

These plans are running away from us without any

Prime Minister

Ref. A07714

PRIME MINISTER

The Foreign Secretary may have views on who should represent the Community (para 5 to 7 below) - you may care to

prior return to my self the P.O. advice - Chancellor. we must discuss. no

A.J.C. 5/2

I attended a meeting of Personal Representatives in Paris at the weekend to carry forward the preparations for the Versailles Economic Summit.

2. The French Personal Representative circulated a proposed programme for the Summit meeting, a copy of which I attach. This gave rise to two procedural problems which we discussed.

3. First, the President has proposed that the formal sessions should all be used for discussion of economic subjects, with political discussions confined to the meals. This is in line with the position which President Mitterrand, like his predecessor, has taken, that these are occasions primarily for economic and not for political discussions among Heads of State or Government. The President has also proposed that Heads of State or Government should take dinner on Friday 4 June and lunch on Saturday 5 June on their own, without either Foreign Ministers or Finance Ministers being with them.

4. I reminded my colleagues that both at Venice and at Ottawa it had been found useful to have one session, in the afternoon of the first full day, at which Heads of State or Government and Foreign Ministers engaged in discussion of political matters. I also thought that, when it came to the point, Heads of State or Government might find it convenient and desirable to have their Foreign Ministers with them for at least one of the three meals - perhaps lunch on Saturday 5 June - as well as on Sunday 6 June, as already proposed. What I had to say on this was supported by my German and American colleagues. The French President's Personal Representative emphasised that the proposals represented his President's wish as to what should happen, but indicated that the President would be prepared to rethink the arrangements in the light of comments from his fellow Heads of State or Government. We are to revert to the subject at a subsequent meeting, and I shall seek instructions in due course.

5. The second procedural problem was the representation of the European Community. After the London Summit in 1977 the European Council decided that at Economic Summits the Community should be represented by the Presidency of the Council and the Presidency of the Commission when matters of Community

competence were under discussion. This will be the first Economic Summit at which the Presidency of the Council has not been held by one of the four EC member countries who are members of the Summit in their own right. The President of the European Council for the time being is the Belgian Prime Minister. The French President, through his Personal Representative, has made it clear that he is not prepared to have more than one representative of the European Community at meals or restricted sessions of Heads of State or Government only, and that it is up to the European Council whether their representative at such sessions should be the Belgian Prime Minister, as President of the Council, or Mr Thorn, as President of the Commission. The French President would be perfectly prepared to see both the President of the Council and the President of the Commission at plenary Summit sessions.

6. The Personal Representatives of the non-European members of the Summit made it clear that their Heads of State or Government supported the French President in thinking that there should only be one representative of the European Community (apart from those who are members of the Summit in their own right) at meals or sessions confined to Heads of State or Government. The Personal Representatives of the Belgian Prime Minister and the President of the Commission reserved their position on the matter. The Personal Representatives from the other EC countries simply noted the French President's proposals, and agreed that the matter would have to be further discussed. In private talks with my French, German and Italian colleagues it emerged clearly that not only the French President but also the Federal Chancellor and the Italian Prime Minister did not want to have more than one representative of the European Community at restricted sessions, and wanted that one to be Mr Thorn and not the Belgian Prime Minister. On the other hand, Mr Thorn's Personal Representative made it clear that he was still hoping to persuade the non-European members of the Summit to agree that the European Community might have two representatives at meals and restricted sessions of Heads of State or Government only. The French Personal Representative said to me (and has since repeated on the telephone) that his President very much hoped that you would be able to support him in the position which he had taken on this.

We cannot have the President of the Council ranking below the Commission.

One only of the Council is more important than the Commission.

7. The Italian Personal Representative, again in private discussion, suggested that this problem underlined the need to review the present arrangements for the Presidency of the Council; and he suggested that it should be resolved by resorting to a device which had been adopted on one or two occasions, whereby the Community would be represented by an immediate past President or an immediate future President. The immediate future President would not solve this problem, since he is the Prime Minister of Denmark; so this really amounted to a suggestion that you should be invited to represent the Presidency of the Council at meals or restricted sessions of Heads of State or Government only. I said to the Italian Personal Representative that, if his Prime Minister was minded to pursue this suggestion, it would be very much for him to make it, since for obvious reasons you could not do so yourself.

8. On the substance of the Summit, most of our time was spent on defining the issues which were likely to be uppermost at the Summit meeting itself and putting in hand the preparations for those subjects.

9. There was general agreement that energy was unlikely to feature largely in this Summit. It seemed probable that North-South matters would not feature largely in the discussion at the Summit, though the communique would need to include a section on the subject. There could be a difficult negotiation on this: the French President, supported by the Canadian, Italian and Japanese Prime Ministers, will want the Summit communique to use words which at least reaffirm the positions of Ottawa and Cancun and if possible advance beyond them. It was clear that the United States representatives, on the other hand, thought that they had been pushed a long way at Ottawa and Cancun, that the developing countries were totally divided and split (as appeared from the recent conference at New Delhi), and that the United States could not be expected to contemplate any further advance until there had been some sign of a response from the other side.

10. The main subject for discussion at the Versailles Summit was thought likely to be the general economic situation, with particular reference to the levels of unemployment and the problems of recovery and to the effects of high American interest rates and volatile exchange rates on the economies of the European countries and of Canada. I emphasised that it would be important to stress that the continuing reduction of inflation was an indispensable condition of sound recovery.

*On the
Community
oil prices
are very
important -
just now.*

My French and German colleagues both emphasised the very serious consequences for their economies, for the capability of their Governments to sustain defence programmes, and for the cohesion of the Alliance, if as a result of the policies now being followed by the United States administration American interest rates remained high. The German Personal Representative pointed out that American policies had a variety of widespread effects; for instance, high American interest rates were one of the factors keeping the value of the yen down and thus preventing the rise of the yen which would bring about some of the adjustments in Japanese trade and payments that were required. In reply we were treated to a pure re-statement of "Reaganomics" from Mr Beryl Sprinkel, speaking on behalf of the United States Treasury. High interest rates were not an objective of American policy, and the administration were as keen to see them come down as anybody else. They were the results of pursuing a policy of moderate monetary growth. Experience showed that an easier monetary policy in the United States would simply push up interest rates, not bring them down. Though American GDP was likely to fall in the first quarter of 1982, it would rise by about the same amount in the second quarter, and more strongly thereafter. For the time being the fiscal deficit was high, but there was no possibility that the President would reduce his tax cuts, because that would be to diminish the incentive effect which would produce the buoyancy of revenue which would in the end bring the deficits down. American GDP could be expected to rise more strongly in the second half of the year: a figure of 5.2 per cent was mentioned. This statement was greeted with an incredulity bordering on despair by my French, German and Canadian colleagues, who made it clear that their Heads of State or Government were bound to want to spend a good deal of time on these matters at the Versailles Summit, if there had been no change in the position by then.

11. In previous years discussion of the macro-economic situation by Personal Representatives and at the Summit has been based on a world macro-economic review prepared by the Chairman of the United States Council of Economic Advisers, in his capacity as Chairman of the Economic Policy Committee of the OECD. If we had followed that precedent this year, we should have been in danger of getting a review which would have been so far from the position of the European countries that they would have been compelled to put in alternative reviews. I therefore

*Please see that Man
Watters is engaged on this
operation at every stage. He must
also come to the*

proposed that this year we (the United Kingdom) should undertake the macro-economic review, in the hope that we should be thought to be sufficiently between the two extremes. This offer was accepted, and the review will therefore be prepared by the Treasury, in consultation with the Bank of England. I agreed that in the preparation of the review Sir Douglas Wass, Sir Kenneth Couzens and Mr McMahon would consult the Economic Policy Committee of the OECD informally (that will help to appease the Americans) and will also consult the German Ministry of Finance (that will appease the Europeans).

12. Personal Representatives agreed that the Versailles Summit would need to address the problems of international trade. The main concern here will be to reassert the collective commitment to an open multilateral trade system, and to prepare positions for the Ministerial meeting of the GATT which is to take place in November. European Personal Representatives served notice that questions of Japanese trade were also likely to arise.

13. The French Personal Representative had suggested that the Versailles Summit, in addition to discussing the traditional Summit subjects, should address one or two special themes of longer term significance which could be discussed in greater depth. I and other Personal Representatives welcomed this proposal, but suggested that it was unlikely that there would be time for the Summit to consider more than one such subject. The French President's Personal Representative committed his President to preparing a discussion paper on technology, economic activity and employment, as a basis for a discussion on how and where technological development could be expected to create new problems of unemployment and new possibilities of employment. We thought that this sort of discussion, and its reflection in the Summit communique, would help to show that Heads of State or Government were not confining their gaze to the immediate and relatively grim short term outlook but were looking ahead to the longer term prospects for economic recovery and regeneration. An outline of such a paper produced by the President's Personal Representative was extremely dirigiste in its approach; our discussion suggested that a more prudent approach would start from the premise that technological development and the economic opportunities which it created would be determined largely by the operation of market forces, and that Government intervention should concentrate on encouraging such trends and removing obstacles

*We need
to take
a position
on Japan
and that
requires
operation*



rather than on attempts to direct the course of events. The French Personal Representative said that he would like to take away his outline paper and reconsider the matter in the light of discussion; we could expect a perfectly different paper next time round.

14. The Personal Representatives are to meet again on 23-25 April to consider working documents commissioned at last weekend's meeting. At that meeting they will also give a "second reading" consideration to the first draft of a possible communique. That discussion will deal with questions of substance and balance rather than of drafting. There will be a final meeting of Personal Representatives on 14-16 May to carry the communique drafting a stage further. That meeting will be preceded by a meeting of political representatives, to prepare as may be necessary for political discussion at the Versailles Summit.

15. I am sending copies of this minute to the Foreign and Commonwealth Secretary and the Chancellor of the Exchequer.

REA

ROBERT ARMSTRONG

4 March 1982

*Le Conseiller Spécial
auprès
du Président de la République*

PREMIER PROJET DU DEROULEMENT
DU SOMMET DES NATIONS INDUSTRIALISEES

A VERSAILLES

Vendredi 4 juin 1982

A partir de 16 h :

- Arrivée des Chefs d'Etat et de Gouvernement à l'aéroport. Accueillis par un membre du gouvernement.
- Transport des Chefs d'Etat et de Gouvernement par hélicoptère, au GRAND TRIANON, et transport des délégations, par la route, au TRIANON-PALACE.
- Réception des Chefs d'Etat et de Gouvernement, des délégations au GRAND TRIANON par le Président de la République Française.
- Dîner offert par le Président de la République Française au TRIANON pour les Chefs des délégations.
- Dîner offert au Château de Versailles par le Ministre des Relations Extérieures pour ses collègues, par le Ministre des Finances pour ses collègues, par le Représentant Personnel pour ses collègues.

Samedi 5 juin 1982

08 heures 30 - Petit déjeuner de travail de chaque Chef d'Etat et de Gouvernement au TRIANON.

09 heures 20 - Départ des Chefs d'Etat et de Gouvernement en petite voiture individuelle du TRIANON vers le Château.

09 heures 30 - Entrée des Chefs d'Etat et de Gouvernement par l'escalier de la Reine dans la Salle du Sacre.

De 09 heures 45 à 10 heures 00 - Pool de photographes et des caméras de télévision dans la Salle du Sacre.

10 heures - Fermeture de la Salle du Sacre et début du Sommet.

11 heures 30 - Pause-café.

11 heures 45 - Reprise des travaux.

13 heures - Arrêt.

13 heures 15 - Déjeuner.

Les Chefs d'Etat et de Gouvernement déjeunent dans le Salon de la Paix.

Les Ministres des Affaires Etrangères, les Ministres des Finances et les Représentants Personnels déjeunent dans les salles où ils ont dîné la veille.

Les autres membres des délégations déjeunent dans la Salle des Batailles.

14 heures 45 - Pool de caméras.

15 heures 00 - Reprise des travaux.

16 heures 30 - Pause-café.

16 heures 45 - Reprise des travaux.

18 heures 00 - Arrêt des travaux.

18 heures 00 - Conférence de Presse du Président de la République Française dans la Salle des Congrès.

19 heures 15 - Retour au TRIANON, repos.

21 heures 00 - Dîner des Chefs d'Etat et de Gouvernement au TRIANON, les Ministres des Relations Extérieures, les Ministres des Finances, les Représentants Personnels dînent dans les mêmes salles que le déjeuner. Dîner des délégations au TRIANON-PALACE.

Dimanche 6 juin 1982

08 heures 00 - Petit-déjeuner de travail au TRIANON des Chefs d'Etat et de Gouvernement.

09 heures 00 - Départ du TRIANON vers la Salle du Sacre.

09 heures 15 - Pool de caméras.

09 heures 30 - Début du Sommet.

11 heures 00 - Pause-café.

13 heures 00 - Fin de la séance.

13 heures 15 - Déjeuner des Chefs d'Etat et des Ministres des Relations Extérieures dans la Salle du Conseil du Roi. Déjeuner des Ministres des Finances et des Représentants Personnels dans leur salle de déjeuner habituelle.

14 heures 30 - Photographies des Chefs d'Etat et de Gouvernement (lieu à préciser).

15 heures 00 - Retour à la Salle du Sacre.

16 heures 30 - Départ des Chefs d'Etat et de Gouvernement pour la Conférence de Presse finale, Salle des Congrès.

16 heures 45 - Conférence de Presse commune des Chefs d'Etat.

17 heures 30 - Fin de la Conférence de Presse commune.

De 17 heures 30 à 19 heures 00 - Les Chefs d'Etat et de Gouvernement peuvent donner des Conférences de Presse spécifiques à l'Orangerie.

19 heures 30 - Arrivée des invités pour le dîner d'apparat à la Galerie des Glaces.

20 heures 00 - Arrivée des Chefs d'Etat et de Gouvernement pour le dîner. Dîner pour 200 couverts (principaux membres des délégations - pas plus de 10 - plus des personnalités du monde entier invitées par la France).

21 heures 30 - Fin du dîner et début du spectacle à l'Opéra.

23 heures 00 - Feu d'artifice.

Lundi 7 juin 1982

Départ des Chefs d'Etat et de Gouvernement.

Fin du Sommet.

CONFIDENTIAL

cc FCO
HMT

HL
Econ Pol



cc Caroline Stephens
Alan Walters

10 DOWNING STREET

From the Private Secretary

SIR ROBERT ARMSTRONG

Preparations for the Versailles Economic Summit

BF

The Prime Minister has seen your minute of 4 March. In general, before the preparations are taken any further, she would like to discuss the various issues with the Foreign and Commonwealth Secretary and the Chancellor of the Exchequer. We shall be making arrangements separately.

As regards the question of the representation of the European Community at the Summit, the Prime Minister's view is that there should be one representative only but that he should be the Belgian Prime Minister rather than the President of the Commission. The Prime Minister would find it difficult to contemplate the President of the Commission taking precedence.

With regard to paragraph 9 of your minute, the Prime Minister is inclined to think that energy should be given a prominent place at the Summit. She believes that the present developments with respect to oil prices are of great importance.

As regards the world macro-economic review (your paragraph 12) the Prime Minister would like Professor Alan Walters to be consulted at every stage in the preparation of this review.

Finally, on international trade, the Prime Minister considers that the Summit will need to adopt a position on Japan and that preparation for this should be put in hand now.

I am sending copies of this minute to Brian Fall (Foreign and Commonwealth Office) and John Kerr (H.M. Treasury).

A. J. COLES

8 March 1982

CONFIDENTIAL

9

Econ.

Policy



10 DOWNING STREET

MR. COLES

I have set up the attached meeting for 1830 on Wednesday, 24 March. Sir Robert Armstrong's Office told me it had to take place during the last fortnight of this month.

N.B. The Foreign and Commonwealth Secretary has to leave at 1915 for supper with the Chinese Ambassador.

es.

8 March 1982