE ENDEAVOURED THROUGH THE PACKAGE OF EXTERNAL ECONOMIC MEASURES ANNOUNCED ON 9 APRIL TO DIVERT CRITICISM BOTH FROM THE UNITED STATES AND FROM THEIR OTHER TRADING PARTNERS, IN ORDER TO RETAIN FULL CONTROL OF THEIR OWN POLICIES AND TO AVOID EXCESSIVE PRESSURE FOR CHANGES OF DIRECTION. THIRDLY, IN PARTICULAR, THEY HAVE SOUGHT TO AVOID ANY COMMITMENTS TO EXPAND INTERNAL DEMAND SUCH AS MIGHT IMPOSE CONSTRAINTS ON THE GOVERNMENT'S LONG TERM POLICY OF REDUCING THE BUDGET DEFICIT.

3. PRIME MINISTER NAKASONE'S OWN PRESENTATION OF THE 9 APRIL PACKAGE INVOLVED AN UNUSUAL DEGREE OF PERSONAL COMMITMENT TO JAPAN'S FUTURE TRADE POLICY WHICH, IF OVERTLY REJECTED BY OTHER INDUSTRIALISED COUNTRIES, COULD DAMAGE HIS STANDING DOMESTICALLY. ABOVE ALL OTHER CONSIDERATIONS, THEREFORE, THE JAPANESE WILL BE HOPING AT THE BONN SUMMIT FOR SOME ALLEVIATION OF CRITICISM FOLLOWING THE ANNOUNCEMENT OF THE PROPOSED ACTION PROGRAMME. PRIME MINISTER NAKASONE'S DOMESTIC CHALLENGERS WOULD BE QUICK TO SEIZE ON ANY EVIDENCE OF WEAKNESS ON HIS PART IN THE FACE OF FOREIGN CRITICISM. THE GENERALLY WELCOMING ACCEPTANCE BY THE UNITED STATES ADMINISTRATION OF THE STEPS WHICH HE ANNOUNCED LAST WEEK WILL GIVE HIM SOME REASSURANCE.

4. HE MAY BE ASSISTED BY THE MUTUAL COMMITMENT OF THE US AND JAPAN TO A DATE FOR THE LAUNCHING OF A NEW ROUND. THE REACTION OF OFFICIALS HERE TO THE DRAFTING FORMULATION WHICH RESOLVED THE DISAGREEMENT AT THE OECD MINISTERIAL IS THAT THE TIMING QUESTION WILL REQUIRE FURTHER CONSIDERATION AT BONN. NAKASONE IS ALREADY STRONGLY COMMITTED TO A SPECIFIC LAUNCH DATE, BOTH IN ORDER TO DEMONSTRATE TO US OPINION JAPAN'S WILLINGNESS TO SUPPORT THE NEW ROUND AND ALSO BECAUSE OF JAPAN'S WISH TO PROJECT ITSELF AS ONE OF THE PRINCIPAL PROTAGONISTS OF FREE TRADE AT A TIME OF THREATENING PROTECTIONISM. IF THE SUMMIT WERE TO CONCLUDE WITHOUT ANY FURTHER PROGRESS ON TIMING, THIS WOULD BE UNFORTUNATE FOR PRIME MINISTER

NAKASONE. BUT PROVIDED HE WERE ABLE TO SHOW THAT JAPAN WAS ALIGNED WITH THE USA ON THIS AND THAT THE BLAME COULD BE LAID AT OTHERS' DOORS (EG THE EC), HE WOULD NOT FIND IT TOO DIFFICULT IN DAMESTIC POLITICAL TERMS.

5. ON MACRO-ECONOMIC POLICY, THE JAPANESE ARE LIKELY TO LIE LOW. THEY WILL SUPPORT THE LINE THAT SUMMIT COUNTRIES SHOULD PURSUE THEIR OWN BROAD MACRO-ECONOMIC OBJECTIVES. THEY THINK THAT FOR THE UNITED STATES, THIS WILL MEAN TRYING TO TACKLE THEIR DEFICIT: FOR EUROPE, DEALING WITH THE SOCIO-ECONOMIC RIGIDITIES WHICH THEY BELIEVE TO LIE BEHIND HIGH UNEMPLOYMENT: AND FOR JAPAN ACHIEVING SOME DEGREE OF BALANCE BETWEEN THE PROMOTION OF EXTERNAL AND DOMESTIC DEMAND. (THERE IS, HOWEVER, INCREASING PRESSURE WITHIN THE PARTY HERE ORCHESTRATED BY NAKASONE'S OPPONENTS, FOR THE GOVERNMENT TO DO MORE ON DOMESTIC DEMAND.)

6. THE MFA, TO WHOM WE HAVE SPOKEN ABOUT THE FORTHCOMING SUMMIT, DO NOT ENVISAGE ANY REAL DIFFICULTIES WITH EITHER THE MOF OR MITI OVER THE CONTENTS OF THE SUMMIT MACRO-ECONOMIC DISCUSSION UNLESS THERE IS ANY QUESTION OF A TRADE-OFF BETWEEN THE FRENCH DESIRE TO SEE PROGRESS OVER THE FUNCTIONING OF THE INTERNATIONAL MONETARY SYSTEM AND THE FIXING OF THE DATE OF THE NEW ROUND.

7. THE QUESTION OF JAPANESE REPRESENTATION AT THE SUMMIT HAS AGAIN ARISEN HERE. THE MITI MINISTER, MURATA, WILL GO WITH THE PRIME MINISTER, FINANCE AND FOREIGN MINISTERS. THE JAPANESE THINK THAT THE WISH OF THE GERMANS TO HAVE FOUR, AS OPPOSED TO THREE, MINISTERS PRESENT AT THE SUMMIT WILL HELP THEM. BUT SINCE ONLY THREE REPRESENTATIVES WILL BE ABLE TO BE PRESENT AT THE TABLE AT ANY TIME, CHOICES WILL HAVE TO BE MADE BETWEEN MURATA AND THE MINISTERS OF FOREIGN AFFAIRS AND FINANCE. FOR THE TIME BEING, NEITHER OF THE LATTER ARE PREPARED TO GIVE UP THEIR PLACES TO BENEFIT MURATA.

GIFFARD

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PRIME MINISTER

Bonn Economic Summit

You are to have a word with Sir Robert Armstrong tomorrow about the Thematic Paper for the Bonn Economic Summit and in particular the inadequacy of the suggested conclusions.

A revised version of the paper has now come in. Paragraph 3 of the old paper - to which you have objections - has become paragraph 4 of the new one. But I don't think that it resolves any of your questions, notably how it is proposed to achieve the laudable objectives set out.

C.D.P.

Charles Powell
17 April 1985

BRITISH EMBASSY.
WASHINGTON, D.C.
TELEPHONE: (202) 462-1340

FROM THE AMBASSADOR

c/PC
(2)

16 April 1985

The Rt Hon Sir Geoffrey Howe QC MP
Secretary of State for Foreign and
Commonwealth Affairs
Foreign and Commonwealth Office
LONDON SW1

Prime Minister
A good, clear speech which Oliver Wright judges will be a harbinger of the US approach at the Economic Summit.
— C.D.P. 19/4

Perhaps we had better draft some appropriate conclusions for the Summit.

My dear Secretary of State,

ECONOMIC SPEECH BY SHULTZ AT PRINCETON ON 11 APRIL

1. The enclosed speech by Shultz, summarised in my telegram No 1251, is clearly an important one. Armacost, at lunch today, agreed that it was intended to be a preview of forthcoming attractions at the Bonn Economic Summit.

2. Like Gaul, it is divided into three parts: a sort of confession of error, in that Shultz recognises that the factors which caused the annus mirabilis of 1984 cannot be sustained; a resolution of amendment of life, in that he recognises that the central objective of US economic policy must be the reduction of the twin deficits; and a request that others take up the running as the US slows down.

(1)

3. The main message of the speech for Bonn is in the third part. It is that the right way forward is a sort of bargain under which the Americans would take the steps necessary to control their twin deficits (short of increases in tax rates), and restrain Congressional tendencies to protectionism, if we Europeans do our part to reduce the structural rigidities in our economies, the Japanese liberalise their trade and investment policies and the LDCs adopt more liberal and growth-orientated policies as well as continue with their structural readjustment of the last few years. None of these components is a new suggestion, but the combined package is a new coherent whole. I wonder whether it could conceivably constitute a fair outcome of the Bonn Economic Summit if it could be incorporated in the final communique.

(2)

4. The speech also seems to represent, especially when read in conjunction with Secretary Baker's proposal for a high-level meeting on international monetary reform, a chink in the hitherto rather rigid position of the Americans on the relationship between their budget deficit, the dollar, and the economies of other

/countries

countries. Armacost told me that while it very much represented Shultz's own thinking, it carried considerable weight given Shultz's experience of international economic matters and it had been cleared at the White House and with Secretary of the Treasury Baker, with whom Shultz, said Armacost, had "a comfortable relationship".

4. I am sending copies of this letter to the Secretary of State for Trade and Industry, Sir Robert Armstrong, Sir Crispin Tickell and No 10 Downing Street, and am making arrangements for the Chancellor and Governor to have copies while they are here in Washington for the IMF/IBRD meetings.

Yours ever,

Oliver Wright

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NATIONAL POLICIES AND GLOBAL PROSPERITY

ADDRESS BY

THE HONORABLE GEORGE P. SHULTZ

SECRETARY OF STATE

BEFORE THE

WOODROW WILSON SCHOOL OF
PUBLIC AND INTERNATIONAL AFFAIRS
PRINCETON UNIVERSITY

PRINCETON, NEW JERSEY

THURSDAY, APRIL 11, 1985

EMBARGOED UNTIL DELIVERY, SCHEDULED FOR APPROXIMATELY 2:00 P.M., EST, APRIL 11, 1985. NOT TO BE PREVIOUSLY CITED, QUOTED FROM, OR USED IN ANY WAY.

My theme today is simple: The American economy is a success story -- a dramatic success story. But success brings with it new challenges, which we must address with great energy in order to preserve and build on the success we have achieved.

We face a paradox. In the past two years, our economy has made the strongest recovery of any in the last three decades, and the expansion remains robust. Yet we also see, in our domestic and international economic relations, some unusually large and important imbalances:

-- a large net capital inflow,

-- an exceptionally strong dollar,

-- the largest trade deficit in our history, and

-- large and continuing deficits in the U.S. federal budget.

What relationship is there, if any, between our clear economic success and these equally clear imbalances? How do these imbalances relate to each other? What are our prospects if the imbalances continue? And what conclusions follow for economic policy -- in this country and in other countries?

These are the issues I would like to discuss with you today.

The economic policies of this Administration -- reducing the role of government, promoting private initiative, and encouraging free trade -- have led the United States out of recession and toward prosperity. We can be proud of our economic performance. Our expansion has led to export-induced recoveries abroad -- underscoring the interdependence among the world's economies.

In large part, the imbalances I mentioned have contributed to our economic success; some are partly the result of it. To a degree, they have been exacerbated by the economic policies of other nations. Whatever their source, my main conclusion can be stated up front: These imbalances are interrelated, and they must be corrected if we are to maintain the momentum of our economic success. We -- and other countries -- share a responsibility to make some hard political decisions.

Let me focus on these imbalances, first as they impact on the American economy, and then as they are mirrored in other countries. Then I will lay out the policy responses I see as necessary -- responses by all nations -- to keep the world economy on the path of sustained, non-inflationary growth.

Capital Flows

First, the large net capital inflows into the United States.

An impressive investment boom has driven American economic expansion in the past three years. To a large extent, this boom reflects the new investment incentives the Administration provided in its first term -- including incentives for vital research and development, which is the source of future investment. Gross saving by individuals, business, and state and local governments also recovered from its recession low of 18 percent of GNP in 1982 to 20 percent in 1984.

But with the federal deficit, gross national saving alone could not finance this higher level of investment. In 1984, gross saving in the United States by individuals, businesses, and state and local governments ran about $730 billion. On a basis net of capital consumption, the figure was $325 billion. These are healthy amounts by recent standards. After taking account of the large federal deficit, however, total national saving amounted to only about $150 billion on a net basis or $555 billion on a gross basis -- considerably less than the $635 billion recorded in gross private domestic investment in 1984.

As measured by our current account deficit, net capital inflows into the United States were about $100 billion last year. This is almost one-fifth the size of our gross national saving -- and two-thirds the size of our net national saving -- and has been an important factor in financing the expansion of our investment and therefore of our economy.

These inflows have come about largely because of the health and vigor of our own economy, in contrast with the less attractive conditions for lending and investment in other countries. But they come to some degree at the expense of building up foreign claims on the United States. On the basis of current trends the United States will soon become a large net debtor nation -- our foreign liabilities could exceed our foreign assets by $100 billion by the end of the year.

And underlying conditions are bound to change in the future. As opportunities to invest improve in other countries, capital inflows into the United States will slow down and outflows will increase. In other words, even if we are prepared to finance investment in the United States through a continuing net inflow of funds, we cannot count on attracting adequate funds indefinitely.

Without a compensating increase in domestic saving to support our own investment -- and if our federal deficit continues to preempt a large portion of domestic saving -- lower capital inflows could force a decline in our investment and impair the long-term growth of the American economy.

The Strong Dollar

These large net capital inflows into the United States have produced an extraordinarily strong dollar. Although the dollar has receded somewhat in the last month, it is still, on a trade-weighted basis, about 80 percent above its 1980 average in nominal terms.

The exchange value of the dollar today is determined far more by capital movements than by trade balances. Many factors have contributed. The restoration of America's economic vitality and leadership on the world scene has had an important effect on investment decisions. Our economic success -- and our bright prospects -- cause investments in dollar assets to be judged more attractive and less risky than others despite the dollar's high value. The dollar market also offers the widest selection and greatest liquidity. And dollar assets are serving not only as a store of value, but as a political safehaven as well.

Exchange markets reflect all these considerations, particularly as they contrast with the poor growth performance in Europe, the financial problems of the developing world, and the large excess of saving over domestic investment in Japan.

The net inflows of foreign capital, and the resulting high dollar, have certain advantages. By reducing the cost of imports and forcing domestic suppliers to compete more effectively, the strong dollar has helped restrain inflation in the United States. The net capital inflows have helped moderate interest rates as well. Abroad, the growth of American imports and slower growth of American exports have stimulated export-related jobs and generated economies of scale for foreign producers. The high value of the dollar also makes offshore procurement, tourism, and American foreign direct investment in other countries all less expensive.

But the extraordinarily high dollar also has important disadvantages:

-- It reduces the competitiveness of our exports and the potential for their growth. Even though our exports have increased and the United States is still the world's largest exporter, our share of the world market for exports of manufactured goods in volume terms is estimated to have declined by 25 percent since 1980.

-- Because of increased domestic demand, economic activity in the United States has not yet been appreciably restricted. But that may change.

-- The dollar's strength is causing painful structural adjustments in many of our export-related industries; it is altering the character of the American economy in a basic and, in my view, undesirable way. Lower costs in other countries -- due to exchange rates -- are leading many American firms to locate abroad production facilities that would otherwise be competitive in the United States. Such decisions to locate or expand abroad would be both difficult and costly to reverse if the dollar's exchange value came down.

-- The large decline in the value of other currencies against the dollar has also eroded the value of existing foreign investments, sales, and earnings denominated in foreign currencies.

-- In the meantime, the growth of our imports is spurring protectionist demands for tariffs, nontariff barriers, and export subsidies. Whatever short-term relief for specific industries such measures might provide, the overall long-term cost to the mettle of the American economy, to the American consumer, and to the world economy would be devastating.

Let us never forget the catastrophic effects of protection in the 1930s and the exhilarating impact of more open trade in the decades following World War II.

The Trade Account

This leads me to the most visible international consequence of the strong dollar: its role in our huge and growing trade deficit, which reached a record $123 billion in 1984.

Despite the strong dollar, our exports in fact grew last year by 9 percent to a total of $218 billion -- demonstrating the underlying strength of the American economy and reflecting adjustments in efficiency occurring within the market place. Nevertheless, the growth of imports overwhelmed the growth of exports, increasing 24 percent in volume terms and 26 percent in value terms. Over half of the $85 billion deterioration in the U.S. trade account since 1980 has been attributed to the strong dollar.

I have already mentioned the growing demands for protectionism. The Administration is resisting these pressures, and I will have more to say about our approach to trade policy in a moment.

But one point is crucial here: We should not delude ourselves into thinking that a lowering of foreign barriers will have a decisive or even substantial impact on the trade deficit.

We can break the back of the trade deficit only through a combination of, first, a stronger worldwide recovery, and second, a strengthening of other currencies in relation to the dollar, as the performance and prospects of other economies improve and as these prospects are recognized by the markets. Even with movement on these fronts, the effects on the trade deficit will be gradual.

With depreciation of the dollar, U.S. imports would become more expensive and there would be some increase in inflationary pressure, at least initially. The growth of imports should slow down, but probably with a lag. Purchases of raw materials, energy products and petroleum, specialized capital goods, and many consumer goods do not respond quickly when their prices rise.

The growth of our export sales will depend on several factors: on our ability to remain competitive; on a faster pace of economic recovery in other nations, notably Europe; on the success of adjustment efforts in developing countries; and on long-overdue action by Japan to open its markets.

Exports to the developing countries, particularly to those in Latin America burdened by debt, will still depend upon their ability to expand their exports to pay for our goods. This means our markets and those of other industrialized countries must remain open to their products. And many American exporters have already lost major foreign markets, recoverable only with a major effort.

The U.S. Federal Deficit

I have discussed the large net capital inflows, the strong dollar, and the huge trade deficit. It is no coincidence that these imbalances are accompanied by huge federal budget deficits.

As long as there are ample unused resources in our economy, the federal budget deficit does not cause major immediate problems for the United States. But current deficits are simply not sustainable indefinitely. These deficits can become a habit and weaken an essential discipline over federal spending and over the size of the federal government. They drain off national savings, leading to increased reliance on foreign capital or curtailment of needed investment. And as our expansion begins to stretch our resources, continued large deficits pose an increasing danger to that very expansion.

We can all continue to debate what combination of policies is best designed to deal with all the imbalances I have discussed -- budget deficits, large capital inflows, the dollar at financial highs, and trade deficits. But a consensus has emerged that action to reduce the federal budget deficit is an essential part of our response. The President has shown the way with his proposals and in his negotiations with the Congress. Special interests must give way to the general interest.

Control of government spending, coupled with vigorous growth, must be the key to our effort. We must cut spending in a way that does the least harm to the economy's investment and growth potential and to basic national security. But significant cuts must be made now. Tax rate increases are not the answer. To the contrary, the recent Reagan tax cuts, like the Kennedy cuts two decades earlier, have stimulated investment, fueling the recovery and contributing to the future productive potential of the economy. In fact, further tax simplification and reform could be very helpful in reducing tax-induced distortions in economic activity and in stimulating additional growth.

Other Industrialized Countries

So far I have focused primarily on the American economy.

But in our interdependent world, the impact of domestic policies and performance on the economies of other nations is a two-way street. Other countries face challenges in their own domestic policies. They, too, must meet their challenges if the world economy is to correct the imbalances that cloud our common future. The imbalances can do harm also to important political relationships. We all have a job to do.

The major industrialized countries are recovering from the 1980-1982 world recession at different rates. Whereas the United States, and to a lesser degree Japan and Canada, have expanded vigorously, Western Europe still lags. Average real growth in the four major European economies (Germany, France, the United Kingdom, and Italy) accelerated in 1984, but only to a year-over-year annual rate of 2.4 percent. This rise represented less than half the average of the American, Japanese, and Canadian rates. The Japanese and Canadian expansions, however, have depended heavily on the stimulus of exports to the U.S. market. The increase in Canadian exports to the United States amounted to over half the increase in Canadian GNP in current prices between 1982 and 1984, while the increase in Japanese exports to the U.S. market was over 10 percent of the increase in current-price GNP over the same period.

The slowness of recovery in Europe results from conditions that stifle investment -- particularly structural problems in labor markets and government disincentives to adjustment and growth. The rigidities in European labor rates and conditions also tend to bias investment toward capital-intensive technologies -- further inhibiting the growth of employment. There has been essentially no net job creation in Europe since 1970, compared with the American record of over 26 million new jobs during the same period. Over 7.5 million net new jobs have been created in this country since the trough of the recession in 1982.

Expressed as a share of output, gross investment in Europe has declined steadily since the first oil shock in 1973 and is now well below its share in the 1960s. Since investment opportunities in Europe have been less attractive than elsewhere, capital has flowed elsewhere. Much of the capital has come to the United States, either as investment in U.S. assets by foreigners, disinvestment by American investors abroad, or a reduction in the previous rate of foreign lending by U.S. banks. At the same time it is estimated that half of Western Europe's growth in 1984 came from export sales to the United States. These exports amounted to $75 billion or nearly 22 percent of total U.S. imports last year.

Capital outflows from Europe and a dependence on exports to the United States -- like the other imbalances I have mentioned -- cannot be expected to continue indefinitely. Other OECD governments must find ways to stimulate growth-oriented investment, thereby making their investment opportunities attractive to domestic and international capital. At stake is an efficient allocation of global resources -- a system which responds to economic potential. This will require sound economic policies and hard political decisions -- but the result will be sustained growth, job creation, and a brighter economic future.

Japan is a special case. The $37 billion U.S. trade deficit with Japan, as we all know, is a source of intense friction in our bilateral relationship and the cause of much of the growing demand for protectionism in this country. But the more meaningful measure of Japan's external imbalance is not our bilateral imbalance but Japan's overall trade surplus, estimated at $44 billion in 1984.

The Japanese could reduce their trade surplus with the world by pursuing policies to offset the impact of their high savings rate.

Gross private saving in Japan is over 30 percent of GNP, about 50 percent higher than the average of the other OECD countries. This high rate of saving means low consumption. The excess of production over private and public consumption is not being used in domestic investment. It therefore appears as net exports. Or, to put it another way, under current conditions Japan relies on a large excess of exports over imports to maintain full employment.

Opening up investment opportunities within Japan would be one way to use such resources and reduce the pressure to export. The needed decisions are more difficult for Japan politically than economically. The structural rigidities in the Japanese economy restrict access by even Japanese firms and investors. If the Japanese Government would improve incentives and reduce restrictions that currently restrain domestic and foreign firms from investing in Japan, all nations, especially Japan, would benefit. Steps are already underway to liberalize the Japanese capital market, so as to channel Japanese savings more efficiently to both foreign and domestic uses, and to widen the financial opportunities facing Japanese firms. As this proceeds, and as the international role of the yen expands, we would expect the value of the yen more fully to reflect the strength of the Japanese economy.

On the trade side, the removal of barriers to the sale of foreign goods and services in Japan would expand market opportunities for foreign suppliers, increasing Japan's imports. Prime Minister Nakasone's recent speech, and the Japanese Government's package of measures to lower trade barriers and encourage imports, are a laudable and encouraging beginning. More specifics must come.

All these steps would help defuse protectionist pressures in other countries. But Japan must deal with its savings-investment imbalance if its chronic imbalance in trade is to be corrected.

The Developing Countries

The external accounts of the developing countries, like those of the European countries, help make up the mirror image of ours. The United States takes nearly 60 percent of all manufactured exports of developing countries to the industrial world. At the same time, our capital inflows from the developing nations are in part the result of American investors bringing their money home, or of American banks reducing their foreign lending, as opportunities in those countries appear less attractive.

Despite the progress made since the 1982-1984 debt crisis, many developing countries still face the need for fundamental changes in their economies and economic strategies.

Several high-debt countries have successfully tackled the job of stabilizing their economies. They have cut public-sector spending to more nearly match their resources, priced currencies to reflect better their market value, and set interest rates to encourage saving. They now face the need to get away from massive price subsidies or public-sector dominance of investment resources and economic activity.

The emphasis should be on the positive. Austerity is not an end in itself. For difficult adjustments to be undertaken and sustained, a country's citizens must be able to see real prospects for future growth. Economic expansion, fueled by increased investment and exports, is the only way these countries can raise living standards for their people.

This is a theme that applies to many of the issues I have discussed today. Adjustments such as these are more difficult politically than economically -- requiring new ways of thinking even more than they require resources.

The cuts we must make in our own federal spending are painful, but they are justified because they safeguard the continued growth of the productive, private sector of our economy. The structural reforms in Europe that will ensure an attractive investment climate for domestic savings and international capital are necessary to restore Europe's own growth and technological advance. For the Third World, structural adjustment is the key to economic development.

The developing countries will clearly need financing as they go through this process. But where will this financing come from? No one can realistically expect that official development assistance, bilateral and multilateral, is likely to expand; the net flows are already very large -- around $34 billion from official donors. And it is a fact of life that commercial bank lending will not return to the high levels of the past decade. Even increases from current levels are unlikely until developing countries improve their creditworthiness and offer productive investment opportunities. In any case, most developing countries already have more debt than they can readily handle.

There is no escaping this hard conclusion: Domestic saving and private foreign equity investment will be the main sources of funds available to finance development and stimulate growth.

Development and growth will come only to countries with sound domestic policies that stimulate domestic savings, promote trade, and attract external resources:

-- India is a striking example of a country that finances 92 percent of its investment needs from domestic savings. India's recent growth has been impressive and its prospects are bright.

-- Protectionism in the developing world can be a further drag on growth. The barriers to trade among developing countries are a hindrance to Third World expansion, and the barriers to outside trade and investment also retard development.

-- The value of foreign equity investment cannot be measured by the volume of funds alone. Foreign investors often bring technological and management skills that cannot be easily obtained in other ways. The enterprises of such investors tend to grow more rapidly and export more of their output than the economy as a whole. Moreover, there is no conflict between what needs to be done to stimulate foreign and domestic investment; both respond to a stable and predictable regulatory environment and to an expectation that they will be treated fairly.

Many developing countries seem reluctant to encourage foreign investment. It is their decision to make. But a number of countries have shed once fashionable mythology and recognized the opportunity. Now, after consistent application of sound policies, they are reaping the benefits.

International Trade

For developed and developing countries alike, economic growth clearly depends also on the continued openness of the world trading system, and indeed on a further liberalization of world trade. This is a collective international responsibility.

Protectionism is not the remedy to an illness. It is, itself, an illness. It is a hidden tax on the consumer, often an extremely regressive tax. Hold onto your pocketbooks when politicians start trying to "protect" you against buying what you want to buy. Even in the relatively open U.S. market, one estimate is that U.S. protectionist policies cost American consumers directly almost $60 billion in 1980. That was over $250 for every man, woman, and child in the country. Protectionism keeps prices up, reduces living standards, and stifles growth.

Trade promotes the flow not only of goods and services, but also of ideas. All countries benefit from the further division of labor that permits a broadening of the international marketplace. Those developing countries will grow the fastest that reduce impediments to trade and exploit their comparative advantage. Nor can developed countries repeal the laws of economics and defy the principle of comparative advantage; they must be prepared over time to phase out industries in which they are no longer competitive.

The ninefold growth in the volume of international trade since World War II reflects the success of the world trading system. During this period, world trade increased considerably more than world production. In the pre-war period, by contrast, protectionism and a decline in world trade thrust the world into depression. A new initiative is needed to sustain what has been achieved.

The United States has proposed -- and strongly urges -- a new round of multilateral negotiations early next year to liberalize trade, particularly to eliminate non-tariff barrriers such as quotas, voluntary export restraints, and subsidies. We want the GATT to extend its coverage to trade in services, agriculture, and high technology and to strengthen its system of safeguards and dispute settlement.

Progress in these areas will provide new opportunities and new markets, bringing tangible benefits to both developed and developing nations. It will also contribute to the fight against protectionism. In the absence of progress on the multilateral front, pressures for protection and a retreat to reciprocal bilateral arrangements will mount.

From a global perspective, a splintering of the multilateral trading system into a multitude of bilateral arrangements would be a backward step. Bilateral free trade agreements, however, such as we have negotiated with Israel and have offered to discuss with other countries, need not have this result; they can stimulate trade and strengthen the multilateral system. Free trade agreements are sanctioned by the international rules and involve a tighter trade discipline; they can promote freer trade than the multilateral system is currently prepared to accommodate. Our hope, nonetheless, is that the example of greater liberalization -- and the recognition that the United States can pursue another course -- will help motivate a larger group of nations to tackle the job of expanding trade on a global basis.

But we cannot forget our responsibility here at home. We in the United States are today more affected by the health of the global economic system than we have ever been before.

And as the world's largest economy, we cannot escape the reality that any protectionist action here can do enormous harm to the global economic system. So in our own long-term self-interest, we must remain loyal to our long-standing tradition -- our proud commitment to free and open trade.

A Program for Sustained Global Growth

Let me conclude with a message and a program that emerge from my analysis. The message is twofold: First, the main objective, and the key to success, is to accelerate growth in the world economy. That's what this is all about. And second, growth in the world economy is the result of interaction among sound national policies. That is the most important common ingredient in the policy steps that nations must take to correct the imbalances I have discussed.

Together, these steps are a program of international action to protect the current recovery and move us decisively onto the path of sustained, non-inflationary growth.

First, for our own part, and even for purely domestic reasons, the United States must -- and will -- substantially reduce its federal spending and deficit.

Second, the West Europeans should adopt policies that reduce the obstacles to change and innovation, that attract capital, and that stimulate domestic investment.

Third, in addition to opening its markets to foreign products, Japan should reduce the impact of its high rate of domestic saving on its trade surplus. This could be done by a combination of steps, including liberalized capital markets that internationalize the yen, and measures to stimulate investment in Japan by Japanese and foreigners alike.

Fourth, the developing nations, especially those heavily indebted, should continue to make the structural adjustments needed to stabilize their economies, reduce the economic burden of government, expand their trade, and stimulate growth. They should encourage domestic savings and foreign equity investment.

Fifth, all nations should support freer international trade and prepare for early commencement of a new international trade round. We must reject a surtax on imports; other countries must contain political pressures that threaten trade.

Finally, our approach to the strength of the dollar should concentrate on the fundamental market forces at work.

Intervention in exchange markets addresses only the symptoms of the dollar's strength -- and not at all successfully. An easy monetary policy, undertaken in an illusory effort to reduce interest rates, would only re-ignite fears of inflation, raise interest rates, and weaken economic prospects. Instead, we should maintain consistent, non-inflationary growth in monetary aggregates to accommodate economic growth while continuing the trend to lower inflation.

This program of action calls for many hard decisions. But they are the right decisions. We stand at the threshold of what can be, if all governments meet their responsibilities, a long period of global economic expansion and a new era of unprecedented prosperity.

The benefits that economic growth can bring to all the world's people transcend the purely material -- though for the world's poor and hungry, this alone would be a monumental blessing. A strong and growing global economy will help advance all of America's most fundamental goals: a world of cooperation, peace, stability, and progress, a world where human rights are respected and freedom flourishes. We have great opportunities to help build such a world, but we will succeed only if we have the will and the wisdom to recognize the dangers and confront them.

We know what must be done. But we must act on that knowledge if our hopes for a better world are to become a reality.

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CC/K.

Foreign and Commonwealth Office

London SW1A 2AH

16 April 1985

Dear Charles,

Bilateral Meetings during the Economic Summit

Your letter of 22 February said that the Prime Minister's order of preference for bilaterals at the Bonn Summit was President Reagan, Mr Mulroney and Mr Nakasone. She also expressed a willingness to fit one in with Signor Craxi if there is a good operational reason.

As Mr Mulroney will now be visiting London on his way to Bonn, a separate bilateral is not necessary.

As regards a bilateral with President Reagan I enclose a copy of Washington telno 1242. You will see from this that apart from a bilateral with Nakasone the Americans are not envisaging any bilaterals during the Summit itself. The only time they have suggested as free for a bilateral with the Prime Minister is on 4 May, after the press conference and before the dinner. This would be of no use if the Prime Minister wished to discuss Summit matters. The Prime Minister is herself free between her arrival at 1600 on 2 May and the Federal Chancellor's reception at 1830. We have not as yet sought any bilaterals at that time.

Sir Oliver Wright's advice is that if the Prime Minister wishes to have a bilateral with President Reagan during the Summit, we shall need to get a firm bid in soon, making clear the issues to be covered. Would the Prime Minister wish us to do so?

The Japanese have indicated that Mr Nakasone would be free at 1830 on Saturday 4 May (i.e. after the press conference and before dinner). We would recommend that the Prime Minister should accept this; although the Summit itself will then substantially be over, there will be other UK/Japan issues which can be covered.

As regards the French, their Embassy have now told us that President Mitterrand has proposed a bilateral meeting with the Prime Minister from 1830 to 1930 on Friday 3 May at

/the

the Palais Schaumburg. We recommend that the Prime Minister accepts. There has been no substantive bilateral between them since the Anglo-French Summit at the end of November last year. This would be an opportunity to review European Community issues between the Brussels and Milan Councils, and to exchange views on other international questions not covered at the Summit itself. Given Mitterrand's sensitivities, a rejection of the French request would risk being interpreted as a snub unless it were accompanied by an alternative suggestion for a bilateral meeting before Milan. At present the time suggested by the French is free.

We see no operational reason for a meeting with Sr Craxi at this stage.

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

C D Powell Esq
10 Downing Street

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TO IMMEDIATE F C O
TELEGRAM NUMBER 1242 OF 11 APRIL
INFO PARIS, BONN, OTTAWA, ROME, UKREP BRUSSELS, TOKYO

YOUR TELNO 621: BONN SUMMIT: BILATERALS

1. WE HAVE SPOKEN TO SOMMER (NSC) AND NILES (STATE).

2. SOMMER SAID THAT THE ONLY BILATERAL MEETING WHICH THE PRESIDENT HAD FIRMLY ACCEPTED WAS ONE WITH NAKASONE. THIS MEETING WAS NOT OF COURSE AN INFORMAL BILATERAL IN THE USUAL SENSE SINCE IT HAD BEEN ARRANGED AND ANNOUNCED AT THE TIME AS A FOLLOW-UP TO THE REAGAN/NAKASONE MEETING ON THE WEST COAST IN JANUARY. WITH THE FURORE NOW BUILDING UP OVER US/JAPANESE TRADE ISSUES, THE NEED FOR IT WAS EVEN MORE EVIDENT. ITS SCHEDULING WAS BEING MADE EASIER BY THE FACT THAT BOTH REAGAN AND NAKASONE WERE ARRIVING IN BONN WELL AHEAD OF THE OPENING OF THE ECONOMIC SUMMIT.

3. SOMMER ADDED THAT THERE WAS A LOT OF PRESSURE FROM THE FRENCH FOR A MITTERRAND/REAGAN BILATERAL BUT THAT THIS HAD NOT YET BEEN ACCEPTED BY THE AMERICAN SIDE. A BILATERAL LUNCH IN STRASBOURG ON 8 MAY HAD EARLIER BEEN AGREED BUT THE EUROPEAN PARLIAMENT HAD REACTED VIOLENTLY TO THIS AND THE COUTCOME WAS THAT MITTERRAND WOULD NOT NOW BE GOING TO STRASBOURG. THE FRENCH WERE MAKING CONSIDERABLE PLAY WITH THE FACT THAT MITTERRAND WOULD BE THE ONLY SUMMIT PARTICIPANT NOT TO HAVE MET THE PRESIDENT BILATERALLY SINCE HIS RE-ELECTION. SOMMER STRONGLY IMPLIED THAT A MITTERRAND/REAGAN BILATERAL IN BONN WOULD BE AGREED.

4. SOMMER SAID NO OTHER BILATERALS WERE ENVISAGED (ALTHOUGH HE IMPLIED SEVERAL WERE BEING SOUGHT). THE TIMING WAS VERY TIGHT. THE BREAKFASTS DURING THE SUMMIT WERE FIRMLY EARMARKED FOR INTERNAL BRIEFING MEETINGS FOR THE PRESIDENT. THIS WAS NOW PRETTY INVARIABLE PRACTICE AND THE AMERICANS WOULD BE RELUCTANT TO ABANDON IT. BUT IF THE PRIME MINISTER EXPRESSED A FIRM DESIRE TO HAVE A BILATERAL HE WAS SURE THAT WOULD BE GIVEN SERIOUS CONSIDERATION.

5. NILES HAS POINTED OUT THAT THE ONLY REAL GAP HE CAN SEE IN THE SCHEDULE IS BETWEEN THE PRESS CONFERENCE AND THE DINNER ON 4 MAY BUT THAT WOULD BE OF NO USE IF THE PRIME MINISTER WISHED TO DISCUSS WITH THE PRESIDENT THE SUBJECT MATTER OF THE SUMMIT ITSELF.

/COMMENT

CONFIDENTIAL

COMMENT

6. IT SEEMS CLEAR THAT THE DOOR IS NOT CLOSED TO A BILATERAL BETWEEN THE PRESIDENT AND THE PRIME MINISTER BUT NOR IS IT OPEN. IF IT IS TO BE OPENED WE WILL NEED AN EARLY AND FIRM STATEMENT OF THE PRIME MINISTER'S WISHES, AND SOME INDICATION OF THE QUESTIONS SHE WILL WISH TO COVER. UNLESS WE ARE READY TO GO FOR THE POST-ECONOMIC SUMMIT SLOT (PARA 4 ABOVE), THE CHANCES OF SUCCESS COULD BE INCREASED IF WE WERE ABLE TO OFFER SOME FLEXIBILITY IN THE PRIME MINISTER'S ARRIVAL TIME IN BONN, BEARING IN MIND ALSO THAT PRESIDENT REAGAN IS STAYING OUTSIDE BONN AT SCHLOSS GYMNICH.

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ECON, POL: Bonn Summit.

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PRIME MINISTER

Bilaterals during the Economic Summit

You said earlier that you would like to see President Reagan, Mr. Nakasone and Mr. Mulroney. You would see Signor Craxi if there was a good reason.

Mr. Mulroney is now coming to London before the Summit, so no need for a bilateral. There is no good reason to see Signor Craxi. But President Mitterrand has now asked for a bilateral.

President Reagan

Oliver Wright's advice is that you should make a firm bid, making clear the issues to be covered. They seem to me to be the traditional ones: SDI, Geneva negotiations, the Middle East, Central America and the US economy. You might perhaps add South Africa, nuclear ship visits to New Zealand, Mr. Gandhi's forthcoming visit to Washington and the negotiations with Garret FitzGerald.

The Americans have suggested that the only available time is likely to be after the press conference and before the final dinner. This would make it impossible to discuss Summit issues in the bilateral. An alternative might be as soon as you arrive on 2 May. We might put this as first choice but fall back on 4 May if that is the only alternative. (I assume incidentally that you will want to see him alone with a note-taker and without the Foreign Secretary etc.)

President Mitterrand

The French have proposed 6.30/7.30 pm on the second day. I suggest that you agree to this. The main purpose might be to discuss the Future of the European Community (on which you are meeting Chancellor Kohl on 18 May).

Yes no

Mr. Nakasone

I suggest that we fit this in at a time not pre-empted by President Reagan or President Mitterrand.

Agree?

Yes no

C.D.P.

(C.D. Powell)

16 April 1985

EL3AGC

bcPC

10 DOWNING STREET

From the Private Secretary

16 April 1985

Bilaterals during the Bonn Economic Summit

Thank you for your letter of 16 April about bilaterals at the Bonn Economic Summit.

The Prime Minister would like to see President Reagan, Mr Nakasone and President Mitterrand in that order of priority.

The Prime Minister would prefer to see President Reagan before the Summit starts if possible. Her preferred time would be between her arrival at 1600 on 2 May and Chancellor Kohl's reception at 1830. If this is not possible for the President, she would reluctantly agree to a meeting after the press conference on 4 May. The subjects which the Prime Minister would wish to discuss are SDI, the Geneva negotiations, the Middle East, Central America, US economy and South Africa. She might also touch on nuclear ship visits to New Zealand, Mr Gandhi's forthcoming visit to the US and Ireland. She would intend to see the President alone with a note-taker only. I should be grateful if an early proposal could be put to the Americans.

The timing of a meeting with Mr Nakasone can only be settled once we have fixed the meeting with President Reagan. I doubt that there will be enough time for two bilaterals between the Press Conference and dinner on 4 May: so if President Reagan opts for that, we shall have to look for another time for Nakasone, perhaps a breakfast meeting.

The Prime Minister agrees to a bilateral with President Mitterrand between 1830/1930 on 3 May provided it is in the Palais Schaumburg. Again she would want to see him alone with a note-taker only.

CSR.

(Charles Powell)

P F Ricketts Esq
Foreign and Commonwealth Office

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10 DOWNING STREET

From the Private Secretary

SIR ROBERT ARMSTRONG

Bonn Economic Summit

The Prime Minister would like a brief word with you before the final Sherpas' meeting about the Thematic Paper for the Bonn Economic Summit.

Her particular concern is with paragraph 3 which she considers to be weak and not well drafted. I think that she feels the description of the tasks lacks precision and fails to spell out how they are to be carried out. This applies in particular to 3.2 and 3.4.

Charles Powell

16 April 1985

1ST

PRIME MINISTER

Bonn Economic Summit

You read the draft conclusions (A) during your S.E. Asia visit and commented that they were a bit 'blancmangy'.

I am not sure whether you regard this as endemic and incurable, or have specific points to suggest for changing the draft e.g. on containing the growth of social security expenditure or deregulation.

Robert Armstrong attends the final meeting of Sherpas this weekend. If you are resigned to the general shape of the conclusions, his present instructions suffice. But if you want him to propose significant changes or additions, you ought to have a session with him tomorrow or Thursday.

Agree to have a short meeting with RTA tomorrow or Thursday?

Yes MT

Meanwhile you ought to see Chancellor Kohl's letter to you about the Summit (B).

C.D.P

It is para (3) which is so weak and so much depends MT

(C.D. Powell)

16 April 1985

Ref. A085/1088

MR POWELL

Bonn Economic Summit: Revised Thematic Paper

Sir Robert Armstrong is to see the Prime Minister before his departure on Friday for the final meeting of Personal Representatives preparing for the Bonn Economic Summit. I understand that the Prime Minister wished to concentrate on paragraph 3 of the draft thematic paper prepared by the Germans before the last meeting of Personal Representatives. We have just received a copy of the revised draft thematic paper prepared by the Germans following discussions at the last meeting of Personal Representatives (reported in Sir Robert's minute to you, A085/961 of 28 March) and I attach a copy herewith.

2. Paragraph 4 of the revised draft covers the same ground as paragraph 3 of the earlier draft, but has been considerably modified.

R P HATFIELD

16 April 1985

Ref. A085/1088

MR POWELL

Bonn Economic Summit: Revised Thematic Paper

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R P HATFIELD

16 April 1985

11 April 1985

Bonn Economic Summit, 2-4 May 1985
Thematic Paper

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A. Introduction

I. Salient features of the world economy

1. Overall, the world economy is in better shape than it has been for a considerable time. Real progress has been made in dealing with the crises which have afflicted our economies over the last decade. In the industrial countries, growth has been restored. Inflation has been brought down. Economic flexibility and efficiency have been strengthened. The recovery in the industrial countries is spreading to the developing world. The problems of international indebtedness, though far from being solved, have been addressed in a flexible, effective way.

2. However, the progress achieved varies greatly among individual countries. Major imbalances and obvious risks persist. New concerns have arisen, especially in the field of employment. Urgent action is needed in a number of policy areas if we are to seize the opportunity which we now have of moving into a sustained period of more broadly-shared prosperity for industrial and developing countries.

3. The main features of the world economic picture can be summarised as follows:

   3.1 - Fairly robust growth in the United States; strong growth in Japan; continuing expansion in Canada and steady progress in Europe, although in Europe at a markedly slower pace than in Japan. Revival of investment and recovery of business profits in a number of industrial countries.

   3.2 - Marked differences in developments on labour markets: Strong expansion of employment and a significant reduction of unemployment in the United States during the recovery. Appreciable rise in employment also in Canada. Success of Japan in holding down unemployment to fairly

low levels. However, persistence of very high unemployment in Europe, partly due to the relatively modest pace of the recovery; moreover, unsatisfactory relationship between economic growth and job creation in Europe.

3.3 - Substantial and widespread success in curbing inflation. Continuing need to bring inflation down further, particularly in countries where it remains seriously out of line. Interest rates still high by past standards, despite a decline over recent years.

3.4 - More uneven progress in the area of fiscal policy. Growing concern over the domestic and international repercussions of continuing high levels of government spending and large and growing budget deficits in some countries.

3.5 - Increasingly diverse pattern of current accounts of major industrial countries: sharp deterioration of the current account of the United States; large and growing surplus on the current account of Japan. Widespread concern over the behaviour and levels of key exchange rates.

3.6 - Encouraging progress of many developing countries towards restoring sound growth - as a result of major adjustments by these countries, the cooperative attitude of official and private creditors, and the revival of world trade. However, wide diversity in the situation of individual countries, many of which continue to face serious economic and financial difficulties. Continuing crisis in Africa. Adjustment task of many developing countries complicated by high real interest rates, developments in exchange markets and relative weakness of commodity prices.

3.7 - Despite recovery, unrelenting protectionist pressures and continuing erosion of the disciplines of the multilateral system of free trade, posing threats to the sustainability of the recovery and the future prospects of the world economy.

II. Possible points of emphasis at Bonn Summit

4. The main tasks are now:

4.1 - to build on the progress achieved; to work, individually and jointly, to sustain the recovery, to enhance its momentum and to ensure that it is more widely shared both within and among industrial and developing countries; to accept responsibility for the international repercussions of domestic policies; in particular:

= to meet the fundamental policy challenges posed by the persistence of high unemployment, which remains an overriding concern in most countries, particularly in Europe; to enhance the employment opportunities especially for young people; to this end, to remove obstacles to faster non-inflationary economic growth and to improve the link between growth and employment;

= to restore greater stability to the world monetary system; therefore to strengthen the underlying conditions necessary for convergence towards enduring growth and for a stable pattern of current accounts and exchange rates;

= to consolidate the progress achieved in a number of countries in reducing budget deficits and high levels of government spending; to step up efforts where budget deficits and government spending remain unsustainably high;

4.2 - to recognise the rising level and increasing range of interdependence of developing and industrial countries; to cooperate with the developing countries in a spirit of true partnership; to help them take their place in the world economic and financial system; to continue to assist the poorest countries; to work with African countries to help them to achieve greater economic self-reliance and continued development;

4.3 - to resist and roll back protectionism; to take concrete and credible action to reinforce the multilateral system of free trade; to move decisively towards a new round of comprehensive, multilateral trade negotiations in the

GATT; in this context, to work to achieve a genuine balance of interests of industrial and developing countries.

4.4 - Moreover, the need to protect the environmental resources which underpin economic growth has come to the forefront of attention. The Summit could stress that economic growth and environmental improvement are reconcilable and mutually supportive goals; that environmental concerns need to be given a central place in national and international policies.

B. Suggested conclusions

I. Industrial countries

5. The broad outline of possible conclusions has been given above (Point 4). More specifically, Summit countries could

5.1 - reaffirm their commitment to follow prudent and, where necessary, strengthened monetary and fiscal policies; emphasise their will to control firmly government spending, to cut back budget deficits and to reduce the share of public expenditure in GNP; welcome the efforts already undertaken;

5.2 - stress the need to remove regulations and other rigidities which still stand in the way of more dynamic growth, and to exploit the opportunities for growth and employment provided by structural adjustment and technological change

5.3 - in particular, agree to review the regulatory framework of labour markets as well as tax, budgetary and other economic policies in order to improve the incentives for the creation of jobs; to reconsider regulations which,

in effect, are working to the detriment of those they were intended to protect; to maintain and improve, however, appropriate social standards for those unable to help themselves; to improve the educational and training systems in order to create the knowledge and skills needed in a changing economy; to encourage the mobilisation and the efficient use of savings for productive, job-creating investment;

5.4 - call on both sides of industry also to play their part in improving the employment situation; recall the need to ensure a cost structure of firms and a differentiation of wages favourable to the creation of employment and to secure a level of wage and non-wage labour costs which reflects the relative scarcity of capital and labour;

5.5 - emphasise the critical role of active surveillance by the IMF over the broad range of members' policies affecting exchange rates and international adjustment; reaffirm their commitment to undertake coordinated intervention in the exchange markets when it would be helpful;

5.6 - welcome the progress made by Finance Ministers in their work on ways to improve the functioning of the international monetary system; invite Finance Ministers to complete their work before the end of June 1985 and to make concrete proposals to be discussed at an /early/ /special/ meeting of the Interim Committee of the IMF.

6. Moreover, Summit countries could review the situation on energy markets and note, in particular, the fundamental importance of market forces for stable, long-term energy trade and the need to guard against complacency given the current situation in the oil market.

II. Developing countries (Conclusions to be redrafted in the light of the April meetings of the IMF and the World Bank)

7. Summit countries could

7.1 - welcome the progress made by many developing countries in strengthening the basis for sound growth, which has enabled them to participate in and contribute to the world economic recovery;

7.2 - note, in particular, the success achieved by a number of countries in managing their external debt problems; stress that, in order to solve the difficulties that remain, there is no alternative but to build on the agreed strategy on debt in a way that responds to the changing circumstances of individual debtor countries;

7.3 - reaffirm their will to maintain and, wherever possible, to increase flows of official development assistance, particularly to the poorest countries; encourage improved coordination of donor activities;

7.4 - stress the decisive contribution to stable growth that the developing countries will have to make themselves by implementing sound, outward-looking economic policies, by strengthening the confidence of domestic and foreign lenders, by mobilising domestic savings, by taking advantage of private capital opportunities such as foreign direct investment and by encouraging a reversal of previous capital outflows;

7.5 - stress the commitment of Summit countries to support these efforts by policies conducive to sustained growth, lower interest rates and more open markets;

7.6 - affirm their continuing support for the international financial institutions, in particular the IMF and the World Bank; agree to work to ensure that these institutions will remain equipped with the necessary resources and instruments; encourage continued efforts to strengthen IMF/World Bank cooperation and the efficient use of their resources;

7.7 - encourage a stronger role for the World Bank in complementing IMF-supported short- to medium-term balance of payments adjustment by fostering sound, long-term development; agree to stand ready to discuss an increase of resources available to the World Bank which may be necessary in the coming years;

7.8 - welcome the agreements on longer-term debt restructuring which are being arranged by commercial banks for countries with demonstrable adjustment progress; reaffirm that Summit countries, as agreed in London, stand ready, where appropriate, to negotiate multi-year debt reschedulings.

8. With regard to African countries, Summit countries could

8.1 - welcome the positive response of their citizens to the pressing needs of African countries; express their satisfaction about the establishment of a Special Facility for Sub-Saharan Africa by the World Bank; note the special steps taken by Summit countries to provide additional bilateral assistance to support adjustment efforts in Sub-Saharan Africa and express their support for the efforts undertaken to coordinate international aid;

8.2 - stress their commitment to strengthen their action in Africa; to continue to provide emergency food aid commensurate with the worsening situation; to complement the immediate food aid assistance by providing, where

appropriate, additional funds in support of a long-term food strategy. In this context, special attention should be given to measures to strengthen the monitoring of food supplies; to improve the conditions for food production and food distribution - including measures to mobilise support for better incentives and more efficient marketing systems for individual peasant farmers as well as improved basic and applied research to develop agriculture - and to combat desertification;

8.3 - call upon all countries to step up their efforts to overcome famine and poverty, particularly in Africa.

III. Trade policies

9. Summit countries could

9.1 - reaffirm their commitment to halt protectionism and to dismantle progressively existing trade restrictions; stress the need to achieve more substantial progress in implementing the current GATT work programme and the agreements on trade liberalisation reached in the OECD;

9.2 - emphasise that sustained growth and the balanced expansion of world trade need to be secured by the reinforcement of the multilateral structures and disciplines of the GATT; welcome the growing international consensus on the urgent need for preparing a new comprehensive round of multilateral trade negotiations in the GATT; express their determination to initiate a formal preparatory process in mid-1985 with the objective of launching such negotiations /in spring 1986/ /at the earliest possible time/; note the importance of giving full consideration to the interests of developing countries in the forthcoming new round.

9.3 - emphasise the need to encourage an increase in imports in a manner compatible with free market principles in order to contribute to greater stability in the international trade system and to a more balanced pattern of current accounts;

9.4 - stress the importance of promoting a more dynamic role for developing countries in world trade, and of providing enlarged and secure access for developing countries' exports to the markets of industrial countries; recall the need for developing countries to complement these efforts by progressively opening up their markets.

/10. Moreover, in reviewing economic relations with the Soviet Union and the countries of Eastern Europe, Summit countries could note with approval the continuing consensus on the security and other implications of economic relations with Eastern countries and on the need to continue work on this subject in the appropriate organisations./

IV. Environmental policies

11. Recognising the crucial role of sound environmental management (par. 4.4 above), Summit countries could

11.1 - emphasise that new approaches and strengthened international cooperation are needed to anticipate and prevent environmental damage; confirm their commitment to take concrete and effective measures to solve pressing environmental problems such as acid deposition and air pollution including emissions from motor vehicles, and to control firmly pollution from all significant sources; note that the prevention of adverse transboundary effects should remain a key concern; state their resolve to strengthen the protection of soils, fresh water and the sea, in particular of regional seas;

11.2 - affirm their will to harness the mechanisms of the market economy in order to solve environmental problems; to develop and apply the "polluter pays" principle more widely; note that strict environmental standards can provide incentives for innovation and cost-effective technologies which are clean and efficient in the use of resources; stress that environmental protection is feasible only in cooperation with the economic and technological sectors;

11.3 - welcome the contributions made by Environment Ministers and by the Technology, Growth and Employment Working Group in considering the role of environmental factors in economic development and the areas for continuing cooperation; stress the need for internationally consistent techniques and practices of environmental measurement if environmental standards are to be effectively maintained; invite their research institutions to cooperate in this field with the appropriate international organisations;

11.4 - stress their will to focus their cooperation within existing international bodies, especially the OECD; to work with developing countries for environmentally sound development.

V. Manned space stations

12. Summit countries could

12.1 - welcome the positive responses by the Governments of ESA Member States, Canada and Japan to the invitation of the President of the United States to cooperate in the United States Manned Space Station Programme as a demonstration of their unity of purpose and their desire to capitalise on the full economic and scientific benefits of space and to intensify co-operation in advanced technologies;

12.2 - note the intention of the invited Governments to continue and strengthen a genuine partnership in space with the United States on the basis of a fair and appropriate exchange of information, experiences and technologies; moreover, note that discussions will begin promptly with the intent of concluding inter-governmental agreements governing the cooperation on development and utilisation of the permanently manned space stations;

12.3 - note the conclusions of the ESA Council on the long-term European space plan and its objectives, which are based on the need for Europe to maintain and to expand its autonomous capability in space activity.

C. Working Group on Technology, Growth and Employment: report on progress made in the cooperative projects

13. In its report, which was commissioned at the London Economic Summit, the Working Group notes the effective work in the 18 areas of cooperation identified after the Versailles Summit. It emphasises that international cooperation in science and technology has benefited substantially from the Summit initiative. Personal Representatives have invited the Working Group to complete its review of the 18 cooperative projects and to report to Personal Representatives in time for their first meeting in 1986.

CF - Your BU?

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10 DOWNING STREET

From the Private Secretary

15 April 1985

Bonn

BONN ECONOMIC SUMMIT

I enclose a letter to the Prime Minister from the International Chamber of Commerce, setting out its priorities for the Bonn Economic Summit. I should be grateful if your Department could co-ordinate a draft reply consulting the Treasury and the Department of Trade and Industry as necessary. It would be helpful to have this by 23 April.

I am copying this letter and enclosure to Rachel Lomax (HM Treasury), John Margy (Department of Trade and Industry) and Richard Hatfield (Cabinet Office).

(C.D. POWELL)

C.R. Budd, Esq.,
Foreign and Commonwelath Office.

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·ICC UNITED KINGDOM·CENTRE POINT·103 NEW OXFORD STREET·LONDON WC1A 1QB·
·TELEPHONE: 01-240 5558·TELEX: 21332·

PM/AG

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

15 April 1985

Dear Prime Minister,

Bonn Summit

I am enclosing the views of world business, as represented by the International Chamber of Commerce, on the priorities of the participants at the coming Bonn Summit meeting.

More than ever before, international businessmen hope for clear and concrete actions from governments in overcoming closely-linked trade and monetary problems.

As on previous occasions, it is important for you to know that the other participating governments will be receiving an identical brief from their national ICC affiliates.

Comments, before or after the Summit, would be much welcomed by us.

Yours sincerely,

Sir Peter Macadam.

ICC UNITED KINGDOM IS THE BRITISH AFFILIATE OF THE INTERNATIONAL CHAMBER OF COMMERCE.
Chairman: Sir Peter Macadam Deputy Chairman: Sir Graham Wilkins Joint Hon. Treasurers: W.K. Gardener, A.G. Tritton
Director: G.N.F. Wyburd Executive Secretary: Mrs S.A. Hayward-Cook

International Chamber of Commerce
38, Cours Albert 1er, 75008 Paris
Telephone: 562.34.56
Cables: Incomerc-Paris
Telex: 650770

Policy and Programme Department | Document No. 103/76

09-04-1985 | MCP/MW | Original | lcb

COMMISSION ON INTERNATIONAL TRADE POLICY AND TRADE-RELATED MATTERS

ICC STATEMENT FOR THE BONN SUMMIT, 2 - 4 May 1985

During the year since the London Summit meeting, world economic recovery and the expansion of international trade have proved stronger than was then anticipated; inflation has generally remained in check; and a number of heaviliy-indebted developing countries have achieved remarkable improvements on the current account of their external payments. International business, represented by the ICC, applauds these achievements which, in relation to the depressed and very precarious condition of the world economy only a few years ago, are substantial.

Nonetheless, the current recovery is not without substantial negative elements which constitute a source of serious concern:

a) Although the recovery has been spreading to more and more countries throughout the world, it remains uneven with considerable differences in growth and employment rates among both developed and developing countries. In particular, large-scale unemployment and inadequate job creation continue to be a major problem in Western Europe and many developing countries.

b) In the United States, the large budget and trade deficits and the excessive dependence on capital in-flows raise concern about the sustainability of that country's recovery, which is so important to the rest of the world. The large trade and current account surpluses of Japan with the rest of the world are another source of imbalance and uncertainty for the recovery.

c) Although the worst scenarios feared a few years ago have been successfully avoided, the developing country debt problem remains very serious and very vulnerable to a faltering of economic recovery in the rest of the world.

d) Most important of all, the prospects for achieving sustainable economic growth throughout the world are threatened by the loss of business confidence in the functions of the international trade and monetary systems. Despite the undertakings of the participating governments in the final Declaration of the Williamsburg Summit two years ago "to halt protectionism, and as the recovery proceeds to reverse it by dismantling trade barriers," protectionist measures have been taken in a number of countries. Some of these measures have hindered the efforts of the heavily-indebted developing countries to earn the means to service and repay their loans. Protectionist pressures have been exacerbated in the United States by recent developments in the currency markets and in other countries by the slowness to adjust their domestic structures. Uncertainties in the trade and financial markets and structural rigidities are inhibiting a major expansion of investment in some countries.

The ICC calls upon the governments represented at Bonn to address with determination the current problems in the international trade and monetary systems and to implement their commitments with clear and concrete actions. To achieve improvements, a parallel approach to both trade and monetary matters will be essential.

Specifically, in the monetary field, the ICC believes that governments can and should do more to coordinate the design and implementation of their macro-economic policies with the aim of improving the fundamentals that underlie currency and exchange rate movements. Greater day-to-day cooperation among financial authorities has also become vital as a result of the large volume of international capital movements and the sophisticated communications systems of today's world.

In the trade field, the ICC calls upon governments to give their full support to a new round of trade negotiations under the aegis of the GATT. What is required at an early date is an international commitment to such negotiations and preparatory work to create the widest

.../...

possible consensus for a specific agenda. The ICC believes that such an agenda must include steps to:

a) roll back the protectionist measures that have accumulated in recent years;

b) liberalize and establish agreed rules for international trade in agricultural products;

c) open up new areas of trade that are not currently subject to GATT rules and disciplines;

d) strengthen the machinery of the GATT with the aim of ensuring that countries observe more strictly their obligations under international agreements and the GATT is enabled to deal with the trade-distorting effects of subsidies and other domestic measures; and

e) spread the benefits and, over time, the disciplines of the open trading system to the developing countries.

Finally, in view of the linkages in the world's trade and financial systems, and in order to facilitate a parallel approach to the interacting problems of both, the ICC urges governments to promote closer working relationships between the trade, industry, and financial ministries within their national capitals and, on the international level, between the GATT, IMF, and World Bank.

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10 DOWNING STREET

From the Private Secretary

MR HATFIELD

In Charles Powell's absence with the Prime Minister overseas, I attach a letter received yesterday from Chancellor Kohl, outlining the subject on which discussions will focus at the Economic Summit in May.

4/4/85 →

No doubt you will ensure that this is brought to the attention of all those who need to be aware.

MARK ADDISON

10 April 1985

SM

10 DOWNING STREET

From the Private Secretary

4 April 1985

Dear Colin

Possible Meeting between the Prime Minister and President Mitterrand during the Economic Summit

Thank you for your letter of 3 April. I can throw no light on this.

Yours ever

Charles Powell

Colin Budd Esq
Foreign and Commonwealth Office

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T66/85

BOTSCHAFT
DER
BUNDESREPUBLIK DEUTSCHLAND

The Chargé d'affaires a.i.
Hans Freiherr von Stein

London, 4th April 1985

Dear Prime Minister,

I have the honour to transmit to you the enclosed two messages from Herr Helmut Kohl, Chancellor of the Federal Republic of Germany.
Courtesy translations are also attached.

I am, dear Prime Minister,
yours sincerely

Hans Stein

Her Excellency
The Rt.Hon. Margaret Thatcher, MP
Her Majesty's Prime Minister and
First Lord of the Treasury

L o n d o n

L e t t e r
from

Herr Helmut Kohl, Federal Chancellor of the
Federal Republic of Germany

to

Her Excellency Margaret Thatcher, Prime Minister
of the United Kingdom of Great Britain and
Northern Ireland

Dear Prime Minister,
Dear Margaret,

There are only a few weeks to go until this year's Economic Summit of major democratic, industrialized countries. It is with pleasure and expectation that I await the meeting.

The preparations by our personal representatives are making good progress. In keeping with tradition, I should like to outline the subjects on which our discussions will centre. These subjects will acquire greater substance during the next few weeks in view of the further talks by our personal representatives and the forthcoming meetings of international organizations, notably the OECD, the International Monetary Fund and the World Bank.

Economic issues should again be at the forefront of our discussions. We will once more have an opportunity to exchange national experiences, to review economic priorities, and to seek ways and means of ensuring that the economic and monetary policies of our countries complement each other even more effectively in the pursuit of our common goals.

...

A great deal has already been achieved. In industrial nations, the economic recovery is in its third year. Inflation is lower than it has been for a decade. The process of structural adjustment is making headway. The advances made by many developing countries in restoring financial stability and regaining economic momentum are clearly discernible. The joint task of our countries, as of our partners among the industrial nations and in the Third World, is to build on what has been achieved and to transform the recovery of the world economy into increased, lasting growth.

Nonetheless, urgent problems and questions persist. We owe our citizens clear and convincing answers. We can do so only if we all shoulder responsibility for the problems attributable to our countries.

Continuing high unemployment is the main concern, especially in Europe. A palpable improvement is only possible by means of a lengthy phase of increased growth resting on a stable foundation. A prime objective is to ensure the basic conditions needed for this and for increased employment within the growth attainable. In particular, I consider it necessary to encourage greater entrepreneurial dynamism and to permit increased flexibility and mobility on the labour market. The experience gained by the United States and Japan in safeguarding and increasing jobs could, despite the different basic conditions existing in individual economies, also be of use to other countries.

There is growing international concern about the disparate development of current accounts, especially those of the United States and Japan, about the occasionally erratic development of exchange rates, and about the still unresolved budgetary problems faced by a number of countries.

...

Our meeting affords an opportunity to discuss our views on these problems and the consequences for economic and financial policies.

The countries of the Third World expect us to restate our readiness for dialogue and to confirm our determination to support these countries' indispensable own efforts in a spirit of genuine partnership and interdependence. The deliberations of the relevant committees of the International Monetary Fund and the World Bank, which we proposed in London and which will be held in Washington in mid-April, would therefore appear to me especially important.

Despite economic recovery, the pressure of protectionism persists in the world economy. The system of multilateral, international trade - a cornerstone of the economic upswing of recent decades - is endangered. The credibility of previous pledges by our governments to engage in free trade is at risk. The public is looking to our countries to live up to their responsibility as major trading nations and to pave the way for substantive progress towards liberalization.

One of the major tasks of our time is to protect the natural environment, which is the indispensable foundation of lasting economic prosperity. There is increasing concern about the growing damage to the environment. Despite understandable differences of opinion, there is now generally a greater awareness of the need for systematic, preventive action. An unequivocal assurance of the key part played by environmental protection in our national and international policies and of co-operation in this respect would be an important spur to further, tangible progress.

Our personal representatives are at present drawing up a paper on the foregoing subjects. The final version will be available in good time for our discussions in Bonn.

...

As at previous Summits, we shall also have an opportunity in Bonn to exchange views on political topics.

I consider it important to preserve the informal nature of our meeting and to make every effort to achieve a personal, confidential exchange of views.

Yours sincerely,

(sgd.) Helmut Kohl

Translation

FEDERAL REPUBLIC OF GERMANY
THE FEDERAL CHANCELLOR

Bonn,

The Rt. Hon. Margaret Thatcher, M.P.,
Prime Minister of the United Kingdom
of Great Britain and Northern Ireland,

London

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I consider it important to preserve the informal nature of our meeting and to make every effort to achieve a personal, confidential exchange of views.

Yours sincerely,

(sgd.) Helmut Kohl

BUNDESREPUBLIK DEUTSCHLAND
DER BUNDESKANZLER

Bonn, den 12. April 1985

Ihrer Exzellenz
Frau Margaret Thatcher, MP
Premierminister des Vereinigten Königreichs
Großbritannien und Nordirland

London

Sehr geehrte Frau Premierminister, liebe Margaret,

nur wenige Wochen trennen uns von dem diesjährigen Wirtschaftsgipfel-Treffen der großen demokratischen Industrieländer. Ich sehe der Zusammenkunft mit Freude und Erwartung entgegen.

Die Vorbereitung durch unsere Persönlichen Beauftragten ist auf gutem Wege. Der Tradition folgend, möchte ich in großen Linien die Themen umreißen, die im Mittelpunkt unserer Gespräche stehen werden. Diese Themen werden sich in den nächsten Wochen im Licht der weiteren Gespräche unserer Persönlichen Beauftragten und der bevorstehenden Treffen internationaler Organisationen, besonders der OECD, des Internationalen Währungsfonds und der Weltbank, weiter konkretisieren.

Im Zentrum der Aussprache sollten wieder die ökonomischen Fragen stehen. Wir werden erneut Gelegenheit haben, nationale Erfahrungen auszutauschen, die wirtschaftlichen Prioritäten zu überdenken und

...

darauf hinzuarbeiten, daß sich die Wirtschafts- und Währungspolitik unserer Länder bei Verfolgung der gemeinsamen Ziele noch wirksamer ergänzt.

Viel ist schon erreicht. In den Industrieländern hält die wirtschaftliche Erholung im dritten Jahr an; die Inflation ist die niedrigste seit einem Jahrzehnt; der strukturelle Anpassungsprozeß ist vorangekommen. Der Fortschritt vieler Entwicklungsländer bei der Wiederherstellung finanzieller Stabilität und neuer wirtschaftlicher Dynamik ist unübersehbar. Es ist die gemeinsame Aufgabe unserer Länder, wie auch unserer Partner in den Industrieländern und in der Dritten Welt, auf dem Erreichten aufzubauen und die weltwirtschaftliche Erholung in verstärktes und dauerhaftes Wachstum überzuleiten.

Es bleiben jedoch drängende Probleme und Fragen. Wir schulden unseren Bürgern klare, überzeugende Antworten. Wir können sie nur geben, wenn wir alle die Verantwortung für die in unseren Ländern begründeten Probleme akzeptieren.

Zentrale Sorge, besonders in Europa, ist die anhaltend hohe Arbeitslosigkeit. Nur durch eine längere Phase verstärkten Wachstums auf stabiler Grundlage ist eine fühlbare Besserung möglich. Die Rahmenbedingungen hierfür und zugleich für mehr Beschäftigung innerhalb des erreichbaren Wachstums zu gewährleisten, ist eine vorrangige Aufgabe. Notwendig scheinen mir vor allem eine Ermutigung neuer unternehmerischer Initiativen sowie Erleichterungen für mehr Flexibilität und Mobilität am Arbeitsmarkt zu sein. Die Erfahrungen der Vereinigten Staaten und Japans bei der Sicherung und Steigerung der Beschäftigung können - trotz der unterschiedlichen Ausgangsbedingungen in den einzelnen Volkswirtschaften - auch für andere Länder aufschlußreich sein.

...

International wächst die Sorge über die ungleichgewichtige Entwicklung der Leistungsbilanzen, insbesondere zwischen den Vereinigten Staaten und Japan, über die zeitweise erratische Entwicklung der Wechselkurse und die in einer Reihe von Ländern noch ungelösten Haushaltsprobleme. Unser Treffen gibt die Gelegenheit, unsere Einschätzung dieser Probleme und die notwendigen Folgerungen für unsere Wirtschafts- und Finanzpolitik zu erörtern.

Die Länder der Dritten Welt erwarten, daß wir unsere Bereitschaft zum Dialog bekräftigen und unseren Willen bestätigen, die unerläßlichen Eigenanstrengungen dieser Länder im Geiste wirklicher Partnerschaft und Interdependenz zu unterstützen. Deshalb scheinen mir die von uns bereits in London angeregten Beratungen der zuständigen Ausschüsse des Internationalen Währungsfonds und der Weltbank, die Mitte April in Washington stattfinden, von besonderer Bedeutung zu sein.

Trotz wirtschaftlicher Erholung hält der protektionistische Druck in der Weltwirtschaft an. Das System des multilateralen freien Welthandels, eines Eckpfeilers des wirtschaftlichen Aufschwungs der letzten Jahrzehnte, ist gefährdet. Die Glaubwürdigkeit früherer Bekenntnisse unserer Regierungen zum freien Handel steht auf dem Spiel. Die Öffentlichkeit blickt auf unsere Länder, damit sie sich ihrer Verantwortung als große Handelsnationen stellen und den Weg für konkrete, substantielle Liberalisierungsfortschritte ebnen.

Eine der großen Aufgaben unserer Zeit ist der Schutz der natürlichen Umwelt, der unentbehrlichen Grundlage dauerhaften wirtschaftlichen Wohlstands. Die Sorge über die wachsenden Umweltschäden nimmt zu. Trotz der verständlichen Unterschiede ist die Einsicht in die Notwendigkeit systematischen und vorbeugenden Handelns generell gewachsen. Ein klares Bekenntnis zu der

...

zentralen Rolle der Umwelt in unserer nationalen und internationalen Politik und zur Zusammenarbeit würde einen wichtigen Anstoß zu weiteren und möglichst konkreten Fortschritten geben.

Unsere Persönlichen Beauftragten bereiten gegenwärtig ein thematisches Papier zu den dargelegten Themen vor. Die endgültige Fassung dieser Ausarbeitung wird rechtzeitig für unsere Beratungen in Bonn vorliegen.

Wie bei früheren Gipfeltreffen werden wir auch in Bonn Gelegenheit zu einem Meinungsaustausch über politische Themen haben.

Ich halte es für wichtig, daß wir den informellen Charakter unserer Zusammenkunft bewahren und alles tun, um zu einem persönlichen, vertrauensvollen Meinungsaustausch zu gelangen.

Mit freundlichen Grüßen

Schreiben

von Herrn Helmut Kohl, Bundeskanzler der Bundesrepublik Deutschland

an Ihre Exzellenz, Frau Margaret Thatcher, Premierministerin des Vereinigten Königreichs von Grossbritannien und Nordirland

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Unsere persönlichen Beauftragten bereiten gegenwärtig ein thematisches Papier zu den dargelegten Themen vor. Die endgültige Fassung dieser Ausarbeitung wird rechtzeitig für unsere Beratungen in Bonn vorliegen.

Wie bei früheren Gipfeltreffen werden wir auch in Bonn Gelegenheit zu einem Meinungsaustausch über politische Themen haben.

Ich halte es für wichtig, dass wir den informellen Charakter unserer Zusammenkunft bewahren und alles tun, um zu einem persönlichen, vertrauensvollen Meinungsaustausch zu gelangen.

Mit freundlichen Grüssen

Helmut Kohl
Bundeskanzler der Bundesrepublik Deutschland

Foreign and Commonwealth Office

London SW1A 2AH

3 April, 1985

Dear Charles,

Possible Meeting between Prime Minister and President Mitterrand during the Bonn Economic Summit

We have been asked by the French Embassy for confirmation from this end of information they have apparently had in Paris to the effect that a meeting has been arranged between the Prime Minister and President Mitterrand from 1745 to 1830 hours on Thursday 2 May, at Ernich, where Mitterrand will be staying. The French view apparently is that a helicopter would then take the Prime Minister straight to the Augustusberg castle, where Kohl is to give a reception.

I should be grateful for any light you can shed on this.

Yours ever,

Colin Budd

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street

CONFIDENTIAL

10 DOWNING STREET

From the Private Secretary

SIR ROBERT ARMSTRONG

BONN ECONOMIC SUMMIT

The Prime Minister has read with interest the report in your minute of 28 March of the recent meeting of Personal Representatives.

On the point raised in paragraph 13 about the final press conference, the Prime Minister has commented that the idea of short supplementary statements by other Heads of State or Government in addition to the main statement by the Federal German Chancellor rather falls between two stools. Her preference would be to stick to a single statement by the Chancellor.

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

(CHARLES POWELL)

1 April 1985

CONFIDENTIAL

Prime Minister
Problems over the timing of a new GATT round, which will have to be resolved at the Summit itself. Are you content with RTA's proposal in para. 13? I doubt whether you could hold your colleagues to 2 minutes.

Ref. A085/961

MR POWELL

Bonn Economic Summit

Thank you for your minute of 22 March.

2. The meeting of Personal Representatives took place over the weekend. We went through the German draft of the thematic paper in detail, and in the course of discussions the British representatives were able to make the points covered by my minute of 20 March and the Prime Minister's comments in your minute of 22 March.

3. The discussion of the sections of the thematic paper dealing with the macro-economic background and the position of the industrial countries proceeded relatively smoothly. Various references to high fiscal deficits were made acceptable to the Americans by accompanying them with references to high public spending which carried the implication that it was excessive public spending that needed to be brought down, and that a consequent reduction in the level of the fiscal deficit would be a welcome result of the reduction in public spending.

4. The paper included, in paragraphs 14 and 23, sentences which drew attention to the need for the Japanese to go further in facilitating access for imports to Japanese markets and "to move beyond mere market opening to a policy of active import promotion". The Japanese Personal Representatives were not willing to accept these words, and a good deal of time was spent in pressing them to accept a commitment to a more positive encouragement of imports. In the end they accepted (for paragraph 14) wording which read: "there should be scope for Japan to go further in facilitating access to its markets and to

BESAAH

move beyond mere market opening to a policy of actively encouraging an increase in imports". Similar wording (with the reference to Japan thinly veiled) was accepted for paragraph 23.

5. There remained a major disagreement between the United States, Canada and Japan on the one hand and the European Community on the other on the question of the next trade round. The United States continue to want a Summit commitment to launching the new trade round in 1986. The representatives of the Commission were bound by the text of the declaration of the Foreign Affairs Council last week. This was helpful, in so far as it confirmed the Community's readiness to participate in a new round and proposed an ad hoc meeting in the coming months to intensify consultations about a new round with the objective of securing a broad consensus on subject matter and participation at the earliest possible date; but it contained no commitment on the date of launching the new round, and it contained what the Americans regarded as an unhelpful statement on the necessity to reaffirm the existing commitments on "standstill" and "rollback", and to seek results in parallel in the functioning of the international monetary system and in the flow of resources to developing countries.

6. This disagreement could not be resolved at the meeting of Personal Representatives. The United States, Canadian and Japanese representatives restated the case for setting a date; the French sheltered behind the Community position; the Italians positively affirmed the wisdom of the Community's position; and we said that, while we were of course committed to the European Community's declaration, we wanted to see a new round launched as soon as possible, as the Prime Minister had made clear in her speech to the Congress in Washington, and hoped that the new round would in fact be launched in 1986. The German Personal Representative judged that there was no possibility of reaching agreement at this meeting, and further discussion was adjourned until the next and final meeting of Personal Representatives next

BESAAH

month. There will be other opportunities to pursue the issue - eg at the OECD Ministerial meeting on 11-12 April - and there are some signs that opinion in the Community is beginning to move in the right direction. But my French colleague indicated privately that the matter was reserved for his President. I therefore judge that this may in fact prove to be something which can be resolved only by Heads of State or Government at the Summit itself.

7. On energy, the United States pressed for a brief reference in the thematic paper, stressing the need to guard against complacency and encouraging co-ordination in the event of a supply disruption. We and others said that we should prefer to have no reference, and doubted the wisdom of warnings against complacency, which could have a destabilising effect in the markets. The reference will remain in the text to the next stage, when we shall make another attempt to get it out.

8. There was no discussion on the environment, since the German Personal Representative did not like any of the texts that his own colleagues had produced. He will prepare a further text for the next stage.

9. It was agreed that the two reports of the Working Group on Technology, Growth and Employment (TGE) should be published before the Summit. It was also agreed that:

1. the TGE Working Group should be asked to report to Personal Representatives in time for their first meeting in 1986 how the projects which had been started on the Working Group's initiative could (so far as they were not completed) be transferred to other organisations, with the clear implication that the Working Group would cease to exist once it had prepared this final report;

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2. the Study Group on environmental measurement should be asked to submit its report to Personal Representatives in time for their first meeting in 1986, again with the clear implication that, once the Study Group had reported, it would be wound up.

10. The French insisted that the reference in the thematic paper to the acceptance by the European Space Agency (ESA), Canada and Japan of the President's invitation to participate in the United States manned space station programme should be balanced by a reference to the Council of ESA's decision on the preparation of "a comprehensive autonomous European capability" for manned space transportation.

11. On terrorism, there was general agreement that the Summit should discuss the problem of international terrorism. The French, however, dissociated themselves from the proceedings and conclusions of a meeting of "experts" from Ministers of the Interior on the subject, which they had refused to attend because of their absolute unwillingness to contemplate any institutionalisation of the Summit Seven in this field (or in others). There was no discussion of any possible texts on terrorism, though the German Personal Representative said that the Federal Chancellor would still like to keep the number of declarations down to two: the political declaration and the main economic declaration. I said that the United Kingdom would sympathise with that objective, and I suggested both at this meeting and at subsequent meetings in Bonn that, rather than have a formal declaration, we might think in terms of a short oral statement to the press by the Federal Chancellor, as Chairman of the Summit meeting, to the effect that Heads of State or Government had discussed recent developments in the field of terrorism and had decided to intensify the exchange of information about and analysis of terrorist threats. This suggestion met with a good deal of support, from the Germans and the Americans as well as from others.

12. On the political declaration the German Personal Representative said that a draft would be the subject of a first round of bilateral consultation; a second draft, revised in the light of that consultation, would be circulated for consideration by Personal Representatives at their next and final meeting next month.

13. In general the arrangements for the Summit seem to be very well in hand, and are being carried out with characteristic German thoroughness and attention to detail. But the German Personal Representative raised one question about the final press conference. He said that the Federal Chancellor felt that it was not very satisfactory or dignified that the Chairman read the text of the economic declaration and the seven other Heads of State or Government just sat there in silence. The Federal Chancellor was therefore minded to suggest that, once he had read the declaration, that should be followed by a short supplementary statement (say, 2-2½ minutes) by each of the other Heads of State or Government. Each statement might take the form of an answer to a question to be asked by a journalist from the national press of the Head of State or Government concerned; the journalist to be given this privilege might be chosen by lot. I said that I doubted whether the latter arrangement would be satisfactory: any arrangement for choosing a single questioner would be invidious, and journalists could be tempted to use the opportunity to expose and exploit divisions of view among the Heads of State or Government. I thought that there was not the same objection to a series of short supplementary statements, not in response to questions, by Heads of State or Government, and that the Prime Minsiter might well be content to go along witht that. This position was endorsed by other Personal Representatives, and the German Personal Representative will be reporting to the Federal Chancellor accordingly.

BESAAH

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

Approved by
ROBERT ARMSTRONG
and signed in his absence.

28 March 1985

BESAAH

File

DG2AFY

cc: CO
FCO
MOD

10 DOWNING STREET

From the Private Secretary

28 March 1985

With your letter of 19 March you sent Robin Butler the draft of a political declaration to be made from the Economic Summit on the 40th anniversary of the end of the Second World War.

We showed your draft to the Prime Minister. She has asked me to let you know that in general she thinks that the draft is on the right lines, and covers all the themes that ought to feature in such a declaration. She feels, however, that it is somewhat on the long side, and perhaps a little repetitive. Tone in such a draft is of course very much a matter of taste, but for her taste the draft would gain in impact if it were a little more measured.

As you will see the Prime Minister suggests that the aspiration for German unification be dealt with by implication in the fourth paragraph of the draft.

With these considerations in mind, and with a number of detailed amendments in wording which she would like to accommodate, the Prime Minister has approved a revised version of the draft declaration, a copy of which I enclose herewith. She hopes that this may be of use to the Federal Chancellor in the next stage of the drafting.

The Prime Minister understands from her Personal Representative that the Chancellor intends the next version of the draft to be circulated for consideration at the next meeting of Personal Representatives. It would be very helpful if the revised draft could be available in capitals in advance of the meeting, so that she can give her instructions and express her views to her Personal Representative for the meeting.

Charles Powell

Herr Horst Teltschik

DG2AFZ

DRAFT

POLITICAL DECLARATION

ON THE 40th ANNIVERSARY OF THE END OF THE SECOND WORLD WAR

The Heads of State or Government of Canada, the French Republic, the Federal Republic of Germany, the Republic of Italy, Japan, the United Kingdom and the United States, meeting together in Bonn on the eve of the fortieth anniversary of the end of the Second World War, remember in grief all those who lost their lives in that time, whether by acts of war or as victims of inhumanity, repression and tyranny. We acknowledge the duty we owe to their memories, and to all those who follow after them, to uphold peace, freedom and justice in our countries and in the world.

The end of that war was the basis for a new beginning. We have learned the lessons of history. As the sounds of battle ceased, and as all tackled the tasks of physical reconstruction and moral and spiritual renewal, the victors extended hands of reconciliation and support to the vanquished. Today, linked in a peaceful, secure and lasting friendship, we share in all our seven countries a commitment to freedom and to democratic rights and principles. We are proud that the Governments of our countries owe their legitimacy to the will of our peoples expressed in free elections. We are proud that our people are free to say and write what they will, to practise the religions they profess, and to travel where they will. We are committed to assuring the maintenance of societies in which individual initiative and enterprise may flourish and the ideas of social justice, obligations and rights may be pursued.

We recognise that we can secure those aims, and meet both the opportunities and the challenges presented by technological and industrial change, more effectively in partnership than on our own. In Europe a community of like-minded nations, committed to freedom with responsibility and enterprise, is growing in number, strength and prosperity.

The nations of the Pacific region are drawing ever closer together. The partnership of North America, Europe and Japan is a guarantee of peace and stability in the world.

Other nations that shared with ours in the sacrifices of the Second World War are divided from us by fundamental differences of political systems. We deplore the divisions in Europe that are the consequence of those differences and, in our commitment to the ideals of peace and freedom, we seek by peaceful means to lower the barriers that have arisen between and within the peoples of Europe.

According to the Charter of the United Nations, of which they as well as we are members, all countries have a joint responsibility to maintain international peace and security. We welcome dialogue and seek understanding across the barriers that divide us. We are committed to the search for balanced and verifiable agreements on arms reductions and disarmament, in the fields of strategic nuclear weapons and intermediate-range nuclear forces, with regard to outer space, in chemical weapons and in conventional forces. Our goal is peace, with the minimum of armaments required to assure security. We seek a stable balance at the lowest possible levels of forces.

We shall continue to seek to work with the developing countries, so as to help them to fight hunger and disease, to build free and prosperous societies, and to take their part in the community of nations committed to peace and freedom.

So, as we look back to the sacrifices of the Second World War, we dedicate ourselves and our countries anew to the creation of a world in which all peoples enjoy the blessings of peace, of justice, and of freedom from oppression, want and fear; a world in which individuals are able to fulfil their responsibilities for themselves, to their families and to their communities; a world in which all nations, large and small, combine to work together for a better future for all mankind.

CONFIDENTIAL

DA

(14)

10 DOWNING STREET

From the Private Secretary

SIR ROBERT ARMSTRONG
CABINET OFFICE

Bonn Economic Summit

Your minute of 20 March about the meeting of Personal Representatives next weekend to prepare for the Bonn Economic Summit enclosed a German draft of the thematic paper for the Economic Summit.

The Prime Minister has considered your minute and the draft and is broadly content subject to a number of comments.

Taking the points in paragraph 6 of your minute seriatim:

(a) Yes.

(b) The Prime Minister would be content with the phrase which you propose.

(c) The Prime Minister agrees that we should not be too modest about our record of growth.

(d) While the Prime Minister is generally content with the conclusions in paragraph 16 she does not like 16.3. She has commented that Government can only create the framework for industry to respond. The first sentence of 16.3 will therefore need to be modified.

(e) The Prime Minister agrees with the rewording you have suggested and also that the reference to Africa needs to be shortened. She agrees with the Americans that the suggestion that the Summit endorses a general increase of the World Bank's capital should be omitted.

(f) The Prime Minister hopes that we shall indeed take a more positive line than suggested by the official Community position.

(g) Yes.

(h) The Prime Minister agrees that no reference to energy is needed this time.

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DSG

(i) The Prime Minister agrees with the aim of a shorter text.

The Prime Minister was pleased to see that we are ready to take the initiative in proposing discussion of terrorism at the Summit.

I have sent you separately the German draft declaration on the 40th Anniversary of the end of the Second World War.

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 the Environment.

(Charles Powell)

22 March 1985

Ref. A085/922

MR POWELL

Prime Minister

Agree our revised draft Declaration as at A? Ken will want to look closely at the end of paragraph 5. CDP 27/3

With you minute of 21 March you enclosed a copy of a letter from Horst Teltschik with a draft declaration by the Economic Summit on the 40th anniversary of the end of the Second World War.

2. At the meeting of Personal Representatives over the weekend it was explained that the Federal Chancellor had decided to seek the comments of his partners bilaterally on the first draft. Herr Teltschik's letter is clearly a part of that process. We were told that the draft would be recast in the light of the bilteral comments and a revised version would be prepared for consideration by Personal Representatives at their next and final meeting on 19 to 21 April.

3. I subsequently had an opportunity of discussing the draft with Minister Schäuble in the Federal Chancellery on the afternoon of Monday 25 March. It was clear from his comments that although he knew about the exercise, he was not familiar with the draft; and that at this stage the draft was still very much the work of Herr Teltschik rather than of the Federal Chancellor. Herr Schäuble commented that it was a bit too long, rather repetitive and a bit too lyrical.

4. Nonetheless, Herr Teltshick's draft presents no problems of substance. It covers all the themes that ought to be covered in such a declaration. Herr Schäuble said that the Federal Chancellor would attach particular importance to the theme of having learnt the lessons of history, and to the references to the division of Europe and of Germany. The draft rightly includes references to the European Community and relations with

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the developing countries. It also talks about the need for dialogue with the Soviet Union and Eastern European countries, and about support for arms control and disarmament.

5. Some of the language in the German draft would present us with some problems. For instance, in the second paragraph the reference to "victims of obsessive racism" and "victims of expulsion" could be difficult. It is clearly very important to get right the references to arms control and disarmament and to the division of Europe. There is a particular problem about the reference to "social justice" in the fifth paragraph of the draft. The Prime Minister will remember that a similar phrase gave us some difficulty when we were preparing last year's declaration on democratic values. No doubt other countries will want a reference on this in this document. We could deal with the problem by repeating the phrase "social justice, obligations and rights" which was used in the London declaration.

6. In consultation with the Foreign and Commonwealth Office I have recast the draft declaration, so as to shorten it, to make it a little less "lyrical", and to make a number of detailed amendments in the drafting and presentation. The revised draft has been approved by the Foreign and Commonwealth Secretary.

7. I submit the draft for the Prime Minister's approval herewith, together with the draft covering letter for you to send to Herr Teltschik.

RCA

ROBERT ARMSTRONG

27 March 1985

BESAAG

DRAFT LETTER FROM MR POWELL TO HERR HORST TELTSCHIK, MINISTERIALDIRECTOR, BUNDESKANZLERAMT

With your letter of 19 March you sent Robin Butler the draft of a political declaration to be made from the Economic Summit on the 40th anniversary of the end of the Second World War.

We showed your draft to the Prime Minister. She has asked me to let you know that in general she feels that the draft is very much on the right lines, and covers all the themes that ought to feature in such a declaration. She felt, however, that the draft was somewhat on the long side, and perhaps a little repetitive. Tone in such a draft is of course very much a matter of taste, but for her taste the draft would gain in impact if it were a little more sober? and measured.

With this in mind, and with a number of detailed amendments in wording which she would like to accommodate, the Prime Minister has approved a revised version of the draft declaration, a copy of which I enclose herewith. She hopes that this may be of use to the Federal Chancellor in the next stage of the drafting.

She understands from her Personal Representative that the Chancellor intends the next version of the draft to be circulated for consideration at the next meeting of Personal Representatives. It would be very helpful if the revised draft could be available in capitals in advance of the meeting, so that she can give her instructions and express her views to her Personal Representative for the meeting.

DRAFT POLITICAL DECLARATION

The Heads of State or Government of Canada, the French Republic, the Federal Republic of Germany, the Republic of Italy, Japan, the United Kingdom and the United States, meeting together in Bonn on the eve of the fortieth anniversary of the end of the Second World War, remember in grief all those who lost their lives in that time, whether by acts of war or as victims of inhumanity, repression and tyranny. We acknowledge the duty we owe to their memories, and to all those who follow after them, to uphold peace, freedom and justice in our countries and in the world.

2. The end of that war was the basis for a new beginning. We have learned the lessons of history. As the sounds of battle ceased, and as all tackled the tasks of physical reconstruction and moral and spiritual renewal, the victors extended hands of reconciliation and support to the vanquished. Today, linked in a peaceful, secure and lasting friendship, we share in all our seven countries a commitment to freedom and to democratic rights and principles. We are proud that the Governments of our countries owe their legitimacy to the will of

our peoples expressed in free elections. We are proud that our people are free to say and write what they will, to practise the religions they profess, and to travel where they will. We are committed to assuring the maintenance of societies in which individual initiative and enterprise may flourish and the ideas of social justice, obligations and rights may be pursued.

3. We recognise that we can secure those aims, and meet both the opportunities and the challenges presented by technological and industrial change, more effectively in partnership than on our own. In Europe a community of like-minded nations, committed to freedom with responsibility and enterprise, is growing in number, strength and prosperity. The nations of the Pacific region are drawing ever closer together. The partnership of North America, Europe and Japan is a guarantee of peace and stability in the world.

4. Other nations that shared with ours in the sacrifices of the Second World War are divided from us by fundamental differences of political systems. According to the Charter of the United Nations, of which they as well as we are members, all countries

have a joint responsibility to maintain international peace and security. We welcome dialogue and seek understanding across the barriers that divide us. We are committed to the search for balanced and verifiable agreements on arms reductions and disarmament, in the fields of strategic nuclear weapons and intermediate-range nuclear forces, with regard to outer space, in chemical weapons and in conventional forces. Our goal is peace, with the minimum of armaments required to assure security. We seek a stable balance at the lowest possible levels of forces.

5. We deplore the divisions of Europe and of Germany that are the consequences of these fundamental differences of political systems. In our commitment to the ideals of peace and freedom, we seek by peaceful means to lower the barriers between Western and Eastern Europe, and we look forward to the establishment of an international comity in which the German nation, exercising free self-determination, need no longer be divided against its will.

6. We shall continue to seek to work with the developing countries, so as to help them to fight

hunger and disease, to build free and prosperous societies, and to take their part in the community of nations commited to peace and freedom.

7. So, as we look back to the sacrifices of the Second World War, we dedicate ourselves and our countries anew to the creation of a world in which all peoples enjoy the blessings of peace, of justice, and of freedom from oppression, want and fear; a world in which individuals are able to fulfil their responsibilities for themselves, to their families and to their communities; a world in which all nations, large and small, combine to work together for a better future for all mankind.

Econ Pol: Bonn Econ Summit Pt 18.

10 DOWNING STREET

From the Private Secretary

SIR ROBERT ARMSTRONG

BONN ECONOMIC SUMMIT: DECLARATION ON THE 40TH ANNIVERSARY OF THE END OF THE SECOND WORLD WAR

I enclose a copy of a letter from Horst Teltschik which in turn encloses a draft declaration by the Economic Summit on the 40th Anniversary of the end of the Second World War. It asks for the Prime Minister's comments by the end of March.

I am not quite clear why this particular exercise is being handled outside the normal Personal Representatives' channel. I should be grateful for advice on how we should reply.

I am copying this minute and enclosure to Len Appleyard (FCO) and Richard Mottram (MOD).

C D POWELL

21 March 1985

CONFIDENTIAL

(1)

Prime Minister
These are the proposed instructions for the Sherpas' meeting this week-end. They seem generally sensible. Agree?
CDP 21/3

Ref.A085/853

MR POWELL

Bonn Economic Summit

The next meeting of Personal Representatives to prepare for the Bonn Economic Summit is due to take place this weekend, 23 to 25 March. I shall be accompanied to this meeting by Mr J G Littler (Treasury) and Mr R G Braithwaite (FCO).

2. The main subject for discussion will be a German draft of the thematic paper for the Economic Summit. I attach the draft herewith.

3. The draft is intended to serve two purposes:

(1) to indicate the main themes which will be for discussion among Heads of State of Government at the Summit.

(2) to suggest, in words which could eventually find their way into the final communiqué, the conclusions which might flow from the Summit discussions.

4. The Germans have produced a very thorough and workmanlike paper, and there is very little in it which presents us with problems of substance, though we shall want to make drafting suggestions, particularly where the conclusions are concerned.

5. In this draft individual countries are named in the discussion of themes, but not in the suggested conclusions. That is consistent with the practice at previous Summits, which

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should presumably continue with this one, that in the final communiqué individual countries are not identified for criticism - or indeed for praise.

6. The following main points will arise for us in the discussions this weekend (the references are to paragraphs in the draft thematic paper):

(a) Paragraph 2.2. It is perhaps something of an exaggeration to say that unemployment is still a serious problem "virtually everywhere": among Summit countries it is above all a European problem, and it is less serious in the United States, Canada or Japan.

(b) Paragraph 3.5 still contains the phrase to which the Prime Minister objected: "to strengthen the integration of developing countries into the world economic and financial system". We shall press for some more meaningful phrase, such as: "to support the efforts of developing countries to take their place in the world economic and financial system".

Agree? Yes

(c) In paragraph 4, and to some extent elsewhere, the paper seems to us to be a little too low key about recovery in Europe. Certainly for us and for the Germans, we can look back to four or five years of steady and sustained growth. We should not be too modest.

Agree? Yes

(d) The Prime Minister may wish to look particularly at the suggested conclusions in paragraph 16. They seem to us to be broadly acceptable. Don't like T6.3. Govt can only make framework for industry to respond

Agree?

(e) Paragraphs 19 and 20 suggest conclusions on the developing countries. In paragraph 19.3, we shall have to press for an amendment to the opening phrase, so that it reads: " reaffirm their will to maintain, and increase

Agree?

wherever possible, flows of official development assistance". This section also includes, in paragraph 19.5 a suggestion that the Summit endorses a general increase of the World Bank's capital. We shall have to see how the Americans react to this phrase: they may well wish to take it out. If they do, we need not press for its inclusion. Otherwise there is nothing to which we need object in paragraphs 19 and 20, though much will depend on the outcome of the April meetings of the Interim and Development Committees in Washington. We shall have the chance to look at this wording again in the light of those committees. I would hope that it might be possible to shorten the reference to Africa. But I suspect that the Federal Chancellor may want to keep a reasonably extended passage on this subject.

(f) In the discussion of trade policies (paragraph 21-23) we shall, as members of the Community, be a little inhibited by the decision taken in the Community over the last couple of days. In particular, in the Community discussion the Germans moved back towards the French position, and the Community is not now supporting the proposal to set 1986 as a definite date for the beginning of the new trade round. In a private discussion, such as the one Personal Representatives will be having this weekend, the British Representatives can afford to make it clear that for our part we could accept and indeed welcome a decision to set a definite date for 1986. This may help to screw up the courage of some other members of the Community, notably the Germans, who appear to be backsliding.

(g) The last six lines of paragraph 23.1 contain the suggestion that Summit countries could note the need to move beyond mere market opening to a policy of active

import promotion. This, of course, is a coded reference to Japan. We shall need to press for changes in drafting which make it clear that this is not of general application to all Summit countries.

(h) Paragraph 24 suggests some conclusions on energy, I propose to suggest that we do not need a specific reference to energy at the Summit this year, on present form; but, if other countries want it, something on the lines of this text (subject to one or two drafting amendments) would be acceptable.

Agree?

Yes MF

(i) Environmental Policies. The text offered by the Germans is thought likely to be reasonably unobjectionable in substance but too long in relation to the rest of the material. We shall have a shorter text to propose.

7. If the Americans do not beat us to it, we shall suggest that there should be a discussion at the Summit on terrorism; it should certainly be on the agenda. There will be papers to analyse and proposals for measures which have been discussed at meetings of representatives of Ministries of the Interior (except for France); there may also be proposed language for the draft declaration. If there is, we shall look at it with open minds, but starting from the position that it may be better to have no declaration than one which consists merely of generalities. The difficulty here is that it is usually impossible, for obvious reasons, to say anything in public about specific measures.

8. It is unlikely that there will be much discussion of political matters at this meeting. There will not be a draft political declaration to consider until next month, when

political directors are due to meet to propose a political agenda for the Economic Summit, and the Germans are expected to submit a draft political declaration for discussion by Personal Representatives.

9. 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 the Environment.

for ROBERT ARMSTRONG

20 March 1985

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CC P/3

11 March 1985

Bonn Economic Summit, 2-4 May 1985
Thematic Paper

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A. World economic background

1. Overall, the world economy is in better shape than it has been for a considerable time. However, the progress achieved differs markedly among individual countries. Moreover, major economic and financial imbalances persist and may even be gaining ground. If they are left untended, the recovery could be in jeopardy and the efficient functioning of the world trade and monetary system could be at risk.

2. The main features of the world economic picture can be summarised as follows:

   2.1 - In the industrial countries, the recovery is in its third year. It has been exceptionally strong in the United States; the currently more moderate pace of activity in the United States should improve the prospects that the recovery will last. In Japan, where activity has been better maintained over recent years than in most other countries, output growth is expected to remain fairly strong, based increasingly on domestic sources of demand. There is continuing growth in Canada and steady progress in Europe, although, in Europe at a markedly slower pace than in Japan.

   2.2 - Although unemployment is still a serious problem virtually everywhere, the situation differs markedly among individual countries. In the United States, the recovery has been associated with a strong growth of employment and a reduction in unemployment. In Canada, too, employment has risen appreciably; unemployment has declined though to a lesser extent than in the United States. Japan has been successful in holding down unemployment to fairly low levels. In Europe, unemployment, despite recovery, has continued to rise. It is not only the level of unemployment but also its nature that gives

cause for concern. It has particularly affected the young, and long-term unemployment has increased.

2.3 - The recovery has been accompanied by a widespread and marked decline in inflation, in contrast to earlier expansion periods. In the OECD area, inflation is lower than it has been for over a decade. However, there is a continuing need to bring inflation down further, particularly in countries where inflation performance remains seriously out of line. The fall in inflation over recent years has not been matched by a parallel fall in interest rates which remain unusually high.

2.4 - Progress is more uneven in the area of fiscal policy. In some countries, large or even growing budget deficits persist, posing long-term threats to sustainable growth.

2.5 - The configuration of current accounts of major countries has become increasingly unbalanced. The exchange rate of the U.S. dollar has risen to a level hardly compatible with a pattern of current payments that would be sustainable or desirable.

2.6 - The expansion of demand in the industrial countries and the revival of world trade have made a material contribution to the efforts of the developing countries to restore their growth momentum. As a group, developing countries, too, are again engaged on a course of recovery. Averages, of course, disguise the extremely serious economic and financial difficulties which many of them still face. The relatively weak performance of commodity prices has complicated the situation for many developing countries. Nonetheless, in collaboration with the IMF, a number of developing countries

have achieved considerable adjustment. This has enabled them to participate in and to contribute to the world economic recovery.

2.7 - Despite recovery, protectionism keeps rising, distorting world trade, retarding adjustment and impeding investment.

B. Implications for themes and possible conclusions at Bonn Summit: Overview

3. The main tasks are now:

3.1 - to build on the progress achieved in lowering inflation, restoring growth and dealing with the problems of international indebtedness; to work, individually and jointly, to sustain the recovery, to enhance its momentum; and to work to ensure that it is more broadly shared both by industrial and developing countries;

3.2 - to meet the fundamental policy challenges posed by the persistence, despite recovery, of high unemployment which remains an overriding concern in most countries, particularly in Europe; to enhance the employment opportunities especially for the young; toward this end to raise the potential and actual level of sustainable growth; moreover, to take the action needed over a broad range of policies in order to encourage the efficient functioning of labour markets; to improve the educational and training systems in order to create the skills needed in a changing economy;

3.3 - to remove the rigidities which still pervade most economies, retarding the expansion of output and the balanced expansion of world trade; to actively exploit

the opportunities provided by technological innovation; to encourage the mobilisation and the efficient use of savings for productive job-creating investment; to stress the need for continuing and, where necessary, enhanced fiscal discipline; to foster a new spirit of enterprise and strengthen the willingness to achieve and to take risks;

3.4 - to restore greater stability to the world monetary system; towards this end, to strengthen the underlying conditions necessary for convergence towards non-inflationary, steady growth and a more balanced pattern of current accounts and exchange rates;

3.5 - to recognise the rising level and increasing range of interdependence of developing and industrial countries; to strengthen the integration of developing countries into the world economic and financial system; in particular, to work with African countries to help them cope with the pressing problems of famine and poverty; and, in addition, to support the efforts of African countries to develop their considerable long-term economic potential, to achieve greater economic self-reliance and sustained development;

3.6 - to take concrete and credible action to reinforce the multilateral system of free trade whose continuing erosion constitutes a major potential danger to the recovery; to achieve decisive progress towards a new round of multilateral trade negotiations that will yield substantive results, based on a genuine balance of interests of industrial and developing countries;

3.7 - Moreover, the need to protect the environmental resources which underpin economic growth has come to the forefront of attention. The Summit could stress that economic growth and environmental improvement are necessary, reconcilable and mutually supportive goals; that environmental concerns need to be given a central place in national and international policies.

C. Industrial countries

I. Background

a. Growth and employment

4. Despite the progress made in curbing inflation, in strengthening budgetary policies and, to a lesser extent, in enhancing the flexibility of markets, the recovery in Europe is still relatively modest. Overall, it has so far been insufficient to keep unemployment from rising.

5. The long-term employment performance of Europe has markedly lagged behind that of the United States or Japan. From 1973 to 1983, about 16 million new jobs were created in the United States and almost 5 million in Japan while 1.6 million were lost in the EEC (Table).

6. Thus, the priority task for European countries - as for many other countries - is to foster more vigorous job-creating growth, in particular to strengthen the momentum of internally

generated growth in order to compensate for a potentially weaker stimulus from abroad.

7. This requires consistent implementation of the broad strategy outlined above. Key components include further measures to strengthen the adaptability of the economies and to promote research and technological innovation. In addition, in the EEC, more progress is needed in creating open competitive markets for all goods, services and professions. At the same time, the gains on inflation and the achievements in the area of fiscal policy need to be consolidated and extended.

8. Furthermore, efforts are required in a number of directions to raise not only the level of growth but also the positive impact of growth on employment. In the latter respect, too, the long-term performance of the economy of the United States has been superior to that of the EEC. From 1973 to 1983, annual average growth in the United States (2.2 %) was broadly of the same order of magnitude as in the EEC (1.7 %) - Table -. Nonetheless, as noted above, employment rose markedly in the United States while it shrank in Europe. These differing employment trends result from the interplay of complex economic and institutional factors. Possible explanations could include, inter alia,

   8.1 - an apparently closer correlation of wage- and non-wage labour costs, in the United States, to the performance and profitability of individual sectors and businesses rather than to overall economic data;

8.2 - a relatively strong rise, in Europe, of wage- and non-wage labour costs which may have accelerated the substitution of capital for labour;

8.3 - a wide range of regulations and practices in Europe - concerning, for instance, wage indexation as well as the conditions for recruitment and dismissal - which appear to have reduced labour mobility and discouraged new hirings.

9. Over the last few years, the need to establish a framework more favourable to the creation of jobs has been increasingly recognised in the EEC. The rise in nominal and real labour costs in the EEC has decelerated since 1982. Measures to introduce greater adaptability of labour markets have been introduced through legislation and through collective bargaining. Further efforts are essential. Greater labour market flexibility will benefit employment by raising both the rate of employment creation per unit of economic growth as well as the potential level of job-creating growth itself.

b. Developments in current accounts and exchange rates

10. Over the past few years, the current account of the United States has been moving sharply into deficit ($ 100 billion in 1984; $ 124 billion in 1985; Table). Reflecting the consequent worsening of the net foreign asset position of the United States, the deficit is feeding on itself.

11. In part, the deterioration of the current account reflects the faster pace of growth in the United States compared with the rest of the world. However, the loss of competitiveness resulting from the sharp appreciation of the dollar is

another contributing factor. True, the current account deficit of the United States has provided an important stimulus to world trade. At the same time, it is increasingly becoming a source of protectionist pressures, absorbing scarce foreign savings, thus keeping interest rates abroad higher than they would otherwise be.

12. To a large extent, the strength of the dollar reflects market confidence in the economic and political strength of the United States. However, the high level of interest rates also appears to be a contributing factor. A lasting decline in interest rates - in the context of action to reduce the budgetary deficits - should help to bring the dollar to a level more consistent with a desirable pattern of current accounts. Growing market confidence in the long-term growth prospects of the partner countries of the United States would also work in the direction of more appropriate exchange rate relationships.

13. The rise in the value of the dollar has been accompanied by a large measure of exchange rate volatility. International capital flows which have become a dominant factor behind the movement of exchange rates remain susceptible to potentially sudden shifts in the exchange rate expectations of market participants. Although, so far, the current account deficit of the United States has been willingly financed, it cannot be taken for granted that asset-holders will be willing to accumulate dollar claims, at prevailing exchange rates, for an indefinite period, in particular in circumstances where the budgetary deficit would remain high. A precipitous drop of the dollar rate could be detrimental to the economy of the United States and to the world economy generally. It is a continuing challenge to ensure that the transition to a more stable exchange rate pattern will take place smoothly.

14. Over recent years, Japan has taken substantial measures to open up its markets. Nonetheless, the surplus on the current account of Japan has risen significantly ($ 35 billion in 1984; 39 billion in 1985). This reflects a number of factors, some of which are determined by the economic policies of the trading partner countries of Japan. However, there should be scope for Japan to go further in facilitating access to its markets and to move beyond mere market opening to a policy of active import promotion. At the same time, increased efforts are needed, on the part of foreign competitors, to penetrate Japanese markets.

c. Fiscal imbalances

15. In the United States, the general government budget deficit is still running clearly above the average registered from 1975 to 1982 (Table). The deficit continues to absorb a very large share of net domestic savings. Relative to GNP, budget deficits remain above the average of 1975 to 1982 in Canada, France and Italy as well. Japan and the Federal Republic of Germany have since been able to effect a reduction in their general government budget deficits relative to GNP (Table); but here, as in most other countries, further efforts are needed to bring the deficits down to more sustainable levels. Moreover, in a number of countries, the share of government spending in GNP remains very large (Table).

II. Suggested conclusions

16. The broad outline of possible conclusions has been given above (Point 3). More specifically, Summit countries could

16.1 - reaffirm their commitment to follow prudent and, where necessary, strengthened monetary and fiscal policies conducive to declining inflation, lower interest rates and more satisfactory sustainable growth; stress the need to step up efforts to improve budgetary performance in those countries where the consolidation of public sector budgets is still at an early stage; affirm their will to wind down subsidies and other measures which preserve inefficient economic structures and impede the balanced growth of world trade;

16.2 - agree to review the regulatory framework of labour markets as well as tax, budgetary and other economic policies in order to improve the incentives for the creation of jobs; to adapt regulations which, in effect, are working to the detriment of those they were intended to protect; to maintain and improve, however, appropriate social standards for those unable to help themselves;

16.3 - stress the shared responsibility of governments as well as management and labour for improving the employment situation; recall the need to ensure a cost structure of firms and a differentiation of wages by skills, firms and industries more favourable to the creation of employment as well as a level of wage and non-wage labour costs which reflects the relative scarcity of capital and labour;

16.4 - emphasise the critical role of active surveillance by the IMF over the broad range of members' policies affecting exchange rates and international adjustment; agree to work with other countries and the IMF to further develop the content, procedures and effectiveness of IMF surveillance; reaffirm their commitment to undertake coordinated intervention in the exchange markets as necessary;

16.5 - welcome the progress made by Finance Ministers in their current work on ways to improve the operation of the international monetary system; recall the agreement reached in London to discuss the issues involved at an early meeting of the Interim Committee of the IMF.

D. Developing countries

I. Background

17. The recovery in the industrial countries has spread to the developing world. In the developing countries as a group, growth picked up in 1984, and a further acceleration is expected in 1985 (Table).

18. However, the situation varies widely from country to country:

18.1 - At one end of the spectrum are the poorest countries, among them many African countries whose difficult situation has become a focal point of international debate. Drought and famine, rapid population growth and the legacy of inappropriate policies have aggravated the difficulties of these fragile economies.

18.2 - A further group comprises the more advanced developing economies which have run up extensive debts in the international capital markets. Despite high indebtedness and external shocks, a number of these countries have succeeded in retaining their economic dynamism and protecting their credit standing.

18.3 - Many other countries that are experiencing financial difficulties have made encouraging progress towards regaining financial stability. By sharply reducing their current account deficit, non-oil developing countries as a group have gone far towards reducing the growth of their external debt to more sustainable rates (Table).

Nonetheless, for many countries the return to financial normality may take the remainder of the decade or longer. The transition will not be smooth. It is in the interest of all countries that, in the process, the redemocratisation in Latin America should not be endangered.

II. Suggested conclusions (to be redrafted in the light of the results of the April meetings of the IMF and the World Bank)

19. Summit countries could

19.1 - stress the important stake that the industrial countries have in the success of developing countries in achieving sound growth and in again becoming dynamic partners in world trade;

19.2 - note the progress made by highly indebted countries in restoring economic and financial stability; stress that, in order to solve the difficulties that remain, there is no alternative to the agreed strategy on debt;

19.3 - reaffirm their will to increase, wherever possible, flows of official development assistance, particularly to the poorest countries, and to encourage improved coordination of donor activities;

19.4 - stress the decisive contribution that developing countries themselves will have to make by strengthening the confidence of domestic and foreign lenders, by mobilising domestic savings and encouraging a reversal of previous capital outflows; stress the commitment of Summit countries to support these efforts by policies conducive to sustained growth, lower interest rates and more open markets;

19.5 - affirm their continuing support for the international financial institutions, in particular the IMF and the World Bank; agree to work to ensure that these institutions remain equipped with the necessary resources and instruments; endorse a general increase of the World Bank's capital /to be effected at the appropriate time/; encourage continued efforts to strengthen IMF/World Bank cooperation and to ensure the efficient use of the resources of these institutions;

19.6 - welcome the agreements on longer-term debt restructuring which are being arranged by commercial banks for countries with demonstrable adjustment progress; reaffirm that the Summit countries, as agreed in London, stand ready, where appropriate, to negotiate multi-year debt reschedulings.

20. With regard to African countries, Summit countries could

20.1 - express their deep concern about the critical situation in Sub-Saharan Africa; emphasise that the international community must step up its support for the efforts undertaken by African governments to introduce more rational economic policies and to strengthen the productive base of their economies. Summit countries could note the positive response of their citizens to the pressing needs of African countries and welcome the establishment, by the World Bank, of a Special Facility for Sub-Saharan Africa;

20.2 - recall the recent declarations of African Governments emphasising the primary responsibility of the African countries themselves for their development and for addressing the present crisis;

20.3 - stress their commitment to continue to provide emergency food aid commensurate with the worsening situation; underline the need to complement the immediate food aid assistance by providing additional funds in support of a strategy for long-term food security; of mobilising support for better incentives and more efficient marketing systems for individual peasant farmers and improved basic and applied research to develop agriculture;

20.4 - call upon all countries, in particular the oil-exporting countries in a position to contribute, and the Eastern European Countries, to step up their efforts to overcome famine and poverty in Africa.

E. Trade policies

I. Background

21. Despite recovery, protectionist tendencies, intensified by large current account imbalances, continue to proliferate. Bilateral and sectoral approaches to trade have gained ground. New and subtler forms of protectionism have spread. Previously unprotected or less-protected sectors have become affected. The integration of developing countries into world trade remains inadequate, and the credibility of previous Summit commitments to free trade is at stake. The rise in protectionism is illustrated in a recent OECD study on the Costs and Benefits of Protection. The study emphasises that protectionism is a blunt and cost-ineffective instrument of economic policy, that it tends to push up prices, to depress investment and business confidence and to perpetuate economic inefficiency.

22. A major step forward would be an unequivocal commitment by the Summit countries to a new round of multilateral trade negotiations in the GATT. Such negotiations would offer the best prospects for achieving real progress in liberalising trade, based on a genuine balance of interests for all industrial and developing partner countries in the GATT.

II. Suggested conclusions

23. Summit countries could agree

23.1 - to work with the industrial and developing partner countries in the GATT in order to prepare, as a matter of urgency, a new comprehensive round of trade negotiations in the GATT /to commence no later than 1986/; to achieve more substantial progress in implementing the current GATT work programme and the agreements on trade liberalisation reached at the OECD Ministerial Meeting in May 1984; Summit countries could note the need to move beyond mere market opening to a policy of active import promotion, including measures to achieve greater balance in the composition of imports, where this would contribute to a more balanced pattern of current accounts;

23.2 - to stress the importance of furthering a more dynamic role of developing countries in world trade; to provide enlarged and secure access for developing countries' exports to the markets of industrial countries; to recall the need for complementary efforts on the part of developing countries to open up their markets.

F. Energy

Suggested conclusions /Text based on U.S. proposal/

24. Summit countries could note the fundamental importance of market forces for stable, long-term energy trade and the need to guard against complacency given the current situation in the oil market; reaffirm the importance of adequate oil stocks and encourage further follow-up on the framework for coordinated stock draw in the event of a supply disruption. In addition, Summit countries could reaffirm their commitment to the timely development of indigenous OECD energy resources, especially natural gas, and to seek removal of barriers that impede greater use of coal and nuclear energy.

G. Environmental policies

I. Background

25. ...

II. Suggested conclusions

26. ...

/As agreed at the meeting of Personal Representatives on 15-17 February in Berlin, a draft text will be prepared by environment experts./

H. Working Group on Technology, Growth and Employment

I. Report on Environment /Chapter to be redrafted in the light of the recommendations which, as agreed in Berlin, will be submitted by environment experts./

a. Background

27. The report submitted by the Working Group in accordance with Point 14 of the London Economic Declaration focuses on assessing the state of scientific and technological knowledge and of current international cooperation in 6 key areas, i.e. atmospheric pollution, toxic and radioactive wastes, marine pollution, pollution of soils and waters, appropriate land husbandry and climatic change. It suggests that the relevant international organisations should be invited to study the list of priority topics identified by the Working Group with a view to establishing them in their forward plans, as appropriate, and to convey their reactions to the Working Group.

28. Moreover, the report underlines the importance of consistent techniques and practices of environmental measurement. It considers the setting-up of a study group to examine the issues involved.

b. Suggested conclusions

29. ...

II. Report on progress made in the cooperative projects

a. Background

30. In London, Heads of State or Government invited the Working Group to pursue further work and to report to Personal Representatives in time for the next Summit. The Working Group will have finalised its report by the time of the next meeting of Personal Representatives in March.

b. Suggested conclusions

31. /To be discussed at the meeting of Personal Representatives in March in the light of the report of the Working Group. The Chairman of the Working Group will be available to introduce the report./

I. Manned space stations

I. Background

32. In London, Heads of State or Government welcomed the intention of the President of the United States to report to the next Summit on international participation in the United States' programme. With a view to strengthening a genuine partnership in space with the United States, the Council of the European Space Agency (ESA), at its meeting on 31 January 1985, accepted the offer made by the President of the United States to participate in the programme, subject to the achievement of a number of fundamental objectives as set forth in a resolution issued by ESA.

/Position of the United States, Canada and Japan/

II. Suggested conclusions

33. Summit countries could

33.1 - welcome the progress the manned space station programme has made;

33.2 - /Position of Summit countries/

BUNDESKANZLERAMT
Horst Teltschik
Ministerialdirektor

5300 BONN 1, DEN
POSTFACH
FERNRUF 56 ...
ODER 561 (VERMITTLUNG)

March 19, 1985

Mr. Robin Butler
Principal Private Secretary
10 Downing Street
London

Dear Robin,

please find under cover of this letter the draft of a political declaration of the Economic Summit on the 40th anniversary of the end of the Second World War. I would be grateful if you could submit this text to the Prime Minister and let me know her comments, if possible, by the end of March.

Best regards,

Horst Teltschik

Bonn, 12 March 1985

DRAFT

Political Declaration
on the 40th Anniversary of the End of the War

Commemorating the end of the Second World War 40 years ago, the Heads of State or Government of seven major liberal democracies address the following message to their own peoples and to the peoples of the world:

> Let us create a peaceful world, free from oppression, want and fear, in which every nation, however large or small, can, in awareness of its responsibility for the world and in freedom, render its contribution to a better future for mankind.

We mourn the millions of men, women and children who died in Europe, Asia and Africa in the most horrific war in the history of mankind. We mourn the victims of tyranny and obsessive racism. We commemorate the resistance fighters. We commemorate the victims of expulsion. We shall no more forget their unspeakable suffering than we shall forget the causes of that catastrophe.

The end of that horrific war was also the basis for a new beginning. For that reason, we look back with gratitude at the 40 years that have elapsed since 1945. Through our policies we have played a major part in shaping this period. Not all the ambitions and dreams of a better world nurtured by those who had experienced the Second World War were realized. Europe was divided, Germany partitioned.

We have learned the lessons of twentieth-century history. After 1945 the victors extended their hand to the vanquished. The latter initiated a moral renewal in their countries. Liberal democracies emerged, with government for and by the people. Since then, we Seven have cherished the same democratic principles. We believe in the same values. We believe in the inalienable

rights of man. We plead together for the realization of human rights, which are still abused in many parts of the world today. We are proud that the governments of our countries are formed on the basis of free elections by secret ballot and for a limited period. We are proud that people in our countries are free to say and write what they want, to practise the religion they profess and to travel where they wish.

Together we set about postwar reconstruction. This reconstruction was brought about by politically and economically free societies that allow scope for the initiative, drive and imagination of the individual. In these societies we also seek to establish social justice in its highest form.

Our decision to pursue peace conquered hatred after 1945. Reconciliation has grown over the graves; enemies have become friends.

The process of European unification has created a large zone of freedom, prosperity and peace, and constitutes the greatest peaceful transformation this continent has undergone for centuries. The Pacific region, too, is drawing ever closer together. The community formed by Europe, America and the Pacific, based on our common fate, is a guarantee of stability and peace in the world.

We Seven stand together to face the future for the good of our peoples. The future holds great challenges for us. We know that only together can we master the problems confronting us in the closing years of this millennium and in times to come, problems ranging from the exploration of outer space to the conservation of our environment.

We shall continue to provide development aid and to muster all our resources to help the countries of the Third World in a spirit of partnership. We shall combat the scourges of hunger and disease throughout the world.

According to the Charter of the United Nations, all the States of this earth have a joint responsibility to maintain international peace and security.

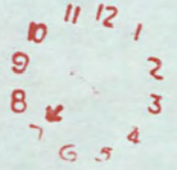
We are prepared to conduct dialogue and seek understanding with the Soviet Union and its allies in Central and Eastern Europe. We want to co-operate with them, although our constitutional systems differ fundamentally from those in Communist countries. We want to trade with each other in peaceful competition to our mutual advantage. We want people to meet and exchange opinions in spite of the divisions. We believe in the principles of the CSCE process and actively support the implementation of all parts of the Helsinki Final Act.

All the more do we deplore the division of Europe and Germany. The exercise of human rights and self-determination is denied to millions of people as a result of this unnatural situation. We reaffirm our common aim of alleviating the effects of this division on people and of facilitating access between countries. We want to work for a state of peace that will eliminate the unnatural barriers between Eastern and Western Europe and in which the German people, too, can regain their unity in free self-determination.

We commit ourselves with all our strength to arms control and disarmament - in the fields of strategic nuclear weapons and intermediate-range nuclear forces, with regard to outer space, chemical and conventional weapons. We do not aspire to superiority. We seek a new, stable balance at drastically reduced mutual force levels. None of our weapons will ever be used except in response to attack. We want to create peace with ever fewer weapons.

It remains our goal that humanity should live in peace and freedom: free from oppression, want and fear.

20 MAR 1985



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(10) CCPC

10 DOWNING STREET

From the Private Secretary

SIR ROBERT ARMSTRONG

BONN ECONOMIC SUMMIT

The Prime Minister has considered your minute of 8 March in which you put the case for the Technical Study Group on environmental matters to continue.

The Prime Minister remains of the view that it is not appropriate to set up continuing groups in the Economic Summit framework. There are already plenty of international bodies in which continuing work can be pursued. In this particular instance she is reluctantly prepared to agree that the Study Group might remain in existence for the remainder of 1985 but no longer.

C D POWELL

CST

12 March 1985

CONFIDENTIAL

cc PC

Prime Minister.
Policy on a new GATT round is wrong & will need to be corrected.
Agree to X (although it is not consistent with your wish to abolish all the Working Groups?
CDP 8/3

Ref. A085/717

MR POWELL

Bonn Economic Summit

Thank you for your minute of 25 February. As to what was said by the British representatives at the meeting in Berlin about the launching of a new trade round, I can assure the Prime Minister that it was in line with the briefing with which they were provided. Policy on this is currently under review, and a submission will be made to the Prime Minister as to the line that should be taken in future discussions on this subject.

2. We shall work for the termination of the Working Group on Technology, Growth and Employment (TGE), in accordance with the Prime Minister's wishes. I should, however, like to ask her to reconsider her position on the proposal for a further study group on environmental matters. I am afraid that what was said in paragraph 10 of my note of 22 February was ambiguous. I talked about a study group on environmental measures. What is proposed is in fact a technical study group to try to find a basis on which to rationalise international measurement of environmental factors, such as acidity. International discussion is at present made more difficult and confused than it need be because of the lack of common ground on measurement. What is now proposed is a study to see whether more common ground can be established. This would be modest but useful ground-laying, and both Sir Robin Nicholson and I, and the Department of the Environment, hope that the Prime Minister will agree that this proposal, which in fact originated from the United Kingdom, can continue to have United Kingdom support.

X

RTA

ROBERT ARMSTRONG

8 March 1985

Surely this is not really the forum to set up continuing groups.
We already have EEC, OECD and IEA. A group for one year may be all right but not to continue. [illegible]

Econ PS PT 18

Bonn Economic Summit

CONFIDENTIAL

JR
DoPC

10 DOWNING STREET

From the Private Secretary 8 March 1985

BONN ECONOMIC SUMMIT

Thank you for your letter of 6 March about representation at the meeting on 11/12 March to discuss possible conclusions by Heads of Government on environmental matters at the Bonn Economic Summit.

I understand that Sir Robin Nicholson will be accompanied at this meeting by Dr. Martin Holdgate, Chief Scientific Adviser at the Department of the Environment.

(C. D. POWELL)

Andrew Allberry, Esq.,
Department of the Environment.

CABINET OFFICE
70 Whitehall London SW1A 2AS Telephone 01-233 7089

Sir Robin Nicholson, FEng, FRS
Chief Scientific Adviser

W.0224

7 March 1985

Mr Charles Powell
10 Downing Street

Dear Charles,

BONN ECONOMIC SUMMIT

In response to Andrew Allberry's minute of 6 March I should let you know that it has been agreed that I should be accompanied to Bonn by Dr Martin Holdgate, Chief Scientific Adviser at the Department of the Environment.

Yours ever,

Robin

ROBIN NICHOLSON

Pt Elevation Pkg
Bonn Eco Summit
(Pt 18
May 85

7 MAR 1985

CONFIDENTIAL

SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

6 March 1985

Dear Charles

BONN ECONOMIC SUMMIT

My Secretary of State has seen Sir Robert Armstrong's minute of 22 February to Robin Butler and your reply of 25 February. He notes that Sir Robin Nicholson is to represent the United Kingdom at a further meeting - now, I understand, arranged for 11/12 March - at which the conclusions of the 17 December meeting of Environment Ministers are to be discussed.

As the Chairman of the 17 December meeting Mr Jenkin is anxious that the conclusions which he and his colleagues agreed should remain intact until the Summit itself; and that we should firmly resist German attempts to suppress or modify them in the draft Summit communique. Other countries' participants in the 17 December meeting are likely to share this anxiety. Mr Jenkin suggests that it would be appropriate for Sir Robin Nicholson to be supported at the 11/12 March meeting by one of the senior DOE officials who took part in the 17 December meeting.

I am copying this letter to the Private Secretaries to the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, the Secretary of State for Trade and Industry, Sir Robert Armstrong and Sir Robin Nicholson.

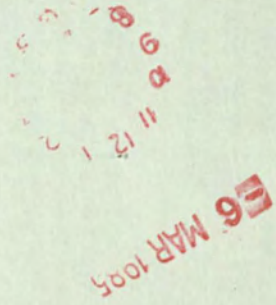
Yours ever

Andrew

A C ALLBERRY
Private Secretary

Charles Powell Esq

Econ Pol: Econ. Summits Pt 18



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10 DOWNING STREET

From the Private Secretary

22 February, 1985

BONN ECONOMIC SUMMIT: BILATERAL MEETINGS

Thank you for your letter of 19 February with proposals for bilateral meetings at the Bonn Economic Summit.

The Prime Minister's order of preference for bilaterals is President Reagan, Mr. Mulroney and Mr. Nakasone. She does not see any urgent need for a further bilateral with Signor Craxi: the suggestion that they should hold one at the Economic Summit was taken before the decision about his recent visit to London. None the less she is ready to fit one in if there is a good operational reason at the time.

I should be grateful, therefore, if you could inform the Canadian High Commission that the Prime Minister would be very happy to meet Mr. Mulroney. I do not think we can make much progress in fixing a firm time yet but they can be assured that the Prime Minister attaches great importance to the meeting and that time will be found.

I am sending a copy of this letter to Richard Hatfield (Cabinet Office).

(C.D. Powell)

P.F. Ricketts, Esq.,
Foreign and Commonwealth Office.

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MJ2ADO.

10 DOWNING STREET

From the Private Secretary

SIR ROBERT ARMSTRONG

Bonn Economic Summit

The Prime Minister has considered your report on the meeting of Personal Representatives in Berlin on 15/17 February. She has a number of comments.

The Prime Minister is surprised to hear that we are being cautious on the launching of a new trade round in the GATT. Following her meeting with President Reagan on 20 February, she wishes us to be no less backward than the Federal Republic, the United States and Canada in supporting a new round and announcing a commitment to start it.

The Prime Minister wants you to work for the termination of the Working Group on Technology, Growth and Employment (TGE), in the light of the French Government's attitude towards other groups under the Summit's aegis. This means also that we should veto the proposal for a further study group on enviromental measures when this is considered at the next meeting of Personal Representatives.

The Prime Minister thinks it pointless to say that European space policy is "equal" to American space policy when it patently is not.

Finally President Reagan told the Prime Minister that he would be launching a further initiative on co-operation against terrorism at the Bonn Economic Summit. The Prime Minister would in principle want to support this, indeed has told President Reagan that she would, subject to knowing more of the details.

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 the Environment and the Secretary of State for Trade and Industry.

CDP.

Charles Powell

25 February 1985

CONFIDENTIAL

(1)

Prime Minister
Agree that I should reply that you wish your Personal Representative to take a more robust line on GATT at the next meeting?
CDP
Yes - and also on terrorism 22/2.

Ref. A085/570

MR BUTLER

MF.

Bonn Economic Summit

I attended a meeting of Personal Representatives in Berlin from 15 to 17 February. I was accompanied by Mr J G Littler (Treasury) and Mr R Q Braithwaite (Foreign and Commonwealth Office).

Political Matters

2. We were told that the Federal Chancellor envisaged a declaration to mark the 40th anniversary of the end of the Second World War. He wanted this to be the only statement issued from the Summit other than the main economic declaration. He was taking personal responsibility for the drafting. He did not want Political Directors to work on the draft, but he envisaged circulating the text to Personal Representatives for their last meeting before the Summit.

Economic Matters

3. The German Personal Representative had circulated before the meeting a first draft of a Thematic Paper. It was very long and very thorough, but very well done; it presented us with no major problems. Its main fault was excessive length, and the Germans undertook to make the next draft much shorter.

4. The paper handled with tact and discretion the issues of the United States fiscal and balance of payments deficits, and the strength of the dollar and its impact on Europe and Japan. That did not prevent the French Personal Representative from

accusing the United States of deliberately using their deficit as a device for swallowing a large part of the world's savings. The United States delegation had come briefed to be low key and unprovocative, but this provoked Mr Sprinkel to a rejoinder that the United States was going to remain an open economy and it was up to the European countries to get rid of structural rigidities and close the gap by increasing growth. He was not worried (he said) about the dollar because he did not see the Europeans doing anything early or effective to remove the rigidities in their economies. This provoked the French Personal Representative into saying that the Strategic Defence Initiative was first and foremost a device for giving a massive boost to United States industry from public funds.

5. There was general agreement - even from the French - on the need to reduce public expenditure as a proportion of Gross National Products. It should be possible to get useful wording into the final declaration on this.

6. There was some apprehension about the fragility of economic recovery and emphasis on the need to sustain it. It was generally agreed that the Bonn Summit would need to focus on the problems of growth and employment.

7. There was not a great deal to say about the developing countries: it was recognised that further discussion on this would have to wait until after the meetings of the Interim Committee of the International Monetary Fund and the Development Committee of the World Bank in Washington in April. The case-by-case approach to debt rescheduling was re-endorsed. It was agreed that the Summit would need to concern itself with the problems of Africa, but there were no signs of pressure for a separate declaration on Africa.

8. Once again the United States and Canadian Personal Representatives and, less vigorously, the German Personal Representative argued for launching a new trade round in the GATT to prevent further erosion of the international trading system, and for announcing a commitment to start the new round in 1986. Others, including the representatives of the European Commission as well as the British and Japanese representative, were more cautious on timing and tactics, while agreeing on the general objective. The French Personal Representative said that President Mitterrand would agreed to movement on a new trade round only if there was agreement on parallel movement on a new monetary round (by which he clearly meant French proposals for a "new Bretton Woods"). The German Personal Representative said that the Federal Chancellor would want a "coalition against protectionism".

9. It was once again clear that the Federal Chancellor would be determined to have a strong environmental component in the final declaration. The German Personal Representative circulated, very late in the day, a set of draft conclusions which rather imperfectly summarised the conclusions in the declaration from the meeting of Environment Ministers in December, and tried to reinsert a number of German ideas which that meeting had not been able to accept. The French Personal Representative said that the conclusions of the December meeting were perfectly acceptable to the French Government but that the President could not accept any explicit reference to that meeting in a Summit declaration, because the French Government had boycotted the meeting as a signal of their refusal to allow the Summit to become further institutionalised, particularly at Ministerial level. I said that the German draft conclusions would not do as they stood, and that we were prepared to discuss a redraft which stuck more closely to the conclusions of the December meeting. In the end it was decided not to try and

draft there and then, but to assemble a group of "experts" to produce a redraft in time for the next meeting of Personal Representatives. I am asking Sir Robin Nicholson to represent the United Kingdom in this group.

10. The Personal Representatives took note of the report by the Working Group on Technology, Growth and Employment (TGE) on research into environmental factors and possibilities for co-operative projects on reduction of environmental damage. It was agreed in principle that the report (like previous TGE reports) should be published before the Summit; but we also agreed to invite the group of experts to advise further on the TGE's proposals for setting up a study group on environmental measures. Personal Representatives will consider both the timing of publication of the TGE Report and the proposal for a study group further at their next meeting, in the light of that advice.

11. The latest report of the TGE Working Group on its main remit will not be ready until the next meeting of Personal Representatives. We have asked the Working Group to offer for that meeting a view on whether the Working Group should continue to exist and, if so, for what purpose, or whether it should be wound up. The French Personal Representative, from whose President's initiative the Group originated, did not seem to be committed to its further survival.

12. The United States Personal Representative did not make any statement or ask for any conclusions on East-West economic relations and their security implications.

13. There will be problems about the manned space station, where the French Government will want the Summit to recognise that European space policy is autonomous and equal to American space policy, as well as taking note of the European contributions to the American space programme.

14. It was agreed that there need be no reference to energy matters in the Summit declaration if the international energy situation and prospect remained unchanged.

Administrative Questions

15. I will report separately on various points of detail about the arrangements for the Summit. Perhaps the only one I need mention here is that the German Personal Representative proposed, and the rest agreed, that the press rules for the Bonn Summit should be exactly the same as those for the London Summit.

16. 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 the Environment and the Secretary of State for Trade and Industry.

RA

Approved by
ROBERT ARMSTRONG
and Signed in his absence.

22 February 1985

CONFIDENTIAL

D10

Prime Minister.

CC (L)

Agree to bilaterals at Bonn Economic Summit with - in order of preference - President Reagan, Mr Mulroney, Mr Nakasone & Signor Craxi (if absolutely necessary to avoid a later bilateral)? CDP 19/2. Yes no

Foreign and Commonwealth Office
London SW1A 2AH

19 February 1985

Dear Charles,

Bonn Economic Summit: Bilateral Meetings

The Canadian High Commission have approached us, on instructions from Ottawa, to propose a bilateral meeting between Mrs Thatcher and Mr Mulroney in Bonn at the time of the Economic Summit. They have also been asked to explore what times might be available.

Our High Commissioner in Ottawa has confirmed that Mr Mulroney is most anxious to have an opportunity for a meeting with Mrs Thatcher in Bonn. The Foreign Secretary recommends that the Prime Minister should agree in principle to this opportunity to renew contact with Mr Mulroney, whom she met in Ottawa in September 1983 when he was Leader of the Opposition. Your letter of 2 February, concerning the appointment of a new Canadian High Commissioner, indicated that the Prime Minister looked forward to an early opportunity to meet Mr Mulroney for a thorough discussion. The Prime Minister will recall that Mr Mulroney had to cancel an intended visit to Britain at the time of the Summit and we have not yet heard from the Canadians whether they are able to suggest alternative dates.

The Canadian request raises the question of whether the Prime Minister would want any other bilateral meetings at Bonn. She has fairly frequent occasion to meet her Community colleagues and will see them at the European Council on 25/26 March. She has already agreed to a bilateral with Signor Craxi in Bonn. He has a special claim as current President of the Community. Apart from him, President Reagan and Prime Ministers Mulroney and Nakasone should in our view be given priority.

The timing of the bilaterals will have to be looked at very carefully. I attach a programme. It may be possible to fit in one meeting after arrival on the afternoon of Thursday 2 May. The only other times appear to be at the breakfasts or after the promulgation of the joint final communique and before the State Dinner on Saturday 4 May. The Canadians have said that they would like the bilateral to

/concentrate

CONFIDENTIAL

concentrate on Summit topics, although Anglo-Canadian issues might also be touched on. It would therefore make sense if this meeting were to take place earlier rather than later during the Summit.

I should be grateful to know whether the Prime Minister would agree in principle to a bilateral meeting with Mr Mulroney.

I am copying this letter to Richard Hatfield in the Cabinet Office.

Yours ever,
Peter Ricketts

(P F Ricketts)
Private Secretary

C D Powell Esq
10 Downing Street

The Co-ordinator
for the Bonn Economic Summit

Bonn, 8 February 1985

Projected order of events for the Economic Summit in Bonn
(2 to 4 May 1985)

Thursday, 2 May 1985

14.00 to 16.30 hrs	Arrival of delegations at Cologne/Bonn airport at 20-minute intervals in reverse order of protocol
14.10 to 16.40 hrs	Transfer to Bonn by helicopter
On arrival in Bonn	Proceed to Palais Schaumburg
14.30 to 17.00 hrs	Welcome with military honours by the Federal Chancellor
Following official welcome	Introductory talks between the Federal Chancellor and each delegation in Palais Schaumburg
14.50 to 17.20 hrs	Delegations proceed to residences/hotel
18.30 hrs	Reception given by the Federal Chancellor at Schloss Augustusburg

20.15 hrs Separate dinners, given by

- the Federal Chancellor for the Heads of State and Government at Schloss Falkenlust (first floor)
- the Federal Minister for Foreign Affairs for the Foreign Ministers at Schloss Falkenlust
- the Federal Minister of Finance for the Finance Ministers in the historical Small Cabinet Room, Palais Schaumburg
- the German Personal Representative for his colleagues in Schloss Falkenlust (Ground Floor)

Friday, 3 May 1985

9.45 to 12.15 hrs Working sessions for

- the Heads of State and Government in the historical Cabinet Room, Palais Schaumburg
- the Foreign Ministers in the small Cabinet Room of the Federal Chancellery
- the Finance Ministers in the Cabinet Room of the Federal Chancellery

13.00 hrs Working luncheon for

- the Heads of State and Government and the Foreign Ministers in the historical Small Cabinet Room, Palais Schaumburg

- the Finance Ministers in the Federal Chancellery

- the Personal Representatives in the Hallstein Rooms, Palais Schaumburg

14.30 to 18.00 hrs — Plenary session in the Federal Chancellery, NATO room

20.00 hrs — Separate dinners given by

- the Federal Chancellor for the Heads of State and Government in Palais Schaumburg (Hallstein rooms)

- the Federal Minister for Foreign Affairs for the Foreign Ministers in the historical Small Cabinet Room, Palais Schaumburg

- the Federal Minister of Finance for the Finance Ministers in the Redoute

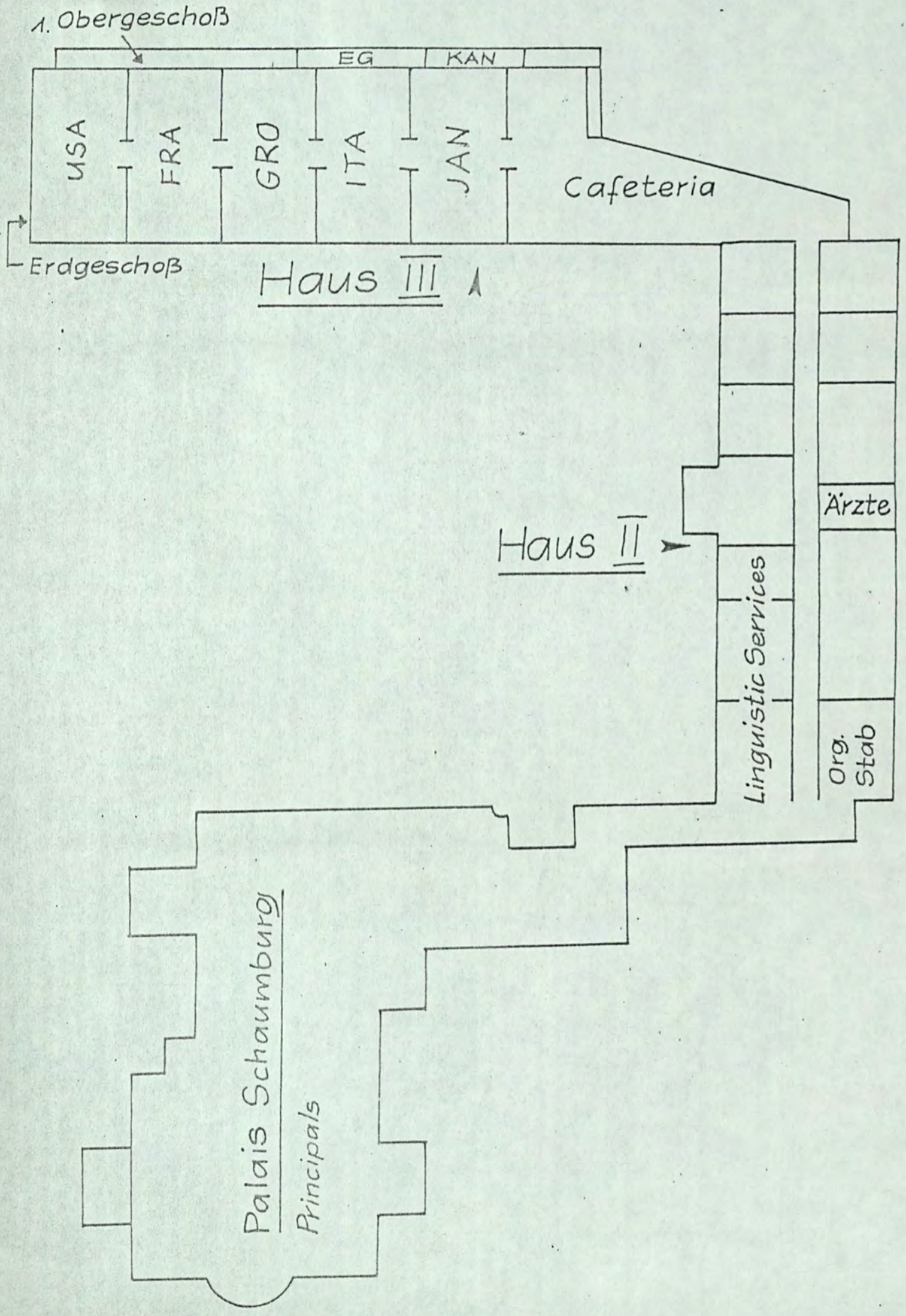
- the German Personal Representative for his colleagues at the Federal Chancellery, Schmidt-Rotluff room

Saturday, 4 May 1985

9.30 to 12.30 hrs — Continuation of the plenary session in the Federal Chancellery, NATO room

13.00 hrs — Plenary luncheon in the "large dining room" of the Federal Chancellery (first floor)

15.45 hrs	Promulgation of the joint final communiqué in the Debating Chamber (Plenarsaal) of the German Bundestag
20.00 hrs	Dinner given by the Federal President in honour of the Heads of State and Government, Foreign Ministers and Finance Ministers at Villa Hammerschmidt


1. Obergeschoß
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Palais Schaumburg
Principals

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USA
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Kanada
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Italien
Japan
Großbritannien
Delegationen
Principals
Sherpa

CONFIDENTIAL

CDP 10/1

Ref. A085/91

MR POWELL

Bonn Economic Summit

Thank you for your minute of 10 January.

2. Perhaps I should make it clear, for the avoidance of doubt, that the words of which the Prime Minister complains were the actual words used by my German colleague. I have noted the Prime Minister's distaste for them.

3. 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 the Environment.

RCA

ROBERT ARMSTRONG

10 January 1984

CONFIDENTIAL

file

10 DOWNING STREET

From the Private Secretary

SIR ROBERT ARMSTRONG

BONN ECONOMIC SUMMIT

The Prime Minister has noted your minute of 9 January reporting the main conclusions on matters of substance reached at last month's meeting of Personal Representatives to prepare for the Bonn Economic Summit.

You will wish to know that the Prime Minister does not like the formulation in paragraph 2(b) of your minute "better integration of the developing countries in the world economy".

I am copying 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 the Environment.

Charles Powell

10 January 1985

CONFIDENTIAL

CONFIDENTIAL

Prime Minister
CDP
9/i

Ref. A085/57

MR POWELL

Bonn Economic Summit

This minute reports the main conclusions on matters of substance from last month's meeting of Personal Representatives.

2. The German Personal Representative said that the Federal Chancellor thought that the main concerns of the Bonn Summit should be:

a. the need to create conditions for lasting recovery, sustainable growth and higher employment in the industrialised countries and especially in Europe;

b. the need to create conditions for better integration of the developing countries in the world economy;

c. the need to maintain and step up the fight against protectionism;

d. the need to reconcile the challenges of the economy with the challenges of ecology.

3. There was general agreement upon the prospect for continuing growth of the industrial countries through 1985, though possibly at a slightly lower rate than in 1984. The main element in this was expected to be a slight decline in the rate of growth in the United States. No-one expected an early change in the level of the United States fiscal deficit or current account deficit, and it was not expected that United States interest rates would fall in the near future.

CONFIDENTIAL

BESAAB

4. The United States Personal Representative laid much emphasis on the need for what he called structural adjustments in the industrial sectors of the industrialised countries: he saw this as more important than developments of macro-economic policy for the Bonn Summit.

5. We noted that Finance Ministers could not now be expected to complete their work on improvements in the international monetary system in time for a full report to the Bonn Summit. At best there would be an interim report.

6. There was general agreement on the need for a new trade round in the GATT, but (as last year) a sharp divergence on the pace at which we should move: the Europeans wanted to complete the 1982 work programme and talk about procedures for discussing a new round this year, while the United States, Canadian and Japanese representatives wantd to move much more quickly to a new round, subsuming the 1982 work programme. The United States representative feared a further growth in protectionism in the United States, and both he and the Canadian representative saw great dangers of a collapse, or an UNCTADisation, of GATT, and a serious threat to the international multilateral trading system, if there was not early and quick progress to a new round.

7. There was a general feeling that the problems of international debt looked less menacing and more manageable than they looked a year ago.

8. It was clear that the Federal Chancellor would be looking for the possibilities for Summit initiatives on environmental issues, but the German representative had nothing yet to report on that. Several countries (including the United Kingdom and France) emphasised the need to avoid further institutional-isation of the economic summit.

9. The preparations for the Bonn Summit will generally speaking follow the pattern adopted for Williamsburg and London. In the light of the discussion, the German representative will prepare a first draft of a thematic paper, which will have a "second reading" discussion at the next meeting of Personal Representatives in the middle of February.

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

RA

ROBERT ARMSTRONG

9 January 1985

CONFIDENTIAL

JR
bc PC

10 DOWNING STREET

From the Private Secretary

SIR ROBERT ARMSTRONG

BONN ECONOMIC SUMMIT 1985

Your minute of 13 December dealt with a number of procedural matters relating to the Bonn Economic Summit. I have not shown it to the Prime Minister at this stage, but see nothing in it which is likely to cause difficulty.

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

(C.D. POWELL)
17 December 1984

CONFIDENTIAL

Ref. A084/3311

MR POWELL

Bonn Economic Summit 1985

I attended a meeting of Personal Representatives at Kronberg near Frankfurt on 8 and 9 December 1984. This was the first meeting by way of preparation for the Bonn Economic Summit.

2. I will minute separately on the substantive discussion. This minute deals with procedural matters.

3. My German colleague emphasised that both the dates and the venue had been decided by the Federal Chancellor. The decision to hold the Summit in Bonn meant that all the events of the Summit could take place around the area of the Federal Chancellery, in an area which could be fully protected from the security point of view and in which Heads of State or Government and Ministers could move around freely and for the most part on foot. The area is a "demonstration-free zone". The restricted meeting of Heads of State or Government on Friday 3 May will take place in the Palais Schaumburg (the old Federal Chancellery), and the plenary meetings will take place in the new Federal Chancellery.

4. The German Personal Representative circulated a timetable --- (copy attached) from which you will see that the arrangements proposed are almost exactly the same as those for the London Economic Summit. The German Personal Representative was particularly appreciative of the help which he had received from us, and particularly from Mr Nicholas Barrington, in the preliminary stages of preparation.

BESAAA

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5. Official invitations will be extended to Heads of State or Government, two Ministers, one Personal Representative and 11 other delegates from each country. These official delegations, each totalling 15 people in all, will be the guests of the German Government. Unofficial delegates will be the responsibility of their own Governments.

6. The German Government have block-booked all the better hotels in Bonn and (I think) others in Cologne during the period of the Economic Summit. They will wish to know as soon as possible whether Heads of State or Government propose to stay in their Embassy's residence or in hotels. I said that the Prime Minister had not yet made up her mind where she would stay, but I thought it very likely that she would prefer to stay at the British Embassy.

7. Spouses will be invited to accompany Heads of State or Government, but not other Ministers. Special programmes will be laid on for spouses. The Federal Chancellor is keen that spouses should come.

Programme

8. On arrival at Köln-Bonn airport Heads of State or Government and official delegates will be taken by helicopter to Bonn. They will land inside the "demo-free zone" and will be taken by car to the Palais Schaumburg for an official welcome. Unofficial delegates will proceed straight from the airport to their hotels by car. After the official welcome delegations will go to the place where they are staying. There will then be a reception given by the Federal Chancellor at Schloss Augustusburg.

9. The restricted working session of Heads of State or Government on the Friday morning will be in the Palais Schaumburg.

10. Foreign Ministers will join Heads of State or Government for lunch on Friday 3 May. There will then be a plenary session after lunch.

11. The arrangements on the last day of the Summit meeting will be as at London, with a final communique session at 4.00 pm (or as soon thereafter as possible, if the completion of the communique is delayed) and a dinner given by the Federal President at 8.00 pm.

12. In discussion it was agreed that the restricted session on the morning of Friday 3 May should run from 9.45 am to 12.15 pm, in order to leave time for Heads of State or Government to debrief and spokesmen to brief the press between then and lunch time.

13. In response to a request by the Japanese Personal Representative the earliest time for the final communique session was brought forward to 3.45 pm in the hope of meeting Tokyo press deadlines.

14. As at London, the final dinner given by the Federal President will be for Heads of State or Government, two Ministers and the Personal Representative from each delegation.

15. There was some discussion of departure arrangements. It was suggested that, as at London, the Federal Chancellor should take leave of his colleagues after the final official communique session, even though they would meet again as guests of the Federal President at dinner. I suggested that previous experience indicated that many of the European participants would want to leave after the Federal President's dinner. This

suggested that there need be no protocol arrangements for departure, but that people would depart as and when suited them, with no more than the standard formal leave-taking arrangements.

Access and Facilities

16. Access to the Palais Schaumburg will be restricted to Personal Representatives and essential office staff. Each delegation will have a suite of two or three offices in the annex to the Palais Schaumburg. Only official delegations will have access to the annex. There will be an electronic screen writing and facsimile link from the Personal Representative's seat in the conference room to the delegation office. It might be possible also to install a telephone link; but this was generally discouraged, on the grounds of noise and interference with discussion. Heads of State or Government will have a "rest room" in the Palais Schaumburg annex; the Prime Minister will have two.

17. Each delegation will have a word-processor and a photocopier in its delegation offices in the Palais Schaumburg. Any texts required to be issued will be issued in English and German. It will be up to other delegations to translate into their own languages.

18. Each delegation will have a liaison officer from the German Foreign Ministry.

Language and Interpretation

19. The official languages for the Summit will be English and German, and the communique will be issued in those two languages. The working language will be English.

20. There will be full simultaneous interpretation for Heads of State or Government and Ministers at the formal sessions.

21. The interpretation arrangements at meals will be as at London and earlier Summits: each Head of State or Government will have one interpreter of his own choosing to translate to and from his own language and English. When he speaks (in any other language than English), what he says will be translated into English out loud by his interpreter. What is said in English will be interpreted to those Heads of State or Government or Ministers who need translation in whispers.

Communications

22. Communications from delegation offices to national Embassies will be arranged and paid for by the German Government. Communications thence forward to national capitals will be the responsibility of visiting Governments.

Press

23. Journalists will be accommodated in steamers moored in the Rhine not far from the "demo-free zone".

24. There will be separate press briefing rooms in the Bundestag building for each national delegation.

25. The ground rules for dealing with the press will be promulgated later, but will be based on those adopted for the London Economic Summit.

Preparations

26. The German Personal Representative said that he envisages the same sort of arrangements for preparing the Bonn Economic Summit as for the London Economic Summit, with himself

responsible for preparing a thematic paper to be discussed and agreed by Personal Representatives and then submitted by each Personal Representative to his or her Head of State or Government as a indication of the themes to be dealt with in discussion at the Summit. It is not envisaged that there would be any more advance preparation of a communique than for London. The Personal Representatives will meet in plenary sessions (with two experts each) from 15 to 17 February in Berlin and from 29 to 31 March at a location yet to be decided somewhere near Bonn. There will be a final restricted meeting of Personal Representatives only from 19 to 21 April in Washington, immediately after the meetings of the Interim Committee of the IMF and the Development Committee of the IBRD.

27. In addition, the Federal Chancellor is expected to write to his colleagues in the early days of April.

28. It is proposed that preparation for any political discussions at the Bonn Economic Summit should be very much as for the London Economic Summit. The Germans indicated that the Federal Chancellor had in mind the possibility of some sort of political declaration associated with the 40th anniversary of the end of the Second World War. He envisages that this and the Economic Declaration should be the only documents issued from the Summit: he does not wish to see as many declarations from the Bonn Summit as were issued from the London Summit. The French Personal Representative as usual insisted that any political preparation should be co-ordinated through Personal Representatives. It was therefore agreed that Political Directors should meet in Washington immediately before the last meeting of Personal Representatives, in order to agree a list of subjects to be discussed by Foreign Ministers and in order also to discuss the draft text of any political declaration that might be envisaged. The draft text as agreed by Political Directors will then be reported to Personal Representatives at their Washington meeting on 19-21 April. The political

declaration is likely to be a broad restatement of democratic values adopted by all the countries of the Summit.

29. It is hoped that each country will fairly soon send an advance party consisting of somebody representing protocol, press relations, security and communications.

30. 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

13 December 1984

The Co-ordinator
for the Bonn Economic Summit

Bonn, 7 November 1984

Projected order of events for the Economic Summit in Bonn
(2 to 4 May 1985)

Thursday, 2 May 1985

14.00 to 16.30 hrs	Arrival of delegations at Cologne|Bonn airport at 20-minute intervals in reverse order of protocol
14.10 to 16.40 hrs	Transfer to Bonn by helicopter
On arrival in Bonn	Proceed to Palais Schaumburg
14.30 to 17.00 hrs	Welcome with military honours by the Federal Chancellor
Following official welcome	Introductory talks between the Federal Chancellor and each delegation in Palais Schaumburg
14.50 to 17.20 hrs	Delegations proceed to residences|hotel
18.30 hrs	Reception given by the Federal Chancellor at Schloss Augustusburg

20.15 hrs — Separate dinners, given by

- the Federal Chancellor for the Heads of State and Government at Schloss Falkenlust
- the Federal Minister for Foreign Affairs for the Foreign Ministers at the guest-house, Venusberg
- the Federal Minister of Finance for the Finance Ministers in the Redoute

Friday, 3 May 1985

10.00 to 12.30 hrs — Working sessions for

- the Heads of State and Government in the historical Cabinet Room, Palais Schaumburg
- the Foreign Ministers in the main conference room (Weltsaal) of the Federal Foreign Office
- the Finance Ministers in the Cabinet Room of the Federal Chancellery

13.00 hrs — Working luncheon for

- the Heads of State and Government and the Foreign Ministers in the historical Small Cabinet Room, Palais Schaumburg
- the Finance Ministers in the Federal Chancellery

14.30 to 18.00 hrs — Plenary session in the Federal Chancellery

20.00 hrs — Separate dinners given by

- the Federal Chancellor for the Heads of State and Government in Palais Schaumburg
- the Federal Minister for Foreign Affairs for the Foreign Ministers at ...
- the Federal Minister of Finance for the Finance Ministers at ...

Saturday, 4 May 1985

9.30 to 12.30 hrs — Continuation of the plenary session in the Federal Chancellery

13.00 hrs — Plenary luncheon in the "large dining room" of the Federal Chancellery (first floor)

16.00 hrs — Promulgation of the joint final communiqué in the Debating Chamber (Plenarsaal) of the German Bundestag

20.00 hrs — Dinner given by the Federal President in honour of the Heads of State and Government, Foreign Ministers and Finance Ministers at Villa Hammerschmidt

10 DOWNING STREET

Mr. Ingham
Mr. Butler

Mr Powell

This looks fine to me provided I can keep close to the action. I shall have to send a press office over next year to care the joint - as we have done with all previous Economic Summits

15/12

Do you have any comments?

I propose to let the PM see this over the Christmas holiday period..

CDP
13/xii

CONFIDENTIAL

GRS 240
CONFIDENTIAL
FRAME ECONOMIC
FM THE HAGUE 071330Z SEPT 84
TO ROUTINE FCO
TELEGRAM NUMBER 279 OF 07 SEPTEMBER
AND ROUTINE BRUSSELS LUXEMBOURG AND UKREP BRUSSELS
SAVING INFO OTHER EC POSTS WASHINGTON OTTAWA AND TOKYO

BENELUX : A RELANCE ?

1. IN A SPEECH AT A CEREMONY IN BREDA ON 05 SEPTEMBER TO MARK THE 40TH ANNIVERSARY OF BENELUX, THE NETHERLANDS FOREIGN MINISTER, VAN DEN BROEK, CALLED FOR BENELUX TO BE ADMITTED AS THE EIGHTH MEMBER OF THE WORLD ECONOMIC SUMMIT. RECALLING THAT BENELUX HAD LONG OBJECTED TO THESE ''PRIVATE AFFAIRS'' OF THE SEVEN, VAN DEN BROEK SAID THAT AFTER 10 MEETINGS THE SUMMITS HAD BECOME AN ESTABLISHED INSTITUTION AND IT WAS A CASE OF ''IF YOU CAN'T BEAT THEM, JOIN THEM''.

2. BELGIAN FOREIGN MINISTER TINDEMANS AND LUXEMBOURG FOREIGN MINISTER POOS WERE ALSO PRESENT. THEY TOO LAMENTED BENELUX'S FAILURE TO TRANSLATE ECONOMIC POWER INTO POLITICAL INFLUENCE, BUT SEEM TO HAVE STOPPED SHORT OF ADVOCATING BENELUX'S PARTICIPATION IN THE ECONOMIC SUMMITS. VAN DEN BROEK IS REPORTED TO HAVE CALLED FOR TALKS WITHIN BENELUX OVER THE NEXT TWO MONTHS TO CONSIDER UNSPECIFIED PROPOSALS PUT FORWARD BY HIMSELF, TINDEMANS AND POOS.

COMMENT

3. THE DUTCH (AND THEIR BENELUX PARTNERS) ARE ACUTELY SENSITIVE TO THEIR EXCLUSION FROM FIRST DIVISION STATUS, DESPITE THEIR COLLECTIVE ECONOMIC STRENGTH. THEY POINT OUT THAT BENELUX IS THE FOURTH LARGEST TRADING PARTNER IN THE WORLD, THE FIFTH LARGEST FOREIGN AID DONOR, THE SEVENTH LARGEST OIL IMPORTER AND HAS TWO OF THE WORLD'S FIVE LARGEST PORTS. ITS COMBINED GNP RANKS IT EIGHTH IN THE WESTERN WORLD.

4. THE MFA HAVE TOLD US THAT VAN DEN BROEK HAS ASKED HIS OFFICIALS TO WORK UP IDEAS FOR A 'RELANCE' OF BENELUX. THE DUTCH ARE CONCERNED ABOUT THE INCREASINGLY SOLID PARIS-BONN AXIS IN THE COMMUNITY AND MAY SEE A STRONGER BENELUX IDENTITY AS A NECESSARY COUNTER-

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BALANCE TO THIS. THEY ARE ALSO FRUSTRATED BY THE STAGNATIONOF THE COMMUNITY : THEY SEE BENELUX AS A POTENTIAL DYNAMO OF CHANGE AND A MODEL FOR EUROPEAN INTEGRATION (THERE IS SOME SUBSATANCE IN THIS ARGUMENT, EG, THE REMOVAL OF FRONTIER CONTROLS WITHIN BENELUX IN 1971 OR THE INTRODUCTION OF A SINGLE CUSTOMS DOCUMENT FOR BENELUX EARLIER THIS YEAR). WE MAY THEREFORE HEAR MORE IN THE COMING MONTHS ABOUT AN ENHANCED ROLE FOR BENELUX IN THE COMMUNITY WORKING FOR MORE INTEGRATION, PARTICULARLY IF THE COMMUNITY AS A WHOLE CONTINUES TO STAGNATE. IN PRACTICE, HOWEVER, THE SCOPE FOR A GREATER ROLE FOR BENELUX WILL REMAIN LIMITED BY THE MAJOR DIFFERENCES IN POLITICAL STRUCTURE AND OUTLOOK BETWEEN THE NETHERLANDS AND BELGIUM.

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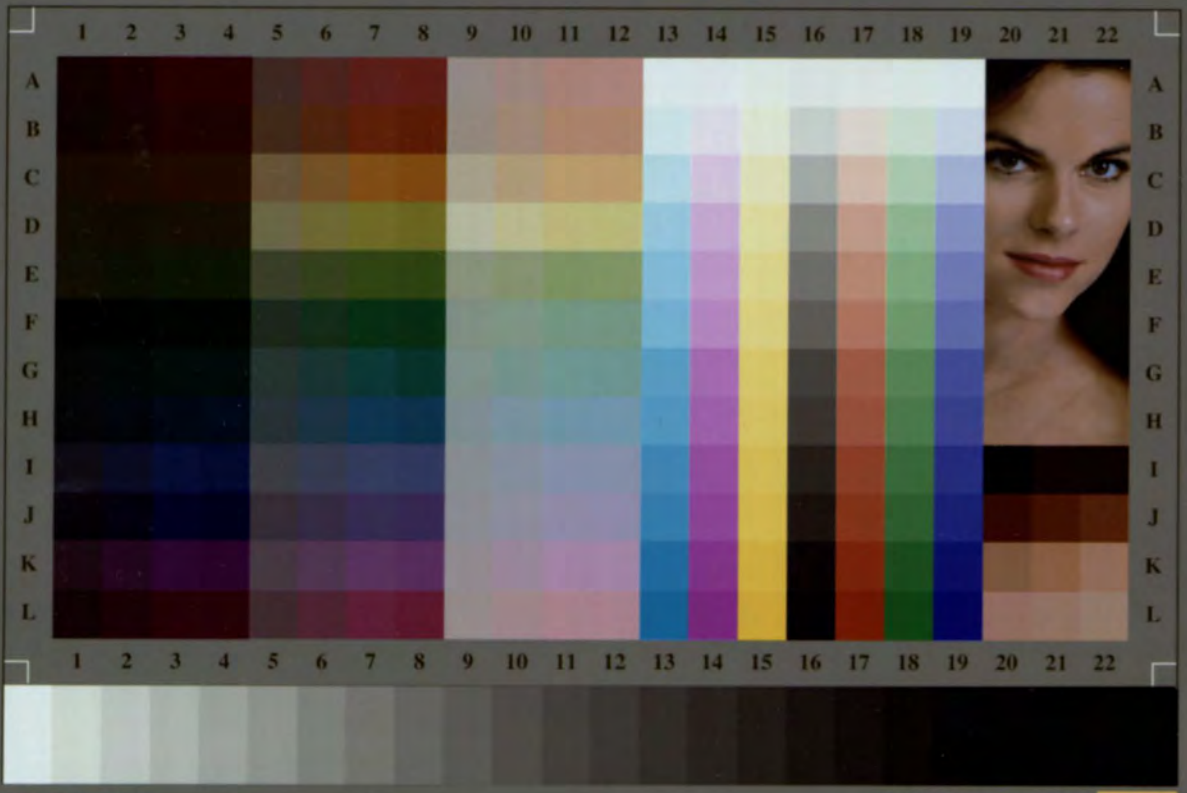

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