

010

CONFIDENTIAL

Prime Minister

Ref.A083/2701

PRIME MINISTER

Not raised

A.J.C. 27/9

1984 Economic Summit

Meetings with Mr Trudeau and President Reagan

You may want briefly to mention the forthcoming London Economic Summit when you meet Mr Trudeau and President Reagan next week.

2. Mr Trudeau may well take a rather detached interest in the matter, given the strong possibility that he will have resigned before then.

3. President Reagan is unlikely to want to enter into detailed discussion; but you will want to let him know that you were glad to learn, from your Personal Representative's report of his recent meeting with the President's Personal Representative, that American thinking and our thinking about the next Summit was running on very similar lines. You may want to indicate that you recognise that (as the President's Personal Representative indicated to me the other day) the President may be somewhat inhibited at the Summit by domestic electoral considerations and will be looking to you to take the lead at the Summit. You will also want to say that you are aiming at a quiet, workmanlike conference, without too much razz-ma-tazz; though, if the President is running again, there is likely to be a huge and persistent corps of United States pressmen.

4. To both Mr Trudeau and the President you could speak on the following lines:

(i) It is still too early to make definite predictions and plans about the next Economic Summit. There are possibilities of upsets in the world economy of a kind which could change the situation and prospect: for instance, if progress in handling international debt problems were not maintained, or if the Iranian Government acted on the Ayatollah Khomeini's implied threat that in certain circumstances (for example, if



some of the industrialised countries continued to sell arms to Iraq) Iran would take steps to stop the flow of Gulf oil through the Straits of Hormuz. But, if there are no such major upsets, there is a reasonable prospect that the economic recovery, of which the Williamsburg declaration saw signs, will have continued and grown, albeit gradually, and that the world economic situation will be marginally easier in 1984 than it was in 1983. In that event it will be important not to depart from or relax the strategy laid down at Williamsburg, which was itself derived from the work of previous Summits.

(ii) The aims will still be: to achieve and maintain lower inflation, to reduce interest rates, to reduce structural budget deficits, to promote conditions conducive to productive investment and greater employment opportunities, to reduce the strains on the international financial system created by large debtor countries, and to liberalise and extend international trade.

(iii) The London Summit will need:

- (a) to reassert these objectives;
- (b) to note the progress made since Williamsburg;
- (c) to take stock of the development of the consultation process to promote convergence of economic performance and greater stability of exchange rates based on the annex on the Williamsburg declaration and taking it further as appropriate;
- (d) to take stock of Finance Ministers' consultations on improving the international monetary system;
- (e) to review the management of the international debt situation, and the links between debt and trade;




- (f) to give renewed impetus and emphasis to the pursuit of trade liberalisation;
- (g) to take stock of the progress made in the recovery of developing as well as of developed countries, and to send a constructive and helpful signal to the developing countries;
- (h) to allow time for discussion of political issues of interest and importance at the time of the Summit.

5. President Reagan will no doubt be looking for a further review of the development of East/West economic relations. It is to be hoped that continuing progress in COCOM and in the other forain which these matters are being pursued will enable the President at the London Summit to express satisfaction with that progress as a result of the American initiative first taken at the time of the Versailles Summit.

6. You could say you will be asking your Personal Representative to give a lead in these directions in the proposed work for the London Summit; and (to Mr Reagan) that you have noted with satisfaction, from the recent talks between your Personal Representative and his, that United States thinking is very much on the same lines, and that we can count on United States support in seeking to lead the work in that direction.

7. I am sending copies of this minute 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.

23 September 1983