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MEETING OF FIVE FINANCE MINISTERS IN WASHINGTON:
BACKGROUND BRIEFING BY CHANCELLOR OF THE EXCHEQUER.

1. THE CHANCELLOR OF THE EXCHEQUER GAVE A BACKGROUND BRIEFING THIS MORNING TO THE BRITISH PRESS ON THE MEETING IN WASHINGTON OF FINANCE MINISTERS AND CENTRAL BANKERS OF FRANCE, GERMANY, JAPAN, THE UNITED STATES AND U.K. WHICH IT WAS AGREED COULD BE USED BY JOURNALISTS QUOTING BRITISH OFFICIAL SOURCES IN WASHINGTON.

~~SECRET~~
Markings plus file

2. FOLLOWING IS A PARTIAL TRANSCRIPT OF THE BRIEFING. IT IS AS NEAR TO VERBATIM AS COULD BE ACHIEVED UNDER INFORMAL CONDITIONS BUT MAY CONTAIN A FEW MINOR INACCURACIES.

CHANCELLOR:

AS I THINK YOU ALL KNOW THIS MEETING OF G5 WAS ARRANGED IMMEDIATELY AFTER THE PRESIDENTIAL ELECTION TO GIVE US A CHANCE TO DISCUSS IN PARTICULAR THE ATTITUDE OF THE US ADMINISTRATION IN THE SECOND REAGAN TERM TO THE BUDGET AND TO THE DEFICIT. WE ALSO HAVE THE SPRING MEETINGS COMING UP.

WE DID DISCUSS BOTH THOSE TOPICS. ON THE DEFICITS, WE ALL EXPRESSED OUR CONCERN AT THE LATEST PROJECTIONS OF THE SIZE OF THE DEFICIT. DON REGAN EXPLAINED WHAT THE ADMINISTRATION WAS DOING. I THINK THERE'S DEFINITELY A GREATER DEGREE OF DETERMINATION THAN A YEAR AGO, CERTAINLY A GREATER DEGREE OF DETERMINATION THAN 6 MONTHS AGO TO TAKE MEASURES WHICH WILL HAVE A SIGNIFICANT EFFECT ON THE DEFICIT, ALTHOUGH ALL OF US, CERTAINLY I WOULD LIKE TO SEE A BIGGER BITE TAKEN OUT OF THE DEFICIT. BUT WHAT IS PROPOSED IS BY NO MEANS INSIGNIFICANT. WE SHALL JUST HAVE TO JUDGE THAT BY SEEING WHAT HAPPENS IN THE EVENT. AND SO I THINK OUR CONCERN OVER THE DEFICIT WAS MADE VERY VERY CLEAR TO THE AMERICANS. THAT DISCUSSION WAS A SATISFACTORY ONE AND AS I SAY I THINK THAT WHAT THE ADMINISTRATION IS NOW DOING IS MUCH MORE SERIOUS THAN ANYTHING THAT HAS BEEN DONE BEFORE.

WE ALSO SPENT TIME OF COURSE WHICH HADN'T BEEN PLANNED IN ADVANCE BUT IN THE LIGHT OF RECENT CIRCUMSTANCES WE SPENT QUITE A LOT OF TIME DISCUSSING THE MARKETS AND WE REACHED AGREEMENT ON THE STATEMENT WHICH YOU HAVE SEEN. THE MOST IMPORTANT PART OF THAT WITHOUT ANY DOUBT IS THE REAFFIRMATION OF THE AGREEMENT ON CONCERTED INTERVENTION IN VERY CLEAR TERMS AND THIS I THINK IS AN INDICATION THAT WE MEAN BUSINESS ON THAT. I CAN'T RECALL AN OCCASION EVER BEFORE WHERE A G5 MEETING HAS PRODUCED A STATEMENT OF ANY KIND WHATEVER AND I WAS VERY SATISFIED WITH THE AGREEMENT THAT WE REACHED AND THE FACT THAT WE DO ALL SEE EYE TO EYE ON THIS ISSUE. I THINK THAT'S PROBABLY ENOUGH THERE. I'LL BE HAPPY TO ANSWER YOUR QUESTIONS.

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/Q ROBERT

Q. ROBERT CHESVRE (OBSERVER): IN PRACTICAL TERMS DO YOU FEEL THAT THE UNITED STATES IS NOW GOING TO BE MORE INVOLVED IN THE MARKETS THAN THEY HAVE BEEN IN THE FIRST TERM. THAT STATEMENT WAS ACTUALLY READ DIFFERENT WAYS THIS MORNING BY THE NEWSPAPERS.

CHANCELLOR: I THINK THAT THIS IS A CLEAR INDICATION OF A READINESS ON THE PART OF ALL OF US TO TAKE ACTION, TO TAKE ACTION IN A CONCERTED WAY. I THINK THAT'S QUITE CLEAR.

Q. BAILEY MORRIS (TIMES): BUT WHAT KIND OF SITUATION ARE WE TALKING ABOUT? WE HAVE NOT SEEN, AT LEAST TO OUR KNOWLEDGE, CONCERTED ACTION OVER A SUSTAINED PERIOD. DESPITE THE ACCORD REACHED EARLIER, WHAT SORT OF CONDITIONS DOES IT TAKE? I MEAN DO YOU HAVE TO SIT DOWN FOR A LONG NEGOTIATION AS TO WHAT DISORDERLY MEANS AGAIN.

CHANCELLOR: NO REFERENCE TO DISORDERLY AS YOU WILL NOTICE IN THAT COMMUNIQUE. QUITE RIGHT. POINT TWO. NO WE HAVE GOT A SUFFICIENT UNDERSTANDING BETWEEN US SO THAT THIS THING CAN BE MOBILIZED AT ANY MOMENT OVER THE TELEPHONE, IT WOULD REQUIRE NO MEETING, NOTHING, IT WOULD BE VERY QUICK.

Q. ALEX BRUMMER (THE GUARDIAN): MY UNDERSTANDING IS THAT YOUR OWN GOVERNMENT'S POSITION HAS ALWAYS BEEN THAT INTERVENTION WAS NOT A GOOD IDEA AND THAT FREE MARKET FORCES SHOULD BE SEEN TO OPERATE. DOES THIS REPRESENT A HARDER LINE OR THE QUOTE WE MEAN BUSINESS STATEMENT UNQUOTE WHICH YOU MADE EARLIER. DOES THIS REPRESENT A CHANGE IN POLICY FOR YOUR OWN GOVERNMENT?

CHANCELLOR: NO, BECAUSE THAT HASN'T BEEN OUR POSITION. OUR POSITION IS THAT WE CERTAINLY DON'T BELIEVE IN INTERVENTION AS A WAY OF LIFE BUT WE HAVE ALWAYS BELIEVED THAT THERE WAS A ROLE FOR INTERVENTION IN CERTAIN CIRCUMSTANCES, IN THE SIGNATURE TO THE WILLIAMSBURG DECLARATION WHICH IS REFERRED TO THERE. AND THERE HAVE ALSO BEEN OTHER OCCASIONS ON WHICH WE HAVE MADE THIS CLEAR AND INDEED WHEN I WAS ASKED, WHETHER IT WAS BY YOU OR SOMEBODY ELSE, WHEN I GAVE A PRESS CONFERENCE AT THE IMF MEETING LAST AUTUMN, I MADE IT CLEAR THAT THERE WERE IND E D CIRCUMSTANCES IN WHICH WE WOULD CONSIDER IT RIGHT TO INTERVENE. BUT I WAS NOT PREPARED TO STAT AND IT IS FOOLISH TO DO SO BECAUSE YOU'R ONLY JUST HELPING THE SPECULATORS IF YOU DO SP LL IT OUT.

I WAS NOT PREPARED TO SPECIFY THE CIRCUMSTANCES PRECISELY IN WHICH W COULD CONSIDER IT RIGHT. SO THAT HAS ALWAYS BE N OUR POSITION. I THINK THAT WHAT IS TH IMPORTANT THING IN THIS IS THAT NOT ONLY IS IT MADE CLEAR NOW THAT WE ARE MUCH CLOSER TO THOSE CIRCUMSTANCES BUT ALSO THAT WE HAVE REACH D A COMPL TE UNDERSTANDING BETWEEN ALL THE MEMBERS OF THE GROUP OF FIVE AND THAT THE INTERVENTION WHEN IT OCCURS IS LIK LY TO BE OF A CONCERTED NATURE.

Q. BRUMMER. CAN I JUST FOLLOW UP? TALKING ABOUT INTERVENTION OF A CONCERTED NATURE, WILL THIS BE IN DEFENCE OF ANY ONE PARTICULAR CURRENCY OR IN DEFENCE OF SEVERAL CURRENCIES?

CHANCELLOR: WHAT I THINK WE WERE LOOKING AT WAS WHAT HAS BEEN HAPPEN-ING TO THE DOLLAR IN RELATION TO ALL CURRENCIES. THAT IS I THINK WHAT ASSISTED IN GETTING THIS GENERAL AGREEMENT.

Q. MARK HOSENBALL (SUNDAY TIMES): CLEARLY THIS WOULD SEEM TO BE A MAJOR ADVANCE FORWARD FROM THE WILLIAMSBURG POSITION. THE NEW MECHANISM HERE FOR COORDINATING INTERVENTION AND THE CIRCUMSTANCES UNDER WHICH YOU WOULD INTERVENE ARE DEFINED MORE IMMEDIATELY AS IT WERE. CLEARLY YOU HAVE TAKEN A STEP FORWARD FROM WILLIAMSBURG.

CHANCELLOR: YES, I THINK THIS IS IN ONE SENSE A STEP FORWARD, IN ANOTHER SENSE IT IS SOMETHING WHICH EMERGES NATURALLY FROM THE WILLIAMSBURG AGREEMENT IN THE LIGHT OF THE CONDITIONS AND DEVELOPMENTS THAT THERE HAVE BEEN IN THE FOREIGN EXCHANGE MARKETS SINCE THE TIME OF THE WILLIAMSBURG AGREEMENT. BUT I THINK IT IS A STEP FORWARD, A STEP FORWARD PRODUCED NOT BY A CHANGE OF POLICY BUT BY AN EVOLUTION OF EVENTS IN THE MARKETS.

Q. STEWART FLEMING (FINANCIAL TIMES): COULD YOU TELL US A LITTLE ABOUT THE MECHANICS OF IT WITHOUT TELLING US THE CIRCUMSTANCES IN WHICH YOU ARE GOING TO INTERVENE? HAVE YOU DEFINED MORE CLOSELY THE DEGREE OF VOLATILITY OR THE LEVELS OF EXCHANGE RATES WHICH WOULD LEAD TO SOME SORT OF INTERVENTION.

CHANCELLOR: I DON'T THINK THAT I CAN TELL YOU MORE WITHOUT REVEALING MORE THAN IT IS WISE TO DO BUT WE DID NOF COURSE DISCUSS NUTS AND BOLTS. WE DIDN'T SIMPLY DISCUSS GENERAL PRINCIPLES. BUT I DON'T THINK IT WOULD BE WISE TO SAY ANYTHING MORE.

Q. BRIAN BARRON (BBC TELEVISION): IN THE LIGHT OF THIS AGREEMENT AND DEVELOPMENTS THIS WEEK ON THE EXCHANGE MARKET, HOW DO YOU SEE THE POUND AT THE MOMENT, WHAT'S YOUR FEELING ABOUT THE WAY ITS GONE NOW ITS FRIDAY?

CHANCELLOR: WELL THE POUND HAS BEEN VERY STEADY EVER SINCE THE INCREASE IN BRITISH INTEREST RATES ON MONDAY AND I THINK THAT THE EXCHANGE MARKETS GENERALLY HAVE BEEN VERY STEADY.

Q. BARRON: DOES THAT MEAN THAT YOUR FEELING THAT THE IMMEDIATE THREAT, THE IMMEDIATE PRESSURE IS REALLY DIMINISHED AND THAT THE CRISIS FOR THE MOMENT IS OVER?

CHANCELLOR: WELL I NEVER LIKE USING THE WORD CRISIS, I THINK I WOULD PUT IT THIS WAY, I THINK THE TURBULENCE IS OVER.

Q. TORDAY (REUTERS): THERE HAS BEEN A LACK OF INTERVENTION BY THE UNITED STATES SINCE WILLIAMSBURG. ARE YOU CONCERNED THAT THIS COMMITMENT WILL MEET THE TEST? SECONDLY, DO YOU THINK THE US TREASURY WILL BE MORE FLEXIBLE UNDER BAKER THAN UNDER REGAN ON THIS ISSUE?

CHANCELLOR: I DON'T KNOW MR BAKER. I CAN'T GIVE YOU ANY GUIDANCE ON THAT. BUT THE PLAIN FACT IS THAT THE AMERICANS ARE FULLY COMMITTED TO THIS STATEMENT. THIS STATEMENT WAS PRODUCED AT A MEETING UNDER AMERICAN CHAIRMANSHIP AND WAS RELEASED TO THE PRESS BY DON REGAN SO THE AMERICANS ARE CERTAINLY FULLY COMMITTED TO THIS. I AM IN NO DOUBT WHATEVER ABOUT THAT.

Q. FRANK TAYLOR (DAILY TELEGRAPH): YOU MENTIONED THAT YOU CAME AWAY WITH THE IMPRESSION THAT THE AMERICANS ARE NOW MUCH MORE SERIOUS THAN BEFORE - SAY 6 MONTHS AGO IN CUTTING THE DEFICIT. WHAT DO YOU THINK HAS MADE THEM MORE SERIOUS IN THE INTERIM - WHAT HAS TAKEN PLACE?

CHANCELLOR: TO BE HONEST WITH YOU I REALLY DON'T FULLY UNDERSTAND EXACTLY WHY IT IS. BUT THERE IS NO DOUBT ABOUT IT. I DON'T THINK I'M THE ONLY PERSON - I HAVE TALKED TO PAUL VOLKER AND HE IS NOT QUITE SURE WHY, BUT NEVERTHELESS IT HAS RISEN MUCH HIGHER ON THE POLITICAL AGENDA, ON THE AGENDA OF THE AMERICAN POLITICAL DEBATE. THERE IS NO DOUBT ABOUT IT. BUT PRECISELY WHY THIS IS HAPPENING IS DIFFICULT TO FATHOM. I HOPE THAT THE CONSTANT PRESSURE THAT WE AND A NUMBER OF OTHER COUNTRIES HAVE EXERTED HAS PLAYED SOME PART IN THE MATTER, BUT I SIMPLY DON'T KNOW WHY EXACTLY THIS HAPPENED. THEN IN ADDITION TO THAT I THINK THERE IS A GROWING CONCERN WITHIN THE AMERICAN TREASURY OF THE PROBLEM THEY CAN SEE WITH THE EVER RISING BURDEN OF DEBT INTEREST. I THINK THAT INITIALLY THIS WASN'T - THERE ARE SOME PEOPLE WHO HAD FOCUSED ON IT A LITTLE EARLIER, SAY MARTY FELDSTEIN FOR ONE, BUT I DON'T THINK THIS HAS BEEN WIDELY PERCEIVED AS A REAL PROBLEM. I THINK THAT IT IS NOW MUCH MORE ONE OF THE THINGS IN THE FOREFRONT OF THEIR MINDS AND THERE IS ALSO THE ASSOCIATION BETWEEN THAT AND THE TRADE DEFICIT WHICH CAUSES THEM CONCERN. SO I THINK THAT THE WHOLE DEFICIT ISSUE HAS BECOME A PROBLEM FOR THEM AND THEY SEE THAT AS PART OF IT.

Q. BRUMMER (THE GUARDIAN): HOW LONG DO YOU THINK IT WILL BE BEFORE THE UPWARD PRESSURE ON INTEREST RATES EASES. WILL THIS AGREEMENT ALLOW YOU TO EASE THE UPWARD PRESSURE ON INTEREST RATES OR BRING INTEREST DOWN SOMETIME IN THE NEAR FUTURE.

CHANCELLOR: I DON'T THINK THAT THIS AGREEMENT ITSELF WILL AFFECT THE LEVEL OF INTEREST RATES IN THE UK. WHAT WE'RE ENGAGED IN IS A BATTLE AGAINST INFLATION. WE HAVE BEEN EXTREMELY SUCCESSFUL. THE LATEST FIGURES OUT TODAY IS 4.6 PERCENT YEAR ON YEAR, DECEMBER ON DECEMBER. AND WE ARE DETERMINED TO HOLD ON TO THAT GAIN AND TO MAINTAIN THE DOWNWARD PUSH ON INFLATION. AND IT WILL - INTEREST RATES WILL COME DOWN AS SOON AS IT IS PRUDENT AND SAFE FOR THEM TO DO SO BUT NOT BEFORE.

Q. SUNDAY TELEGRAPH. AS A FOLLOW UP TO THAT QUESTION COULD THE FALL IN THE POUND AND RISE IN INTEREST RATES HAVE BEEN ARRESTED IF THE AGREEMENT ON INTERVENTION HAD BEEN IN PLACE?

CHANCELLOR: I DON'T KNOW IS THE HONEST ANSWER TO THAT.

Q. WOULD YOU HAVE LIKE TO HAVE HAD THE OPPORTUNITY

CHANCELLOR. I THINK THAT IN THE PECULIAR CIRCUMSTANCES THAT WE HAD AT THAT TIME I THINK THAT A RISE IN INTEREST RATES WAS - A SHARP RISE IN INTEREST RATES - WAS INEVITABLE.

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10 BAILEY

Q. BAILEY MORRIS: A DOUBLE QUESTION. IN THE MEETINGS DID YOU SENSE THAT THE AMERICANS WOULD LIKE TO SEE A LOWER DOLLAR. IS IT NOW NOT SO THAT IN YOUR BATTLE AGAINST INFLATION AND IN THE INTERESTS OF BRITISH INDUSTRY THAT A LOWER POUND IS IN FACT GOOD FOR BRITAIN?

CHANCELLOR: I THINK THAT THE AMERICANS DO FEEL THAT THE DOLLAR IS TOO HIGH, YES. BUT THAT DOESN'T MEAN TO SAY THAT THEY ARE VERY KEEN TO SAY THIS OPENLY. I WOULD BE VERY SURPRISED IF THEY DID. AS FOR THE POUND I SHARE THE AMERICAN VIEW - I THINK THAT THE DOLLAR IS OVERVALUED. I THINK SOONER OR LATER THERE IS GOING TO BE A CORRECTION BUT WHEN IT WILL HAPPEN WHO KNOWS. I THINK THAT THE DOLLAR IS OVERVALUED, BUT I'M QUITE SATISFIED WITH THE STERLING EXCHANGE RATE AGAINST OTHER CURRENCIES.

Q. FLEMING (FINANCIAL TIMES): MR LAWSON YOU SAID YOU EXPRESSED YOUR CONCERNS ABOUT THE BUDGET DEFICIT. WHAT ARE THOSE CONCERNS NOW, AND IF YOU LOOK AT THE TIMETABLE IT WOULDN'T BE BEFORE THE MIDDLE OF THE YEAR BEFORE ANY ACTION WAS TAKEN ON THE FY 86 DEFICIT. THE ECONOMIC EFFECTS WON'T COME UNTIL AFTER 1986. ARE YOUR CONCERNS NOW MUCH MORE ALONG THE LINES OF PROTECTIONIST PRESSURES - ARE YOU GOING TO TRY AND SHORT CIRCUIT THE PROBLEMS OR WHAT ?

CHANCELLOR: YES THERE ARE TWO THINGS - THERE ARE CONCERNS ABOUT PROTECTIONIST PRESSURES AND THERE ARE CONCERNS ABOUT THE LEVEL OF UNITED STATES INTEREST RATES. THOSE ARE THE TWO THINGS WE ARE CONCERNED WITH.

Q. HOSENBALL (SUNDAY TIMES): ARE YOU DETERMINED TO DO EVERYTHING YOU CAN TO KEEP THE POUND FROM FALLING TO PARITY WITH THE DOLLAR.

CHANCELLOR: I DON'T SEE THIS AS LIKELY TO HAPPEN AT ALL. I THINK THERE WAS A LOT OF LOOSE TALK - I DON'T SEE ANY EXPECTATION - I HAVE'NT SEEN ANY INDICATION THIS IS LIKELY TO HAPPEN.

Q. CLIVE SMALL (BBC): IT HAS ALWAYS BEEN THOUGHT OF THAT INTERVENTION OF THIS SORT, OF ALMOST ANY OTHER SORT, AS A TEMPORARY PALLIATIVE AND THAT REALLY YOU'VE GOT UNDERLYING PROBLEMS IN THE CURRENCY MARKET THAT NEED TO BE TACKLED. WHAT DO YOU FEEL ABOUT THAT NOW SAY YOU HAD TO ACT IN THE TERMS OF THIS AGREEMENT. HOW LONG AND HOW LONG LASTING WOULD SUCH ACTION BE TAKEN BEFORE THE LONGER TERM IMPROVEMENT THAT YOU DO DOUBT LOOK TOWARDS IN MARKETS WOULD ACTUALLY ARRIVES.

A. AS I SAY I AM NOT PREPARED TO COMMENT ON HOW AND IN WHAT CIRCUMSTANCES AND HOW LONG THAT INTERVENTION WOULD TAKE PLACE. BUT OF COURSE WE ARE NOT TALKING SIMPLY ABOUT, AS FAR AS THE POUND IS CONCERNED, INTERVENTION ON ITS OWN. THERE HAS ALREADY BEEN A SHARP INCREASE IN STERLING INTEREST RATES.

Q. PETER TORDAY (REUTERS): (GARBLED) DID THE PRIME MINISTER DISCUSS THIS ISSUE WITH THE PRESIDENT IN DECEMBER. DO YOU EXPECT SHE WILL TOUCH ON IT WHEN SHE MEETS THE PRESIDENT IN FEBRUARY.

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/CHANCELLOR

FEBRUARY - I WOULD HAVE THOUGHT THEY WOULD PROBABLY RANGE PRETTY WIDELY OVER THE WHOLE WATER FRONT--THAT'S THE POLITICAL AND ECONOMIC, EAST/WEST, THE GENEVA TALKSEVERYTHING. THEY TEND WHEN THEY MEET TO HAVE A PRETTY FREE RANGING DISCUSSION. BUT I DON'T THINK THERE WILL BE ANY SPECIFIC AGENDA ITEM OF THIS KIND. IT COULD COME UP, BUT I DON'T KNOW WHETHER IT WILL. I WOULDN'T EXCLUDE IT, BUT IT WOULDN'T SURPRISE ME IF IT DIDN'T.

Q. SUNDAY TELEGRAPH: (GARBLED) QUESTION ON WHETHER THERE WOULD BE DISCUSSIONS IN THE CONTEXT OF THE AGREEMENT IF THE DOLLAR WERE TO FALL.

CHANCELLOR. I THINK IT IS QUITE POSSIBLE THAT WE WILL HAVE DISCUSSIONS WITHIN THE G5 IF AND WHEN, AND ITS PROBABLY WHEN RATHER THAN IF THAT HAPPENS. WHAT CONCLUSIONS WE WILL REACH IS PREMATURE TO SAY. I DON'T THINK THAT ANYBODY WANTS HAVOC ON THE EXCHANGE MARKETS.

Q. (GARBLED)

CHANCELLOR: THAT'S ANOTHER WHICH I'M SURE WE SHALL DISCUSS AT THE TIME.

Q. FLEMING (FINANCIAL TIMES): MR LAWSON - ONE OF THE TOPICS YOU WERE DUE TO DISCUSS WAS THE FORTHCOMING MEETINGS OF THE INTERIM COMMITTEE AND THE DEVELOPMENT COMMITTEE. COULD YOU GIVE US A RUN DOWN OF JUST WHAT WAS DECIDED. ARE THE INTERIM COMMITTEE AND THE DEVELOPMENT COMMITTEE GOING TO MEET TOGETHER OR SEPARATELY UNDER EACH CHAIRMANSHIP.

CHANCELLOR: THE DEVELOPMENT COMMITTEE WILL MEET UNDER THE CHAIRMANSHIP OF GHULAM KAHN, THE PAKISTAN FINANCE MINISTER, WHO IS CHAIRMAN OF THE DEVELOPMENT COMMITTEE. THE INTERIM COMMITTEE WILL MEET UNDER THE CHAIRMANSHIP OF ONNO RUDING, THE DUTCH FINANCE MINISTER, WHO IS CHAIRMAN OF THE INTERIM COMMITTEE. I SUSPECT THAT THERE MAY BE SOME JOINT OCCASION, BUT BASICALLY THE IDENTITY OF THESE TWO COMMITTEES IS CLEAR. IT WON'T BE CONFUSED.

(STATEMENT HANDED OUT - THAT'S NOTHING NEW - I MEAN YOU'RE ALL WELCOME TO IT HAVING BEEN A JOURNALIST MYSELF AT ONE TIME I REALISE THAT WHAT HAPPENED YESTERDAY IS STALE AND THAT IS JUST YESTERDAYS NEWS, BUT IMPORTANT NEWS)

I THINK THAT WHAT DEVELOPMENTS ... WE ENCOURAGED OUR DEPUTIES TO GO AWAY AND WORK THINGS OUT IN MORE DETAIL AND WE DID GIVE THEM SOME GENERAL GUIDANCE. BUT ONE OF THE THINGS THAT APPEARS TO BE THE CASE IS THAT THE STAFFS, THE PEOPLE ASSOCIATED WITH THESE TWO COMMITTEES ARE WORKING VERY WELL TOGETHER AND WE ARE SURE THAT THERE IS NOT DUPLICATION OF THE SUBJECTS THAT WILL BE ASSIGNED TO ONE COMMITTEE OR TO THE OTHER COMMITTEE AND THAT TOGETHER WE SHALL COVER THE MAIN ISSUES. IT'S GOING TO BE A VERY DIFFICULT SET OF MEETINGS I THINK BECAUSE OF THE EXPECTATIONS AND THE DANGER OF EXPECTATIONS BEING BUILT UP IN ADVANCE OF IT PARTICULARLY AMONG THE DEVELOPING COUNTRIES OF THE KIND THAT CAN'T POSSIBLY BE SATISFIED, AND I THINK IT IS VERY IMPORTANT THAT EXCESSIVE EXPECTATIONS ARE NOT ENCOURAGED. ON THE OTHER HAND IT WILL BE A GREAT DEAL MORE THAN A PHILOSOPHICAL OR THEOLOGICAL SEMINAR.

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/THANK

RESTRICTED

THANK YOU GENTLEMEN

3. FCO PLEASE ADVANCE TO ERD AND NEWS DEPARTMENT AND TO H.M.
TREASURY (CHANCELLOR'S PRIVATE OFFICE AND ROBERT CULPIN, PRESS
SECRETARY).

WRIGHT

FINANCIAL

ERD
NEWS D

COPIES TO

PS/ CHANCELLOR
MR R CULPIN, TSY

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