

NOTE OF THE FIRST SESSION OF THE DOWNING STREET SUMMIT CONFERENCE
AT 10 DOWNING STREET ON SATURDAY 7 MAY 1977 AT 1020

LIST OF PARTICIPANTS

United Kingdom (Chairman)

Prime Minister
Chancellor of the Exchequer
Foreign and Commonwealth
Secretary

Canada

The Rt. Hon. Pierre Elliott
Trudeau, PC, MP.
Prime Minister
The Hon. Donald S. Macdonald PC, MP.
Minister of Finance
The Hon. Donald C. Jamieson PC, MP.
Secretary of State for External
Affairs

Italy

H.E. On. Giulio Andreotti
Prime Minister
H.E. On. Arnaldo Forlani
Minister of Foreign Affairs
H.E. Senator Gaetano Stammati
Minister for the Treasury

France

Monsieur Valery Giscard d'Estaing
President of the French Republic
Monsieur Raymond Barre
Prime Minister and Minister
for the Economy and Finance
H.E. Monsieur Louis de Guiringaud
Minister of Foreign Affairs

Japan

H.E. Mr. Tadeo Fukuda
Prime Minister
H.E. Mr. Ichiro Hatoyama
Minister of Foreign Affairs
H.E. Mr. Hideo Bo
Minister for Finance

Germany

H.E. Herr Helmut Schmidt
Federal Chancellor
H.E. Herr Hans-Dietrich Genscher
Minister of Foreign Affairs
H.E. Dr. Hans Apel
Minister of Finance

United States of America

Mr. Jimmy Carter
President of the United States
The Hon. Cyrus R. Vance
Secretary of State
The Hon. Michael Blumenthal
Secretary of the Treasury

Introduction

After some words of welcome, the Prime Minister referred to the previous Summit meetings at Rambouillet and Puerto Rico, and said that he attached some importance to keeping the same group of Ministers together throughout the meeting. President Giscard had a particular problem, however, since Monsieur Barre had to return to Paris later tonight, and his place would be taken by Monsieur Boulin for the Sunday meeting. President Carter might also want to make a change in participants for part of the meeting.

The Prime Minister also recalled that it had been agreed that the European Community should be represented at this meeting by the President of the Council, namely himself on this occasion. So far as the Commission was concerned, it had been agreed that the President of the Commission should attend for matters of Community competence, such as trade, energy and North/South relations, which would be taken on the following day. Meanwhile he proposed that the discussion should start with the World Economic Situation, and that this afternoon's discussion might cover non-proliferation and human rights. He proposed himself to inform Mr. Jenkins of any matters arising during today's discussion which were of Community competence.

The Prime Minister said that the meeting had been well prepared by officials, and that some problems facing the participants would be easier to handle than others. The North/South dialogue was a matter of supreme importance, but he did not think that it was necessary to include specific decisions on this subject in the communiqué. Agreement among themselves was more important.

World Economic Situation

Introducing the discussion on the World Economic Situation, the Prime Minister said that there was a wide range of differing views on the health of the world's economy today. We should however record some successes, e.g. over the extent to which we had resisted protectionism against severe pressures. Some

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examples existed of protectionism and of selective trade measures, but the preceding Summits at Rambouillet and Puerto Rico had played a useful part in resisting protectionist measures.

It was also encouraging that several countries had shown themselves willing to take harsh measures to restrict growth and to keep down inflation. This year, in the United Kingdom, the standard of living would be cut by 5%, and he believed that the Government deserved some credit for having achieved this, in spite of the consequent effect on the electorate.

The question of unemployment was of varying political importance in different countries, but, with the level at about 15 million in the OECD countries, it was of very great importance.

He was glad to hear from President Carter that unemployment in the United States had fallen last month. In contrast, the prospects in the United Kingdom were of rising unemployment, and he believed that this would apply to most of the participants over the next two years. Inflation, which he described as the father and mother of unemployment, was the main enemy. Chancellor Schmidt had said yesterday that you could still beat inflation and nevertheless retain high unemployment levels. If inflation was to be our main target, it was necessary to ask whether we would be able to beat unemployment also.

The Prime Minister said that it was not in his view right for Britain to pressurise others to reflate their economies beyond what they thought necessary or right for their own countries. He had this week received a delegation from a group of international trade unionists who had voiced some very solemn warnings about the dangers of unemployment, and had told him that they were even prepared to consider some rise in inflation if it served to soak up unemployment. We also had to bear in mind that the problem of unemployment could lead us into areas where some of our political systems could be put under considerable strain.

The second problem was that of balance of payments financing. The OPEC surpluses of up to \$45 billion this year had to be matched by equivalent deficits in oil importing countries. This situation was likely to continue, and it called for co-operative