

P1A

RESTRICTED

9565 - 1

GRS

RESTRICTED

FM FCO 091700Z JUN 82

TO IMMEDIATE CERTAIN MISSIONS AND DEPENDENT TERRITORIES  
GUIDANCE TELEGRAM NUMBER 123 OF 9 JUNE 1982

THE VERSAILLES ECONOMIC SUMMIT

1. THIS GUIDANCE DESCRIBES THE OUTCOME OF THE VERSAILLES SUMMIT. IT MAY BE DRAWN ON FREELY, EXCEPT FOR PARA 8.
2. THE 8TH ECONOMIC SUMMIT WAS HELD AT VERSAILLES FROM 4-6 JUNE. IT WAS ATTENDED BY THE HEADS OF STATE OR GOVERNMENT OF THE SEVEN PRINCIPAL INDUSTRIAL COUNTRIES (CANADA, FRANCE, FRG, JAPAN, ITALY, UK AND THE USA) TOGETHER WITH THE PRIME MINISTER OF BELGIUM, AS PRESIDENT OF THE EUROPEAN COMMUNITY, AND THE PRESIDENT OF THE EC COMMISSION.
3. AT THE END OF THE SUMMIT THE SEVEN HEADS OF STATE AND GOVERNMENT ISSUED A DECLARATION, TOGETHER WITH A STATEMENT OF INTERNATIONAL MONETARY UNDERTAKINGS (VERBATIM NO 98).

LINE TO TAKE

4. YOU SHOULD BE GUIDED BY THE PRIME MINISTER'S STATEMENT TO THE HOUSE OF COMMONS (VERBATIM NO 100), AND BY THE REPORT OF HER PRESS CONFERENCE (VERBATIM NO 97).
5. THE FOLLOWING POINTS CAN BE MADE:
  - (A) WE CONSIDER THIS TO HAVE BEEN A SUCCESSFUL SUMMIT. IT WAS NOTABLE FOR A STRONG SENSE OF SOLIDARITY ABOUT THE APPROACH TO THE MAJOR ISSUES OF THE FUTURE.
  - (B) IN PARTICULAR, THE DECLARATION INDICATES MUCH COMMON GROUND AMONG THE SEVEN MAJOR INDUSTRIAL COUNTRIES ON THE ECONOMIC, MONETARY AND TRADING POLICIES WHICH SHOULD BE ADOPTED IN ORDER TO SECURE A SOUND AND LONG LASTING ECONOMIC RECOVERY. IT WAS AGREED THAT GROWTH AND EMPLOYMENT WOULD BE INCREASED ON A DURABLE BASIS ONLY IF WE WERE SUCCESSFUL IN OUR CONTINUING FIGHT AGAINST INFLATION, WHICH WOULD BRING DOWN INTEREST RATES AND LEAD TO MORE STABLE EXCHANGE RATES.

RESTRICTED

9565 - 1

TO THAT END ALL AGREED TO PURSUE PRUDENT MONETARY POLICIES AND TO REDUCE BUDGETARY DEFICITS: ALTHOUGH SOME GOVERNMENTS (EG FRANCE) TEND TO PLACE MORE EMPHASIS ON POLICIES TO REDUCE EMPLOYMENT MORE DIRECTLY.

(C) THE STATEMENT OF INTERNATIONAL MONETARY UNDERTAKINGS IS AN IMPORTANT MEDIUM TERM POLICY STATEMENT. IT IS NOVEL THAT THE MAJOR COUNTRIES SHOULD ACCEPT SO EXPLICIT A RESPONSIBILITY FOR THE INTERNATIONAL MONETARY SYSTEM, AND FOR PURSUING CONVERGENT POLICIES AGAINST INFLATION, AIMED AT MAINTAINING THE VALUES OF THEIR CURRENCIES.

(D) WE ARE ENCOURAGED BY THE MEASURE OF AGREEMENT REACHED ABOUT THE G77 DRAFT RESOLUTION FOR LAUNCHING THE GLOBAL NEGOTIATIONS IN THE UN, AND HOPE THAT THE CONSULTATIONS ENVISAGED IN THE SUMMIT DECLARATION CAN BEGIN VERY SOON.

(E) AT MITTERRAND'S INITIATIVE THE SUMMIT EXAMINED THE WIDE EFFECT OF NEW TECHNOLOGIES, AND THE RESPONSIBILITY ON GOVERNMENTS TO EXPLOIT THE IMMENSE OPPORTUNITIES SO PRESENTED IF WE ARE TO CREATE THE JOBS OF TOMORROW. WE LOOK FORWARD TO RECEIVING THE REPORT OF THE WORKING GROUP AT THE END OF THIS YEAR.

(F) ALTHOUGH PRIMARILY ABOUT ECONOMIC MATTERS, THIS SUMMIT, LIKE PREVIOUS ONES, GAVE HEADS OF STATE OR GOVERNMENT AND FOREIGN MINISTERS, SOMETIMES TOGETHER, AND SOMETIMES SEPARATELY, THE CHANCE TO DISCUSS TOPICAL POLITICAL ISSUES. DISCUSSIONS WERE INFORMAL, TOOK PLACE MOSTLY AT MEALS, AND FOCUSED ON THE FALKLAND ISLANDS AND THE ISRAEL/LEBANON CONFLICT, WITH A BRIEF DISCUSSION OF EAST/WEST ISSUES TOO.

(G) THE DISCUSSION ON THE FALKLANDS WAS NOTABLE FOR THE AGREEMENT WITH OUR POSITION ON ALL ESSENTIAL POINTS, AS UNDERLINED BY PRESIDENT MITTERRAND IN HIS PRESS CONFERENCE AT THE END OF THE MEETING.

(H) THERE WAS MUCH MISPLACED PRESS COMMENT DURING THE SUMMIT ABOUT ANGLO-AMERICAN STRAINS OVER THE FALKLANDS FOLLOWING THE CONFUSION OVER THE US VOTE IN THE SECURITY COUNCIL ON 4 JUNE. AS THE PRIME MINISTER HAS MADE CLEAR THE GOVERNMENT ARE FULLY SATISFIED WITH THE AMERICAN SUPPORT

FOR OUR POSITION, INCLUDING MILITARY SUPPLIES AND SIMILAR SUPPORT.

(I) ON ISRAEL/LEBANON, HEADS OF STATE AND GOVERNMENT ISSUED DURING THE SUMMIT A DECLARATION OF SUPPORT FOR UN SCR 508. IMMEDIATELY AFTER THE DECLARATION WAS APPROVED, WE INSTRUCTED OUR POSTS IN THE AREA TO TAKE ACTION TO IMPLEMENT IT. (UKDEL VERSAILLES TEL NOS 1 AND 2 OF 6 JUNE, NOT TO ALL).

## BACKGROUND

6. THIS WAS A SUCCESSFUL MEETING FOR THE UK. ON THE ECONOMIC SIDE WE PLAYED AN ACTIVE AND IMPORANT ROLE IN THE ACHIEVEMENT OF BROADLY SATISFACTORY COMPROMISES ON DIFFICULT ISSUES SUCH AS THE MONETARY QUESTION. THE ECONOMIC POLICIES ENDORSED BY THE SUMMIT ARE THOSE WHICH WE HAVE BEEN PURSUING AND ADVOCATING FOR SOME TIME.

7. THE WORDING OF THE DECLARATION ON GLOBAL NEGOTIATIONS BROADLY REFLECTS THE POSITION WHICH THE EC HAD ALREADY ADOPTED. IN ACCEPTING THIS WORDING THE AMERICANS HAVE GONE A LOT FURTHER THAN THEY HAVE EVER DONE BEFORE, BUT THEIR DEFINITIVE POSITION IS STILL UNCLEAR.

8. (NOT FOR USE). THE AMERICANS HAVE BEEN PRESSING SUMMIT PARTNERS SINCE MARCH TO AGREE A MECHANISM FOR RESTRICTING THE SUPPLY OF CREDITS FOR THE SOVIET UNION. THE LANGUAGE OF THE DECLARATION INDICATES THAT, WHILE THE US WAS UNABLE TO GET THIS RESULT, THEIR PARTNERS WERE WILLING TO ACCEPT THAT SOME LIMITATION WAS DESIRABLE. WE HOPE THAT THE US WILL COME TO SEE THIS AS A SATISFACTORY RESULT WHICH LARGELY MEETS THEIR POINT.

PYM

## BY TELEGRAPH:

ATHENS  
BONN  
BRUSSELS  
BRUSSELS (UKREP,EEC)  
COPENHAGEN  
THE HAGUE  
LISBON  
LUXEMBOURG

PARIS  
PARIS(UKDEL,OECD)  
ROME  
GENEVA(UKMIS)  
DUBLIN  
MADRID  
STOCKHOLM

MOSCOW  
NEW YORK(UKMIS)  
NEW YORK(BIS)  
WASHINGTON  
WASHINGTON(UKDEL  
IMF/IBRD)  
TOKYO  
OTTAWA

[ALL IMMEDIATE]

OSLO  
STRASBOURG(UKDEL)  
BERNE

HELSINKI  
MEXICO CITY  
CANBERRA

WELLINGTON  
NEW DELHI

[ALL PRIORITY]

AND SAVING TO CERTAIN OTHER POSTS

FCO/WHITEHALL  
INFORMATION D  
EMERGENCY UNIT

ADDITIONAL DISTRIBUTION  
GUIDANCE