

Prime Minister

Ref. A02082

PRIME MINISTERPuerto RicoR
16/6

This minute reports briefly on the preparatory meetings in Washington which I attended with Sir Derek Mitchell and Sir Alan Campbell on Monday and Tuesday.

2. It is now planned that the Puerto Rico meeting will open at 4.00 p.m. on 27th June and will end after a late lunch on 28th June. This effectively reduces the time available to two working sessions plus whatever is done at or after dinner on the 27th.

3. We began by discussing the proposed agenda and the allocation of lead speakers. It soon became clear that on this basis the agenda would have to consist of seven distinct items so that each Head of Government could be a key-note speaker, and that as a result the time available for discussion of some of the items would be minimal. In addition time would of course have to be found for more informal discussion of the Italian situation following the elections. It was also clear that every Head of Government would want to speak on e.g. economic recovery.

4. Accordingly we agreed that it would be sensible to group the agenda items and to abandon the idea of lead speakers in any formal sense, though it was recognised that someone would have to break the ice on each topic (it was agreed that you would do this on East/West).

5. On this basis we felt the most sensible allocation would be:-

(a) The first working session from 4.00 p.m. until dinner on 27th June.
General discussion of the economic situation, covering all the broad political, economic and financial aspects including unemployment.

(b) Dinner on 27th and afterwards.

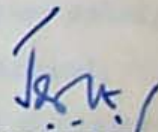
Kept free for unscripted and private discussion.



- (c) Morning session on 28th June.
1. North/South including CIEC and energy.
 2. Trade including East/West.
 6. Attendance at the main working sessions will be restricted to the three Ministers and one note-taker from each delegation.
 7. We spent the rest of our time drafting and discussing the basis of a communique. We recognised, of course, that this is dependent on the outcome of the meeting: but the Carlton Group had produced a useful draft for the Rambouillet meeting and this seemed the best way to see what problems were likely to arise. The result is at Annex but I should emphasise that we were not able to go through the draft a second time and that there are a number of passages which cause difficulty for one delegation or another (including ourselves). It is therefore all entirely ad referendum to what instructions Heads of Government may give at Puerto Rico. On the whole I do not think it is too bad for a first shot although, as I say, there are a number of passages we should still want to see changed. The most difficult item is likely to be North/South where the United States wants to take a hard line telling the ldc's that if they want more aid they must reciprocate in adopting acceptable policies, while the French are pursuing a much more political game.
 8. The United States were represented by Shultz, Greenspan, Sonnenfeldt, Yeo and Hormats but they seemed to be co-ordinating themselves badly - in particular they half let out of the bag some of the discussion which had taken place at a private meeting on the first day which had not been attended by Italy or Canada (Sir Derek Mitchell will be reporting separately on the upshot of this private meeting which dealt with the question of further economic aid to developed countries in difficulties).
 9. The French were clearly setting out to play down the significance of Puerto Rico. Whereas Rambouillet issued a Declaration in "We agreed ..." terms, the French argued for a Communique at Puerto Rico in the conventional language.



10. The Germans were helpful. The Italians, Japanese and Canadians contributed little.
11. The question of the attendance of the Community Presidents was not raised, though the Americans told us privately that they would not resist it provided (a) the Community wanted it and (b) it would not lead to endless semantic or procedural argument.
12. President Ford joined our meeting briefly and sent his best wishes to you.
13. The Americans confirmed that there would be a meeting of the United States, France, Germany and Britain on the morning of (or at lunch on) 27th June to discuss the Italian situation: but no mention of this was of course made to the other participants. Sir Alan Campbell saw Sonnenfeldt and I spoke also to Scowcroft about some aspects of this.
14. I am sending copies of this minute and its enclosure to the Foreign and Commonwealth Secretary and to the Chancellor of the Exchequer.


JOHN HUNT

16th June, 1976



SECRET

The Heads of States and Governments of Canada, France, the Federal Republic of Germany, Italy, Japan, the United Kingdom of Great Britain and North Ireland and the United States of America met at Dorado Beach, Puerto Rico, on 27th and 28th June, 1976, and agreed to the following declaration.

As Leaders of the world's major industrial democracies we come together, conscious of the fact that our nations have not only particular opportunities but also important responsibilities, both to the citizens we represent and to the world at large.

Our destinies are closely intertwined, and the overall political direction of our policies can contribute substantially to the enlargement of freedom and of economic opportunity around the world. We must approach common economic problems with a sense of common purpose. It is thus our duty to work toward mutually consistent economic strategies, through co-operation rather than competition, in order that we enlarge the economic prospects and hopes for every nation and for all mankind.

We consider it essential to take into account the interests of other nations. And this is most particularly true with respect to the developing countries of the world.

It was for these purposes that we held a broad and productive exchange of views on a wide range of issues. This meeting provided a welcome opportunity to improve our mutual understanding and to intensify our co-operation in a number of areas. Those among us whose countries are members of the European Economic Community intend to make their efforts within this framework in agreement with the other member States.

At Rambouillet we established economic recovery as a primary goal and agreed that the stability we desire depends upon the underlying economic and financial conditions in each of our countries. That meeting fostered a spirit of co-operation between us.

UK
9/11/76



SECRET

We observed at the outset of our present meeting the significant progress since Rambouillet. Economic recovery is well under way and in many of our countries there has been substantial progress in combating inflation and reducing the material and human waste involved in unemployment. Our determination in recent months to avoid excessive stimulation of our economies and new impediments to trade and capital movements has contributed to the soundness and breadth of this recovery. Renewed confidence in the future has replaced doubts about the economic and financial outlook.

Our objective now is to manage effectively a transition to expansion which will be sustainable, which will reduce the high level of unemployment which persists in many countries and will not jeopardize our common aim of avoiding a new wave of inflation. That will call for an increase in productive investment, so that men and women will have the tools to work with. It will call for partnership between all groups within our societies. It will involve acceptances of disciplined measures appropriate to our individual needs and circumstances in the budgetary and fiscal areas, in the fields of monetary policy and of incomes policy. With the right combination of policies we believe that we can achieve our objectives of orderly and sustained expansion, lower unemployment and renewed progress towards our common goal of eliminating the problem of inflation. Sustained economic expansion and the resultant increase in individual well-being cannot be achieved in the context of high rates of inflation.

Improved understanding of changes in economic activity in each of our countries is essential to the formulation of appropriate national policies and reinforces the need for consultation in all the groupings to which we belong.

At the meeting last November, we resolved differences on structural reform of the international monetary system and agreed to a stable system of exchange rates which emphasised the pre-requisite of developing stable underlying economic and financial conditions.



SECRET

With those objectives in mind, we reached specific understandings, which made a substantial contribution to the IMF meeting in Jamaica. We will as a matter of the highest urgency seek legislative ratification of these agreements. We agreed to improve co-operation in order to further our ability to counter disorderly market conditions and increase our understanding of economic problems and the corrective policies that are needed. We will continue to build on this structure of consultations.

Since November there have been periods of substantial turbulence in exchange markets. The needed stability in underlying economic and financial conditions clearly has not yet been restored. Our commitment to deliberate, orderly and sustained expansion, and to the indispensable companion goal [of eliminating inflation] provides a basis for hope for the future.

Our objective of monetary stability must not be undermined by the strains of financing international payments imbalances. We thus recognise the importance of each nation managing its economy and its international monetary affairs so as to correct or avoid persistent or structural international payments imbalances. Accordingly, each of us affirms his intention to work toward a more stable and durable payments structure through the application of appropriate internal and external policies.

Imbalances in world payments are likely to continue in the period ahead. We recognise that potentially serious problems, may arise for a few developed countries which have special needs: which have not yet restored domestic economic stability, which thus face major payments deficits. We agree to co-operate in further analysis of these problems with a view to their resolution.

In the trade area, despite the recent recession, we have been generally successful in maintaining an open trading system. At the OECD and Rambouillet we pledged to avoid the imposition of new trade barriers. We now reaffirm that pledge.

Countries yielding to the temptation to resort to commercial protectionism would leave themselves open to a subsequent deterioration in their competitive standing; the vigour of their economies would be affected while at the same time chain reactions would be set in motion and the volume of world



SECRET

trade would shrink, hurting all countries. It has been acknowledged that wherever deviations were noted in the policy set forth in the recently renewed OECD trade pledge, a return to the standard policy was essential and urgent. Also, it is important to avoid deliberate exchange rate policies which would create severe distortions in trade and lead to a resurgence of protectionism.

We further commit ourselves to make every effort to complete the Multilateral Trade Negotiations by the end of 1977 with the objective of substantially reducing and where possible, eliminating tariff and non-tariff barriers and significantly expanding agricultural trade in accordance with the Tokyo Declaration. We give our full support to efforts for a successful meeting of the Trade Negotiating Committee early next year, in order to assure prompt and constructive results in the Multilateral Trade Negotiations.

Beyond the conclusion of the Multilateral Trade Negotiations, we agree that we should consider ways to intensify and strengthen relationships among the major trading areas to permit the maximum expansion of trade in our increasingly open trading system.

They were pleased by the adoption, by the participating countries, of converging guidelines with regard to export credits. We hope that these guidelines will be applied as soon as possible on a worldwide scale.

The democratic industrialised nations together possess substantial economic and technical capabilities to help poorer countries achieve their development objectives and have taken a leadership role in using them. Our countries are central to the efforts of developing nations to improve the lives of their peoples. But for us to respond positively to development needs [on a sustained basis] requires mutual respect and understanding between developed and developing nations. Whether for developing or developed countries, resources are not unlimited and priorities must be set for what is achievable. Progress also depends upon the manner in which developing countries manage resources available to them. Sound economic policies, and opportunities for a vigorous private sector to help mobilise resources, can lay the basis for sustainable growth and rising standards of living.



SECRET

Greater collaboration is necessary among the industrialised countries in order to insure adequate attention to key development problems and to avoid the misallocation of efforts and resources. Efforts among us must be mutually supportive, not competitive. We can be most successful in assisting the developing nations if we can agree on ways to promote sound solutions to their problems.

At Rambouillet we affirmed the importance of a co-operative relationship between the developing nations and the industrial world. We drew particular attention to the need to deal with the large deficits in the current accounts of the developing countries. Since December substantial progress has been made towards these aims. New measures have been taken in the IMF to stabilise the export earnings of developing countries and to help them finance their deficits. These new measures are working well.

More recently the outcome of the UNCTAD IV Conference in Nairobi has marked a further advance towards improved mutual understanding. In the discussions which are to follow UNCTAD IV in the CIEC and other fora, one of the main tasks will be that of seeking to identify the problems of international commodity trade and to find practical solutions to them where these can be achieved at an acceptable cost and without damage to the efficient operations of competitive markets. We shall participate actively in this work.

A fundamental objective is the establishment of stable and trustful relations between the industrialised countries and the developing countries based not on unproductive confrontation but on sustained concertation, taking into consideration the interests of all parties. A more balanced international economic order should aim to reduce the inequalities among nations, improve the incomes of the developing countries, especially the poorest ones, and ensure them a greater role in the organisation of the world economy. The Heads of State and Government are pleased by the constructive spirit which prevails in the work carried out in the framework of the Paris Conference on International Economic Co-operation, and also by certain positive results of the Fourth UNCTAD Conference in Nairobi [especially concerning the question



SECRET

of raw materials⁷. They attach the greatest importance to this dialogue in the expectation that it will achieve concrete results; furthermore, they affirm their determination to take part, with a political will to succeed, in the processes started or agreed upon with a view to negotiations within the appropriate bodies.

We will ensure a thorough examination of the problems that remain in trade, commodities, energy, and development of the poorest nations. We will work to reach a better understanding of the mutual concerns of oil importing and oil exporting nations, and to assist the energy development objectives of non-oil exporting developing nations. We will give priority attention to the trade requirements of the developing nations, by working to build a consensus regarding mutual obligations of developed and developing nations.

Energy

With regard to problems of energy, we sincerely hope that active and lasting co-operation can be established between the producing and consuming countries through the work undertaken in the framework of the Conference on International Economic Co-operation. It is in the interest of all for world energy resources, whether hydrocarbons or alternative resources, to be developed under stable conditions which would make it possible to assure consumers of regular and sufficient supplies and reasonable and fair prices from the standpoint of consumers and producers.

We agree that additional efforts are required to intensify and strengthen our national energy programmes as part of a more ambitious and vigorous effort to reduce our dependence on imported oil. We will give priority attention to ways in which we can move co-operatively to strengthen our national energy efforts, to establish targets for the reduced import dependence, and to effect strong measures of conservation and new supply development in order to achieve these targets. Consistent with our efforts to insure a gradual transition away from a world economy based on oil, we will



SECRET

work together to assist the energy development objectives of non-oil exporting developing countries, and to encourage joint research and development efforts by the oil producers and industrialised nations.

The individual and collective efforts that the Heads of State and Government are resolved to continue in order to conserve and make rational use of the various energy resources and to reduce the dependence of their countries on imported energy can only help in achieving this goal.

Faint handwritten text, possibly a name or address.

Dear Sir,

Faint paragraph of text, likely the start of the letter's body.

Faint paragraph of text.

Faint paragraph of text.

16th June, 1976

Yours sincerely,
Chris [Name]

Chris [Name]
Principal Secretary