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Versailles Summit.

First plenary session. ~~June~~ 5. vi. 82 9.45 a.m.

Mitterrand Calls Summit Conf. to order. A privilege to open conference. A pleasure to welcome you here. Technical instructions on micro: system.

A historic room. Don't be dazzled by paintings, celebrating glory of Napoleon. I am not a follower of N., but this place is part of history of France. Continue until 11.00 / 4.15. Coffee break 10 mins.

A few comments on agenda agreed last night.

Last night we tackled a no. of political questions. We shan't be able to tackle them again before Sunday eve.

These are high level meetings, but try to forget the burdensome bureaucratic back-up. Get away from heavy & cumbersome and technical discussions.

A free discussion to forge a common political will among us on certain crucial issues.

What are we going to do in this conference. Meals for direct and informal discussions; + meetings a formally.

Let us also look at other problems - Mid East, Cent. Latin America. But concentrate on economic matters which influence our political choices. I do not accept that our individual views are too divergent to be harmonised.

A common aim to facilitate trade between us, and to prevent one or other of us from letting the rest make progress. But this meeting is a court of judgment. E.g. protection: we all take protectionist actions in one way or another.

The first major problem is the macro-economy. All responsible for the problem of crisis together. Get our priorities right, and look at things straight. Wrong to look at individual aspects except in general context. Base on facts: no preconceived ideas or prejudices. We are all affected by the crisis.

One aspect of crisis is rel^{ns} betw E + W. Not just a question of military matters. You can't pursue a defence policy with economy in mind.

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E-W rel^{ns} also a matter of economic rel^{ns} —
trade and credit, wh. we shd also tackle.

Also discuss N-S, if we are to consider crisis
as a world phenomenon.

After macro economy discuss other subjects we are
concerned with.

I have produced introductory doc., framed in this way.
We have differences, but an overall desire to work
together. Be able to tell our Ministers to pursue
a certain line of common policy. If there are fields
where it is difficult to agree, there are others where
we can agree.

X My doc: is abt technology, + effects on employment,
both in our own countries and third world.
If we can get a grip on 3rd industrial revolution,
we shall be organising our future. I am
not suggesting a lot of super general stuff, for
the world or for ourselves. Not am I suggesting
that technology is only a service of state. We
have to help to encourage research and
industrial development of technology.

I shant need the report to you — 32 pages
dit: only for ...

The preamble has only 3 pages, which I will read.

Since Ottawa Sm. have lost jobs. World economy

and trade sluggish. Currencies unstable. In

South conditions have worsened: 30 mm. have

died of starvation since Ottawa.

Some successes: inflation down in a no. of

countries; some show some ~~gr~~ growth. In

France not such success with inflation, but

growth of unemployment flattening out. We can

learn from each other.

Necessary to get a grip on the transformation facing us

Imagine a perfect economic world: no inflation, stable

rates etc. How easy life would be. Not so,

so we have to deal with the problems.

It's impossible to leave here without thinking we can

do something.

[Intermission is sound of for only clock]

Give something to inspire young people.

Regenerate our spiritual values; give our people

a taste for living.

In first part of report, words about biotechnology

and its possibilities. Purpose is to show what

these technologies can achieve.

Information technology; energy technology; dealt

with in my report.

Oceanic research; space exploration.

It means exit; there is an immense reservoir of intelligence to prospit us. Get bold policies going again.

Adapt our industries to new technology. Agree to put together to reduce N/S differences

Then I propose a no. of measures, wh: shd enable us to set ourselves goals and programmes, including a committee to put this together, and work together for joint development.

All part of discussion on welare conditions, employment, education, communications.

Why not have at UN university a world network linking different languages.

Why not a world encyclopedia?

What has to do with our traditional objects?
Everything: all about democracy.

Suzuki We are all discussing how to ventilate our economies. Discuss in cooperⁿ not confrontation looking to pull out part. A world crisis, work together. In part 2: mounting tide of protectionism. John faces to expand the encouraging aspects of it.

Siva since Ottawa severe, but one good thing improvement in inflation since Ottawa.

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With regard to trade, while we believe that our market is open as open as anybody else's, we have taken further measures, in particular, measures to open market even more, incl: to tariff reductions etc. At same time I urged to any people to accept foreign affairs with an open mind. I shall try to make the measures work; look for cooperation from others. Need to work together in GATT Ministerial in such things as trade in services, investment, high technology. We are continuing to try to achieve growth led by domestic demand. Expansion of public works. While seeking to maintain appropriate value for yen, working for appropriate balance in economy.

Importance of M/S. Japanese spending her and as speed at Ottawa.

Agree that to emphasize a technology eco means possible a return to growth and expanding economic equilibrium, and improve economic conditions.

E.g. microprocessors have improved industrial productivity and maintain conditions.

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If automatic translation becomes possible, this will greatly improve + encourage international cooperation.

Japan's basic strategy in promotion of sci & tech.

- ① R&D v. ad d. sh^d depend primarily on private sector, with gov^{mt} coming in where risks or lead times are too great for private sector.
- ② Act under principles of free exchange, + remove barriers.
- ③ Promote transfers of technology, inc. between N75.
- ④ Work for consensus betw: management and labour, e.g. on introduction of robots.

Robots can introduce more jobs than they displace.

In 1985 at an exhibition in Japan; we hope you will all participate.

Summit sh^d give a new boost to cooperation in this field. Set up a working group. May bring fruit to consider. Japan will contribute actively.
E.g. in life-science, nuclear energy, space exploration,
? biotechnology

are subjects worth considering.

Reflect on effects on national actions and traditions of internationalised development. Respect ~~with~~

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problems; but a message of hope for the future,
and a focus for developing unity.

Schmidt

General welcome to Mitt. report + Suzuki.

Agree working group, either OECD or Summit
countries.

The need: the growth in world populⁿ.

When I was born, 2bn.; by end century 6bn.

Rate of growth alarms me. My fear is that

We shan't be able to feed them all, or give

them all jobs. So technological development vital.

We must take a positive attitude to growth

of world populⁿ and what technology can do.

At 1983 Summit we should look in more detail

at problems of overpopulⁿ as exhaustion of natural

resources. Need for greater aid.

We must talk with the churches too. I have 2cc
talked to the Pope, without much success.

But Mandate to working group should be confined

to more precise things; but we should also

have a report ~~on~~ in 1983 on

Spadolini

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Welcomes Mitt. initiative, is ~~an~~ important

A new dimension to country

1. Define dimensions of 3rd Industrial Rev^o

2. Define possibilities + limits of action

We cannot stop or slow down historical development;

we must guide it and control it, as determining

future of our countries. It influences economic

and spiritual development. Technology must

be a tool to promote depth of democracy

A no. of sacrifices will have to be made.

Control of inflation essential.

Private initiative, free forces of market,
must be the propelling factor. But

economic future will depend also on what

governments do. We must guide and control

spontaneous trends. We need a clear

frame of reference for development of national

effort and international cooperation.

Agree the proposal for a working group to

consider issues and identify possibilities for

action. Agree respect cultural diversities

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Tudean Right to look towards future.

Technology is the science of techniques. The workings group should have in itself or parallel to it people who can define what we see emerging from 3rd industrial revolution, and on the social and cultural implications. We have not always thought about those implications of technological development. e.g. noise, reflex, a. environment. We need a philosophy of technology.

Agree with Schmidt about the problem of overpopulation. We shall need a new system of moral values, which includes concept of interdependence.

Mitterand

In France our problem is that the health and social services have a higher budget than the state, and its expenditure is increasing exponentially. Not properly controlled.

Biotechnology could help to reduce health expenditure, if wisely applied.

Another example: v. few developing countries

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with enable agric production to be increased
by factors of 4, 5 or 10.

Thank you for discussion.

Thank you for support of working group,
we will report back to 1983 Summit in US.
I visited you all before this conference. Thank
you for receiving me. I learnt a great deal
about agreements and divergences. We need
greater cooperation. Also I learnt a great
deal from ~~Frank~~ Trudeau's and Canadian
management at Montebello.

Recess now for 30 minutes.

11.40 am. 5. vi 82

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Martens On behalf of EL, a few points on report.

1. We do not have to bow our heads to the crisis and accept it. Technology gives us the concrete means to combat it and reestablish growth. So the report is a message of hope.
2. It is a backdrop to our discussions of macro-economy, trade etc, if only because of the massive investment required by technology.
3. Unemployment requires an increase in vocational training programs; but ties in too, since training in technology is needed.
4. M/S requires clear eyed use of technology for output.

We must learn to use ~~the~~ tech: more effectively
You suggested a wkg group. What part can the EL take in that group? The EL could be active.
EL Martens have already set themselves a programme on the lines of Mitt's report. The report will help the EL to focus its work.

Reagan Welcomes Mitt. report as antidote to thinking about limits to growth; puts in US, welcomes proposal for wkg group

Technologized dynamism - characteristic of West (as opposed to East), which affects ways in

stimulus to technological development comes from private sector. E.g. Silicon Valley.

We want to see a proper environment for our development.
Govt tax programme includes tax incentives for technology development.

Govt also cooperate to remove barriers to flow of technology; i.e. high cost, high risk development (e.g. nuclear energy).

Look at Napoleon in the picture on the wall; behind the crown and the fur he was not enjoying the simple comforts we enjoy.

Pres. Hoover asked a group of scientists to predict the next 25 years. Their report made no mention of TV, computers, space, air transport, plastics: not even a ballpoint pen.

In 1913 a Congressman proposed a bill to abolish the Patent Office because everything possible had been invented.

[Another policy while needs are not decided]

More than 2/3 of world population engaged in agriculture, living in mud huts and scratching the ground with a stick. With technical development we could feed the population of the world on 10% of the acreage now tilled.

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We have three teams and providing technological depth is qualitative.

I agree with why groups, & govts doing what is their proper part; but keep open freedom of individual effort and initiative.

Thatcher A few comments.

You said this was the 80 industrial Revol.
There's nothing new about new technology; it hasn't destroyed jobs but creating more.
But new tech. tends to come in spurts, and that makes it difficult to deal with employment consequences. The timing of this spurt has led to some resistance; we have to overcome that.

— The science & the technology are the easy parts.
The human factor is more difficult.

But new tech. means putting more money into investment in place of social security, and indexation and corruption.

— Where there is a tradition of unionisation, we only get technology accepted if we have super-management: put an brake for the Japanese.

— Keep the tax system and put into the...

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— What it is but we shall do differently as a result?
As a result of previous summit we are coming
out of our difficulties in a much sounder
way than out of previous recessions.

They have also helped us to keep a more open
world trade system. We all have some
protection, but if we are to get more growth
and employment we need an open trade system.

— Welcome working group, to consider general aspects
of Milt's report, to make practical proposals,
and to suggest how we can influence public
opinion.

Reagan Thatcher spoke of fear of technology.
People thought that dial telephones would do operators out
of their jobs. Now we have so many telephones
that there will not be enough women to service
them manually.

Mittler Wants Mrs T's last words, about
influencing public opinion, reflected in
le. qué. The influence on general public
is important.

And let it come as a message from here.

I thoroughly agree with everything Reagan
said. The way things will

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looking at joint uses of existing technology.
Refers to examples of rejection of technological
depth, incl: Galileo.

The major reason I drafted this report is that
technology creates jobs, as you say. We must
reject the backward-looking view. Technological
progress generates growth.

In just 2 Industrial Revolutions too long a time
elapsed between the ~~start~~ time of the revolution and
the consequent creation of jobs. We must reduce
the lapse of time this time. Perhaps we have
already lost 70 years; don't let us lose another
20. Progress with more job productivity better
and jobs more interesting.

Now time to

macro-economic problems, + continue after lunch.

Schmidt According to OECD estimates, over 7 countries with
which we have a high GNP in 1982 than in 1981. At the
same time in 6 out of 7 unemployment will be between
6 + 12 percent. 30 million people out of work in
OECD. The world economy has gone off the rails
1983 looks slightly more favorable. Wages to be raised

Schaudt

We must have lower budget deficits.
In FRO we have brought P&BR down to much
less than when Summit countries asked us to be a
leader. And yet is unprecedented; we are still suffering from effects of excessive
P&BR of the 1978 Summit. We have
introduced measures to increase employment
and higher investment. This has meant we have
had to reduce expenditure in other areas. This
was difficult. We did not want to change the
core of our social security system, because of
need to social stability. We have spent
well down, respect growth rate of 3 per cent;
but still worried about unemployment.

Mitterand

Don't say, like Napoleon's mother, I hope it lasts.
Accept and adapt to change.

Reagan We are plagued, like others, with unemployment,
and with high interest rates. We have adopted
a policy 180 degrees different from before.
This is the 8th postwar recession. On previous
occasions we had quite fit spending to try to
end. But each one led to another recession
with deeper unemployment + higher inflation than
before. Results = public debt of \$US 3 billion

In 1980 the 7% recession pushed up unemployment, inflation, interest rates to record levels. He introduced a tax around to the increase in gov^t spending. It's now only up half as fast as when he took office. But this has not done enough to bring interest rates down enough to help car and homebuilding industries.

Inflation down from 12.4% to less than 1 per cent in last three months

One reason why interest rates have not followed inflation down: a pessimism that Congress will revert to the old ways of the 1970s. We believe that this is wrong. We are still working to get deficits down. The budget expected would have taken deficits down by \$358 bn over three years, and on a trend towards balanced budgets.

Despite high level of unemployment, we have more people in jobs than at any time in our history.

A demographic change at work: particularly - great increase in women in working popl. They're being employed up from 3 to 9-5%, but a 1 mm. more people in job market than a year before, and 800,000 of them find jobs.

& we recognize the effects of our high interest rates,
we believe rates held up psychologically.

We believe that when Congress passes a budget
which shows that reduction of budget deficits
is for real, rates will come down.

We don't believe that more tax cuts will lose
revenue; ~~they~~ we believe they will stimulate
at this increase national income & tax yields.
That was what happened when Kennedy made
tax cuts.

I know that with the effect each other
we shall strike with our plans. I agree that
we do have closer cooperation with each other
probably at a ministerial level.

We believe in international exchange markets to
prevent disintegration, but as a permanent activity.
I think we do have a joint study of
international exchange markets; it would
be beneficial to all of us to find out
what the record is.

Mitterand Becke for lunch now.
Resume

Spadolini Social stability and our international strength depend on our ability to manage our economies, control inflation, restore growth and reduce unemployment. We must have a plan and a will to face these problems. Mitterand made an imaginative proposal this morning. We must use all means and face our problems in a coordinated way. Not uniform approach, but coordinate our diversity. \$

X X X X

Trudeau

X X X X

Need for some general will to accept sacrifices for the sake of growth. Can we just go on with our anti-inflation policies, accepting whatever cost in unemployment? If we must do that, we should say so together. But perhaps there is a different message to get across.

Reagan said interest rates would come down if people are convinced about budget deficits. But can we wait? Disastrous consequences in Canada, and on some foreign borrowers

we cannot wait for the November election.
 Can we help Reagan? I should like to
 help myself by helping you. Can we
help you to persuade Congress to agree
what is necessary to bring interest rates
down? ~~the~~

We always meet to compare ourselves favorably
 with the East. I wish we could have
some hope out of this summit.

Reagan repeats the story of the disadvantages
 of "quick fix" ones

We believe we are on the right track for
reducing inflation, and by tax incentives
to stimulate growth and create jobs

Any sign that we are on the right track.

We are reducing taxes for gov't take from
private sector; but they have been hurt
before by "quick fixes".

Trouble with 2 factions in Congress.

Some want to go faster than us; but
we don't want to cut deeper into
security.

There are already some signs of economic recovery. Tax cuts and indexed rise in social security benefits in July will put \$30 bn into economy. Flourishing permits up.

The regulations we have cancelled have taken out 2 million man hours of paper work in private sector and lower levels of bureaucracy.

Tandean Will the unions ask for catch-up wage increases again?

Reagan In the automotive industry a deal has been made to forgo wage increases for sale of company.

Tandean Because of fear of unemployment; it will revert again.

Reagan No; management has learnt its lesson.

Tandean I fear not; the wage increases will be passed on to consumer.

Reagan The consumer has learnt that he need not buy.

Tandean He buys Jap cars all right.

Suzuki Be ready to go for concerted intervention. If we announce that, it will be good for stability and confidence in exchange markets.

intended that is one of the purposes ~~for~~ of our discussion.

Martens One or two points from European Council:

① Concern at current ^{intentional} economic situation: unemployment, + general crisis of a structural nature. Can only be overcome if we all take coordinated action with agreement of management and labour. Hope that govt intervention can be limited, but social consensus necessary, so govt intervention may be necessary for limited periods. Tend with support democratic values and international credibility.

② Understate positive areas. Fight to control inflation; reduction of energy dependence.

③ Still a no. of business to improve. European Council said ^{possibly} multiple decline impacts in three areas;

① a double decline in interest rates

② greater exchange rate stability

③ improved North-South relations.

High real interest rates contribute to unemployment and make more difficult the service of public debt. Absolute priority to reduce budget deficits both sides of the Atlantic.

As whatever we can to foster orderly arrangements and markets by cooperation between monetary + ... , Japan + EC.

The EMS is already making a contribution to stability.

A few more words to Japan:

Japan should pursue exchange and trade policies more compatible with a fair distribution of burdens in industrialised world. Glad to hear from Suzuki of measures taken in this regard, and of reliance on domestic demand rather than export push.

In E.C. we need and can achieve greater convergence of our economic policies, particularly to encourage investment and employment of young people. Focus on investment response of enough. We must also take specific measures to reduce unemployment, esp. to promote vocational training of young.

Finally we need an active policy of cooperation with 3rd world.

Finally (again) we emphasize need for greater stability of exchange rates so as to encourage trade. That must result from a greater convergence of economic policies and a joint effort towards economic recovery; and also strengthened cooperation with IMF, particularly in monitoring the free market currencies.

Rule out use of exchange rates to get competitive advantage. Be prepared to intervene in currency markets so as to counter movements which are not objectively justifiable.

The EC countries should be international monetary undertakings as complementary to their obligations vis-à-vis EMS.

Oh God, another "finally," endorsing the proposed

whether inflation and unemployment are alternatives or if they show some and only in certain sectors. Deficit financing is not dead with unemployment results from changing patterns of trade, or from higher productivity, or from failure to invest in products of tomorrow. Any short-term gain is achieved at the cost of greater unemployment in the longer run, as is shown by British experience 1972 to 1977.

|| Inflation as a policy is not an end in itself for unemployment; and it is a positively immoral policy, stealing something from every pound or dollar saved. Control of inflation helps to reduce unemployment in anything but very short run. I agreed with Reagan that you have not only got to get your deficit down but also to adopt policies that show that you are going to go on getting it down in future. Important for confidence. Two ways of reducing deficit: cutting expenditure, or increasing taxes. Cutting expenditure is preferable. We as politicians we often for ourselves people's expectations of higher living standards, and not following the policies that we really would like to see. On inflation we cannot stand in the way of large sustained movements, but can correct disorderly conditions.

On global issues, OK when conditions, where and guarantee integrity of world institutions.

We will only get steady creation of new jobs if we do down inflation, and cutting budget deficits. Free need for spending in ~~training~~ vocational training.

● It comes back to inflation, and whether we can bear the burdens we impose on them.

Tindeman I absolutely agree that you can't be long unless you can't reduce unemployment except with control of inflation. Or whether you can sustain control of inflation.

Thatcher I am sure you can, if you stick to the right policies

Miltner No one would expect Mrs Thatcher not to stick to the policies

Suzuki Japan's 90% dependence on imported oil for energy affected prices; but we were able by technological development to offset that to a considerable degree. The favorable performance was result of steeper performance of Japanese price. When the economy was stagnant Gov took a positive view to public investment which led to a very large public sector borrowing at reliance on Government bonds. The degree of public sector deficit is very large, so we are trying to reduce gov't expenditure, while the economy by growth in private sector must at least allow enable us to keep relatively low interest rates. We intend to maintain sound fiscal measures. We have been fully experienced on domestic demand: 4.4% of the 5.2% target growth rate is to come from domestic demand.

Schmidt A few comments on correlation between inflation, currency + exchange rates. No one who knows us will dispute that I defend inflation.

Highest level we have ever had is 7.0%, 8 years ago. It is well down now.

Before that not convertible dollar in effect. That predicted oil price surges; it started with the US financing the Vietnam war. So then in 1972 Bretton Woods abandoned: dollar devalued; fixed rate system abandoned. The petrodollar ~~was~~ abandoned this description on themselves let all the govts type in printing money -- enough of money to pay for the spiraling oil prices in 1973-74.

In order to get back to monetary discipline some of us wanted to get back to fixed exchange rates. That was the motivation for setting up the EMS: to provide a discipline, not to spend our reserves on supporting our own or other people's currencies.

~~I'm not going to spoil his system, and I don't believe~~
I don't believe in intervention against the intentions of the markets. The US have not been asked to get back to fixed but adjustable parities; you have been asked to agree to intervention to prevent disorderly movements.

Why has dollar gone up again? Because in April people expected agreement a budget and a consequent fall in interest rates; then in May it was understood that there would be agreement, so expectations of reduced interest rates failed; so people were asked to invest in the dollar where he could get 7 or 8% in real terms. So the dollar goes up again, not expressing basic position economy, but expectations on interest rates.

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So intervention not to support a currency at great cost but to smooth disorderly movements. The instability of exchange rates with floating borders away from US to France and Germany where there is greater stability.

Europeans in a fairly easy spot. UK with N & S. Oil can live with it; FRG can live with it; but the smaller and poorer countries cannot.

Part of the blame lies with fluctuations resulting from "policy" of weekly money supply figures. You will create greater cooperation ~~not~~ even with Europe, if you had greater stability.

You are the strong — I don't like it but it is so, but you bear the responsibility.

Let the world become a little more dependable and calculable.

Reagan I don't see get rates down, but is no promise.

We agree with Art. 4 of the IMF but interesting is disorderly markets.

The weekly figures are from an independent central bank, the FRS. We will tell them of your views, but we can't order them.

I grant you the coming up of inflation began with Lyndon Johnson wanting guns and butter. I remember saying 25 years ago there is no such thing as

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We should be very careful about the ways we should do
 employment. We had a job creation scheme, most of the
 cost of which was the bureaucracy to run the programme.
 On the job training is best: men go to work the man
 knows there is a job at the end of it. Books have
 certain functions which it does very well; when
 it moves on to do other things which the private
 sector should do, it does not do so well.

Mitterand No one will criticize Reagan for being true to his own beliefs.

After being the decline of France there was a long period of
 inflation which killed off the empire (like Gibbon).

Our aides will be meeting today tomorrow to agree
 on putting into effect our agreements on monetary
 indebtedness.

65 will be meeting in Toronto with Director of IMF
 to discuss better monetary cooperation.

A text has been prepared. No doubt you will need
 to view critically; consider after he has.

Mitterand As you can see that I submit the text to you tomorrow morning.

Colombo Our aides have gone a long way, but there remain one or 2 political points wh. we ought to clear up here.

On the part of the statement concerning monetary cooperation.

In para 2, I would like to suggest a modification.

It talks about developing multilateral activities

We want to say "taking into account the private currencies constituting the ERM".

A paper talks about 65 Ministers meeting in Toronto with Man. Dir. of IMF. What is his group of 5, are we constituting it now?

I can understand the reference to ERM currencies, but not the group of 5.

Martens In main declaration I should not like to delete the reference in para 3 to "(which constitute the EMS)".

Haas Last night Min. of Fin. we spent a long time discussing these matters, + our delegates have produced new texts. It would be advantageous to have his notes on his evening meeting by Fin. Min. before it comes back to the text.

Mitterand The Shapses have produced a document wh. we have been working on. Colombo has added a comment a document wh. is not an official document.

Let me put aside the group of 5 at Toronto.

Trom Agree with her to have a meeting this evening could solve his question. Our problem is that there is no ref. in para 2 to Ministers of Finance of EC countries. We could not accept the deletion

Mitterand There seems to be an agreement emerging on the original text.

Delos The text as it stood referred to France, Japan, + G7 etc. Some Ministers objected but no reference to rule out other countries, to be deleted "by a closer cooperation etc." Is the monetary undertaking sufficient, or should the tri-polar sentence be added?

I see no objection to the original text, within the ref. to EMS

So I wd accept ... monetary system, especially by a closer cooperation etc" omitting the ref to EMS

Mitterand Accepted.

Colombo In para. 2 of 8 undertakes "taking account ^{particularly} of the special position of the five currencies constituting the SDR"

Lambert No basic objection to this; but we should find a formula wh: does not seem to exclude the Swiss franc.

Thom We are not excluding Swiss: we say "particularly", wh does not exclude others.

Lambert I wd go along with that

Colombo I have a comment to make on the working programme - document. This document will go to the press. It is not necessary to have para 4 in it.

Q

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Flare Our discussion of that document is not complete. Let us complete our discussion this evening.

Regan Does this mean that G5 should not meet?

Multinational It is difficult to ask them to agree to a meeting after a group to which they are not a party. I see no objection to what Colombo is saying, but a G5 meeting should not be offered.

Accept Flare's suggestion; let Mr. of Finance do clear it up, and have about to be Personal Reps to finalize the form.

The omission of reference to the G5 meeting will not mean that the G5 will not meet.

So now to trade.

W.A.D.

Thom

Important to send from here a signal of the maintenance of the open multilateral trading system. GATT Ministerial will be a Council meeting, open public. after a yr of no work ∴ world trade.

So let us express a wish to success, initial lays down an agenda.

Three problems:

- ① Accumulation of persistent large trading surpluses by Japan. ~~the hope that this will not be a...~~

its borders more widely. Recent measures show that they are close to the frontier; but more progress needed.

- ② Escalation of trade tension between US and EC,
frank. in steel and gr. products.
Let's cool it down before GATT

Ministerial meeting

- ③ The aid to growth of L.D.C. of importing.
 Most people at GATT will be 3rd world;
they will be encouraged if they think that
the industrialized countries are not going to
let them go into further recession.

Suzuki Make clear our policies. Reason why trade frictions have become so big issues is because of state of world economy. Therefore there are trade frictions among us. What is most important is to vitalize the world economy, and to cooperate in doing so.

Since the end of 1981 we had had 2 packages to open the Japanese market, incl. tariff reductions, institution of trade ombudsman. As a part of second set of measures, there was a further accelerated reduction of tariffs. These measures were taken without asking others to do the same.

We are often told we don't import v. much. It is relatively little in percentage, because we import 99% of our energy; but it is not small in absolute terms.

I should like to see the problem avoided by work in GATT on trade in services, investment. We will fully cooperate in such moves.

As far as quarantine is concerned, many others in a similar situation.

Lambsdorff

I should like to tell our basic principles of trade to other FRG adheres. You know our position German Govt. welcomes second Jap package as a step in the right direction; I hope not the last. Glad that Jap Govt has asked people to have a more positive and receptive attitude to goods imported from abroad. But there is still more that the Japanese Govt could do, by way of increasing trade: better to do it that way than by other people limiting trade.

The multilateral GATT system must be maintained & extended. GATT Ministerial freq being important. We must come to terms with current trade distortions, and deal with problems of trade in services, however difficult that may be.

Thom spoke of Euro-US matters.
The reciprocity issue in the US must also be pursued. Gen. Steel, Dept of Commerce will be taking a decision on countervailing duties in 10 June; it would be helpful if more decisions in context to our decisions & agreements here.

There must be agreement not any further EEC and US Govt dialogue between EEC and US steel industry.

EEC exports from 80 world countries; we consider and to be important but trade far more important to those countries. So we support.

~~EEC was not at~~

GATT was whole to agree on demand of trade pledge. If it were not renewed, there would be a catastrophic deterioration of export credit conditions. There must be an agreement in the Seven about this. I think this should be possible, staying from discussions on lunch. Putting USSR in top category would help considerably.

Regan

We believe that the multilateral trade system has been the principal engine of growth. It is up to us to defend and set goals for this system.

Putting GATT compromise proposal on export credit Complete Tokyo Round.

Address the problem of services. It's of enormous importance to us.

Need for new rules on technology, + general international rules for investment need attention.

Work did begin on this, for consideration of further work.

Hope GATT Ministers will take concrete steps to this end.

Robert

Distinction between 2 levels.

(a) current affairs, referred to by them
Trade relations with Japan. We must accept the Japanese position has evolved, and Japan is more open. We can't expect results overnight, but hope for more progress in studying mutual trade in a friendly spirit.

(b) provisions for completely changing the deal in international trade. This is a process primarily taken by the US. All the proposals we consider overhaul the trade system; we don't start, but make one but what we have works properly before going on to other things — though we can talk about the other things. Before going on to trade in services, insurance, and remove barriers to trade in products. We can't do in one year all the things we hope to do in ten years. Take a ten year perspective.

Other things: what we decide at consensus will
decide what happens to N/S trade and E/W trade.
We have worked on conditions that are realistic for
us, France.

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Break .