

THE DOWNING STREET SUMMIT

MAY 7th - 8th 1977

[The following notes are based on a non-attributable oral briefing at the Foreign Office on Wednesday 4th May 1977\_7

1. The Downing Street Summit is the third summit meeting of the Heads of Government of the leading developed nations. The two previous summits (Rambouillet 1975 and Puerto Rico 1976) were economic summits, but in keeping with President Carter's wish the meeting in London will include discussions on a wide range of issues and will therefore be referred to as the Downing Street Summit.
2. In addition to the participants at the last summit (Canada, France, Italy, Japan, the United Kingdom, the U.S.A. and West Germany) the President of the European Commission will also attend. Mr. Jenkins will participate in only those discussions which affect issues directly within the European ~~Community Committee~~ sphere of <sup>competence.</sup> ~~influence.~~ Although these items are mainly restricted to the second day, this arrangement will clearly cause real practical difficulties.
3. There is no fixed agenda for the summit, although the intention is to have a general stock-taking of world economic problems on the first day (Saturday) and to concentrate on the question of multilateral trade, the North-South dialogue and energy policies on the second day

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(Sunday). The talks will be informal and, apart from the general headings, largely unstructured. The intention is not to reach firm decisions, but that there should be an exposition of national policies with the aim of achieving better understanding, and that there should also be a common identification of the basic problems. It would seem that Callaghan, Carter, Giscard and Schmidt are all keen that there should be a concerted approach by the developed nations to the world's economic problems. Their hope is that the summit will provide an impetus for the West to take fresh action <sup>or</sup> these inter-related problems over the coming months in the large number of relevant institutions (e.g. the I.M.F., the Conference on International Economic Cooperation, U.N.C.T.A.D., G.A.T.T., the multilateral trade negotiations, etc).

4. The summit's main concern will clearly be the world economy. H.M.G. feel that the stuttering economic recovery in the West and the continuing high levels of inflation and unemployment necessitate an international effort. A joint approach to these problems has long been an objective of the Prime Minister, who is keen that the "motor economies" (U.S.A., West Germany, Japan) should be made fully aware of their major responsibility for sustaining world economic growth and world trade. Basically H.M.G. accepts the recent gloomy predictions by the O.E.C.D. and will therefore be

urging that the motor economies hold to their declared growth targets of 5 - 6/7 per cent, rather than falling back. While H.M.G. accepts that the West Germans are reluctant to undertake further reflation, for historical and political reasons, it would seem that the Prime Minister will emphasise the scope for the West Germans to undertake non-inflationary reflation.

5. It is expected that the progress made at last week's meeting of the I.M.F.'s Interim Committee will be endorsed and that the participants will look forward to more solid and tangible progress at the Committee's next meeting in September. There is a difference of opinion on the seriousness of the problems of international financing caused by the large balance of payments surpluses of the O.P.E.C. countries and also West Germany and Japan, and the deficits of the less developed countries and the weaker members of the O.E.C.D. | H.M.G. is extremely worried by this imbalance and is keen for there to be an expansion of the I.M.F.'s lending facilities, with special emphasis placed on overcoming the problems of the less developed countries.
6. The discussions on trade will naturally be much concerned with the high level of unemployment in the West and the growing protectionist pressures. H.M.G. is particularly concerned that any contraction in the rate of growth in world trade will have a very serious effect on North-South

relations. There is also concern that the only way that Japan can reach its high growth target is on the back of an export boom, which in turn would increase protectionist pressures in North America and Western Europe. It is understood that while H.M.G. will continue to press for growth, they will also press for an appreciation of the Yen, the removal of "crypto-protectionism", and a much greater propensity on the part of the Japanese to import.

7. Any new position adopted at the summit on the question of North-~~Sea~~<sup>South</sup> relations, particularly on commodities, Third World debts and the transfer of resources, will not be made public but will be deployed at the appropriate time throughout the remainder of the year. H.M.G. is hoping that the Carter Administration will move towards the European Community's position on questions of official aid, a common fund for commodities and the stabilisation of export earnings.

8. In the discussions on energy policy it is expected that H.M.G. will give a broad welcome to President Carter's recent ~~initiative~~<sup>it</sup>, while expressing certain reservations. For example there are fears that the President's proposals will further slow down reflation and there could also be difficulties for our car exports to America in the future. As regards the U.S. proposals on nuclear reprocessing,

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Britain, France, West Germany and Japan will all take this opportunity to voice their objections - there was very serious disagreement with the Americans at last week's meeting of the 15-nation nuclear suppliers' club.

9. Special lunches will be held on the second day of the talks for the Economics Ministers of the seven participant nations, and also for the respective Foreign Ministers. It is expected that these will be occasions for very wide ranging talks and will not necessarily be restricted to the topics to be discussed by the Heads of Government.