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(40)

0945

North-South

Delors Ministers of Finance have been looking again at text of draft declaration on North-South with a view to making additional points on IDA replenishment etc. <sup>role of Regional Banks, concerning</sup> ~~They propose~~ <sup>instability in commodity earnings, and IMF quotas.</sup> ~~They propose~~ <sup>amendments which will demonstrate political</sup> ~~will~~ <sup>will</sup>.

McEachan Supports Delors. Important to signal a political will to deal with outstanding issues on Regional Banks and on other issues. We have problems with financing of World Bank; and IDA replenishment is being held up (hence interest in a possible IDA Special Fund).

Hare Supports Delors and McEachan. Text only just cleared, and being got ready.

Suzuki

Thom

} Missed owing to frantic telematic activity, amending drafts etc.

Reagan

We want to help L.d.c., but have had to stretch  
IDA replenishment. Private flows more  
important than official aid. On global  
negotiations (GN) Bedjaoui text does  
not fully cover anxieties expressed at  
Cancun, but we could go along with  
it as now proposed to be amended.

Howe

Agree Bedjaoui text needs amending  
to protect the integrity of specialised agencies  
Support IDA Special Fund. On energy  
affiliate, circumstances may now have  
passed, as OPEC surpluses down.  
Ryngaert endorse for need to improve energy  
and food production, but not now to  
go for energy affiliate.

McEachern

On GN a v. general text in ~~speci-~~  
dual aspect. We have also speed amendments  
to 6-77 resolution; not sure if they need to  
be looked at by Shepas.

Howe

This is not the time or place to discuss  
texts. Several changes to text agreed;  
we are not yet adopted that changes

Schmidt We ought to see facts. Difficult to discuss without them.

Mitterand I will spend document to find agreement when I have it.

Hare It's 12 lines of amendment to draft declaration.

Mitterand We will see it when we do draft declaration.

Spadolini On M/S we believe but interests of IV = dialogue with 5 remains, for economic as well as political reasons. Stresses importance of increasing <sup>major</sup> food and energy production, reservations about adequacy of private flows; hope for success of Italian conference on this in the autumn.

Mitterand If no more on M/S, turn to draft declaration.

43

Tindem Need to inject more of a sense of crisis and need for urgency, at the beginning.

W<sup>o</sup> like a If not "crisis", mention "urgency".

Mittromand Tindem to draft language.

Thatcher I agree with "urgency"; nature language but implies crisis.

Tindem Quotes the Sunday Times: 7 leaders "not scared enough". Need to create confidence and provide leadership.

Thatcher I agree: "the gravity of" "for urgent action with a view to improving it".

Tindem Five

Schmidt In favour of Tindem's objective and Thatcher's proposal. I did also like to express another thought. Despite criticism we have kept clear of beggar-my-neighbor policies. By and large we have prevented the world from lapsing into the barbaric sort of situation, and we prevented oil price shock driving us up. That is the source from which we derive my sceptical optimism.

Tindem I agree with that. Should we find a way of saying we have not done too badly?

Schmidt Surely like what I said.

Spadol I agree with Mrs Thatcher's proposal.

Mitterand I intend to propose words incorporating these thoughts.

Page 2:

Creighton Amendments proposed by France & French Ministers

"Unacceptably" instead of "unacceptably"

Add after "exchange rates":

"This requires an increase in achievement of stringent fiscal policies"

Flone

"This requires increased success in the achievement of stringent fiscal policies"

Mitterand

I don't like "stringent". I agree on the substance.

~~but~~ <sup>table</sup> my deficit is already ~~down~~ low - the lowest round this

Schmidt

I think a sentence - this sense is indispensable; without it the rest of the para. has no meaning.

Thom

~~It~~ y

"This implies new progress in the reduction of budgetary deficits"

Regan

We ought to mention ~~budget~~ monetary as well as fiscal policies

McEachen

This could look like - Robert. I want to deal with budgetary deficits and real interest rates. The Ministers of the Interim Acc were more forceful than this. The para. as now amended may be moving in the right direction. Quotes 'OECD communique' in support.

Mitterand

Would you like to make a concrete proposal?

(45)

Reagan May be the HSB could write with satisfaction the OECD communiqué.

Lahnstein Top of p. 2

Add "As has been laid down in the OECD Ministerial Communique, this cannot..."

Add "This requires increased success in the pursuit of stringent but fiscal policies and prudent monetary policies" after "for a year inflation"

Mittlermann

I don't like referring to something agreed elsewhere.

Tundheim

We all agree that high US rates are the problem. Can we help Reagan by saying "We are agreed that the immediate necessary reduction of high interest rates necessary for economic recovery requires urgent budgetary action by the US". Is that too blunt?

Reagan

We should find that the only headline will be disarray among the 7; attack on US interest rates. We should go home to a Congress but with heads we had been stepped in the face.

Tundheim

OK "we have agreed on the need for urgent action to reduce high real interest rates if we are to have a early recovery of our economies."

Reagan

"~~branch and rights~~ Reads a text, he intend to eliminate our budget deficit in the next 2 years."

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Schmidt I bet my hat you don't.

Mitterand Cut this short; we have only just started.  
We must not point our fingers at Reagan & Powell.  
If we did that, we would have to pick an enemy  
else.  
So I propose:

~~This will also~~

APR could also

X / In order to ~~achieve~~ <sup>buy debt</sup> his essential reduction of  
real interest rates, it is nec. to ensure as  
Y / a matter of urgency a greater control of  
~~monetary~~ budgetary deficits and <sup>various etc</sup> money supply.

Trudeau Reagan's accent in the positive is good too.

Mitt "This can be obtained a double bond of  
the 'X'"

Howe Should we not write Shapiro to entree his  
sentence by coffee break?

Reagan But it positive: this is what we go to do.

Mitt "This will be obtained ... if"

"To achieve his essential reduction of real interest  
rates, it is nec. <sup>to ensure</sup> (as Y).

Howe In order to achieve his essential ~~reduction~~ <sup>reduction</sup> of  
real interest rates ~~it is necessary~~ <sup>we will</sup> to pursue  
fiscal unity policies & as a matter of  
urgency to achieve greater control of  
budgetary deficits."

Trudeau That's much better.

Mitterand I expect to agree on this

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Spadolini Shouldn't just-ifying become before up to monetary policies,

Mitt OK

~~Spadolini~~ So far to statement in annex.

Paris 1-5 OK

I don't like 6. Why should we put this in about EMS?

It's like the burghers of Calais.

Schmidt End it at "framework."

Spadolini Tries an alternative.

Mitterrand I can't accept: support Schmidt.

Spadolini OK, I bow to majority

Mitt Stop at "framework"

Para. 7 OK

Back to trade para in main declaration.

Trade para. approved.

Turn to E-W trade para.

He reads French

reads English.

Hay

Mitt

It's better than basic Reach text.

We have a difference in "limiting" export-coord.

Hay

Finance & Foreign Affairs agreed "limiting".

Schmidt

We can buy the text as it stands.

Who does COCOM.

Spadolini

Tindem

"Ambiguity in limiting" isn't saying what you want (i)



(48)

Spado to yes. Either "prudence" without "limits" or "limits" without "prudence".

Hay he would rather say "including be need for limits export credits".

Milt What he mean is clear: not limitation - prudence but prudence.

Hay "including be need for prudent limitation of export credits".

Thodes "but be need to limit exp credits in the light of commercial prudence".

Milt agrees OK

Tindean Should we mention COCOM in a published communique? We didn't at Ottawa.

Milt Follow the Ottawa example. The specific political question is whether we help the Soviet Union when we grant credits. We only sell \$700 m of goods to SU and we buy \$4 bn. We already have a restrictive policy, so we are regarded by SU as being unhelpful. I am backing off half my contracts with SU so as not to export technology. These limits credits does not necessarily limit exports. We don't want an embargo.

Does trade with SU help the SU? If so, we are be needed. As our trade is the weakest.

because France lends so little to the S.U. This will mean that US + German trade will continue, because they trade at much higher levels than us.

Spadolini  
Mitt

[ I missed it for a spot of duty  
"will accept including the need to limit exports in the light of commercial prudence"

Thatcher

Could we not agree on that, and move on?  
Perhaps go further next year.

Tindeman

Other OECD countries ought to be bound as well as us.

Argues a defeat

"including the need to handle export credits in the light of commercial prudence"

Mitt

Leave you time to think it over.

Thom

A no. of nuances in EC. I do go along with Tindeman or Thatcher. We have never mentioned COCOM.

Mitt

I think we do know Ottawa.

Thatcher

We never mention COCOM.

Needs a formula; doesn't alter meeting

Schmidt

Likes it: inc. reference to strategic goods.

Mitt

OK: Agreed

On to energy.

Energy agreed,

On to developing countries

Agreed up to "global negotiations"

Then he reads Fin + For Murr text for the rest.

Jap

Fin Murr Please substitute "the power" for "the poorest"

Mitt Yes, but.

Flora The Shergas' draft included "poor".  
I wd accept Jap amendment "the poorer"

Mitt Ok. We will clean up French text.

After that, "This is why we see a need"

Laubstein Include the Shergas' text a population growth

Mitt Ok: amendment agreed.

Back to original text a technology.  
Agreed.

Reagan I shd like to have time to look  
at para on global negotiations

Mitt Shd we back out for 20 minutes, + hope  
to agree hereafter?, like last?

Hainz We have problem a E-W, ad a GN.

Mitt Share it out here.

On E-W, I will withdraw proposal abt  
limiting exports.

We have "including the need to limit export  
credits in the light of commercial prudence"

On the Trudeau proposal.

Hainz I thought the Trudeau formula suited all but  
one.

Reagan

(5)

Mitt I w accept limit exports  
or manage export credits

Hay Our monitoring will show where trade  
needs to be restricted. In the meantime  
we know we could do better on  
officially supported export credit  
Hope we can go back to the original formula  
or the Thatcher formula.

Mitt The Hay explanation is OK, but not the text  
Hay The original anxiety was to avoid directly  
but focused solely on export credits. Layton  
produced a text which included no reference  
to export credit. Hence our modest  
proposal for an insertion. We could amend  
as proposed by Mrs Thatcher.

Mitt The idea of limitation applies only to export credits  
I wished to apply it to exports as such.

Mitt Israel have managed to ...  
All the things ...

"including the need to manage the limitation  
of private and public export credits  
with commercial prudence"

Jap implement<sup>ing</sup> of limitation on private export  
credits would be difficult.

Mitt We will be out of proportion to force on  
publicly supported ~~the~~ export credits  
as France as likely.  
I do not understand how we can get 8% in private  
sector is OK, 12% in public sector.

Have "including also the need for commercial prudence  
in limiting <sup>also</sup> export credits."

Britt W<sup>o</sup> you accept Spado?

Have I prefer ~~it~~ more stylizedly

Mitt Accept Spado.

Jap [Incomprehensible]

Mitt Accept Italian amendment.

OK  
~~Yes~~  
S & BN.

Have We need a statement on the need to  
protect the independence of the financial  
institutions.

Schmidt I think he means not having them do  
to debts.