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1. MR LAVELLE
2. CHANCELLOR

FROM: A R H BOTTRILL

DATE: 7 MAY 1982

cc PS/Prime Minister  
Sir D Wass  
Sir K Couzens (o/r)  
Mr Littler  
Mr Garside

MEETINGS WITH MR REGAN AND MR SHULTZ

This morning's Press contains reports of a new US Budget package which President Reagan has apparently agreed with Republican Senate leaders. There is no clear sign yet that the Democrats will accept the package, but it is relevant to the meetings that the Chancellor and the Prime Minister are to have this weekend with Mr Regan and Mr Shultz.

2. The package includes savings on social security pensions and welfare payments, increases in unspecified taxes, reductions in military spending plans and a freeze on most other public spending, including civil servants' pay. The details are not clear. The Democrats may be expected to oppose the social security cuts unless they are accompanied by the President abandoning his 1983 income tax cuts. Mr Reagan, however, does not yet appear ready to concede this.

3. The package is expected apparently to reduce next year's budget deficit to about £105 billion, still rather above the Administration's original projections in February. The deficit is then set to fall to £70 billion in FY1984 and £40 billion in FY1985. Our own position has been that even a budget deficit of £100 billion or so may be difficult to finance next year within the Fed's monetary targets without continued high interest rates, and that a convincing prospect of lower deficits in the medium-term is needed to restore confidence in financial markets.

4. The present package is welcome evidence of the Administration's desire for a compromise, but it is too early to say whether it will be acceptable politically or whether the details can be worked out to make it adequate economically.

A. Bottrill

A R H BOTTRILL





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Qz.02557

MR COLES

cc: Sir R Armstrong

VISIT OF MR GEORGE SHULTZ

1. In connection with Mr Shultz's visit the Prime Minister might find it helpful to know the line that the American representatives have been taking at the preparatory meetings for the Versailles Summit.

General

2. It is clear that President Reagan intends to co-operate with President Mitterrand in trying to make the Summit a success. There will be a natural tendency to play up the points of agreement and play down the points of difference.

Technology and the world crisis

3. In this spirit the Americans have welcomed the French President's intention to submit a personal report on the theme of technology and the world crisis. Their representatives at the recent preparatory meeting at Rambouillet described this as a challenging subject for leaders to discuss at Versailles - but, like the United Kingdom, they stress the need to rely on market forces and point out that the private sector is way ahead of the public sector in international co-operation on technological subjects.

Economic and monetary policy

4. US Treasury officials are working on a possible initiative by President Reagan, namely that the Summit countries should initiate regular talks between senior government finance officials or central bankers to harmonize economic policies. Their aim is presumably to reduce the risk of a confrontation



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over US interest rates and fiscal policy. Finance officials of the Summit countries are meeting in Paris next Friday, 14 May, to attempt to reconcile this idea with some rather more ambitious French ideas intended to secure joint intervention to stabilize the exchange rates between the main currency blocs and to cut interest rates; and with a British suggestion that the five countries whose currencies make up the SDR basket should accept a special responsibility to ensure the stability and strength of their currencies by pursuing anti-inflationary policies.

Trade

5. American fears that direct attacks by the Community countries on the United States over steel and agriculture could turn the Summit into a Community/United States confrontation are certainly exaggerated. They will not want a confrontation with Japan either; but they are likely to take the opportunity to put pressure on Japan to correct the trading imbalance. This will suit us but may worry the Germans. They have shown signs of wanting the Summit to agree on specific objectives for the GATT Ministerial meeting in November; in particular a special deal with the newly industrialising countries (NICs). The other Summit countries believe that the agreed objective of reducing NIC protectionism in return for continued free access into industrial markets is better pursued by less public means.

North/South

6. Attempts to find an agreed basis on which to launch the global negotiations are frustrated in New York by US reluctance to respond to the draft resolution prepared by the G77. President Reagan may therefore come under pressure from the French, Italian, Canadian and Community Representatives to be more flexible. He is unlikely to respond with more than generalities - the US administration is not satisfied that the G77 text will give sufficient protection to the independence of the specialised agencies.



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Energy

7. The Americans agree with a French suggestion that this subject should be mentioned in the final declaration from Versailles but should not feature prominently in the discussions. They are keen to get recognition of the progress they have made in cutting energy consumption in the United States. They may push the question of energy security - eg increased oil stocks or the risks of relying on Soviet gas.

East/West

8. The Americans will respect President Mitterrand's firm desire to avoid giving undue prominence to any discussions at Versailles on East/West questions; but they will certainly press for some positive response to their proposal for reducing credit to the Soviet Union, and will hope to see this reflected in the declaration.

Terrorism

9. As previous summits have discussed terrorism, and as the problem is getting worse and not better, the Americans feel that there should be at least some discussion of this subject, perhaps confined to Foreign Ministers.

Youth exchanges

10. The Americans seem to have in mind a minor initiative on this theme financed with funds from the big US foundations. It may get a mention at Versailles.

D.H.

D J S HANCOCK

7 May 1982



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Foreign and Commonwealth Office

London SW1A 2AH

7 May 1982

*Dear John,*

Visit of Mr George Shultz, 9 May

/ As promised in my letter of 4 May, I enclose briefing (original plus two copies) for the lunch which the Prime Minister proposes to give to Mr George Shultz at Chequers on 9 May. It consists of a Steering Brief and short briefs on: -

Macro-economic Problems  
Trade  
East/West Economic Relations  
North/South  
Energy  
Impact of Technology  
Political Questions

I also enclose a biographical note on Mr Shultz.

I am sending copies of this letter, together with copies of the briefing, to the Private Secretaries to the Chancellor of the Exchequer, Sir R Armstrong (Cabinet Office), Sir K Couzens (Treasury), Mr Franklin (Department of Trade, and Sir D Maitland (Department of Energy).

*Yours ever,*

*Francis Richards*  
(F N Richards)  
Private Secretary

A J Coles Esq  
10 Downing Street

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PRIME MINISTER'S LUNCH FOR MR GEORGE SHULTZ, 9 MAY

STEERING BRIEF

Introduction

1. Mr George Shultz is a close associate of President Reagan. He served under President Nixon as Secretary of Labour (1969-70), Director of the Office of Management and Budget (1970-72) and Secretary to the Treasury (1972-74). He is currently President of the Bechtel Corporation, the world's largest private civil engineering group. He was a strong candidate for the post of Secretary of State. A biographical note is attached at the end of this briefing.

2. Mr Shultz is on a private fact-finding mission at the request of President Reagan, and intends to visit all the participants in the Versailles Economic Summit.

Subjects for Discussion

3. According to the US Embassy, Mr Shultz will wish to discuss mainly economic issues, in preparation for the Versailles and NATO Summits in June. His objectives are to underscore the President's own interest in economic relations between the USA and other Summit countries and to hear the concerns of the other countries and report them back to the President. While he does not expect to discuss proposals for changes in US economic policies, he is prepared to explain the US position if called upon to do so.

4. The main Summit economic subjects of interest to the USA, on which briefing is attached, are:-

1. Macro-economic problems
2. Trade
3. East/West Economic Relations
4. North/South





5. Other Summit issues which Mr Shultz may wish to raise, on which briefing is also attached, are:-

5. Energy

6. Impact of Technology

7. Political Questions

6. According to the US Embassy, it is unlikely that Mr Shultz will wish to discuss non-economic Summit subjects, such as terrorism or youth exchanges.

Economic Relations Department

6 May 1982





PRIME MINISTER'S MEETING WITH MR G SHULTZ, 9 MAY

BRIEF NO 1

MACRO-ECONOMIC PROBLEMS

POINTS TO MAKE

1. UK has tried in its Macro-economic Assessment paper in preparation for the Summit to set out a balanced view of world economic developments, future prospects and policy choices for Summit economies.
2. Progress in reducing inflation has been encouraging in at least some countries, but output and employment have not recovered as strongly as foreseen at Ottawa.
3. Countries have had more success in curbing monetary growth than in reducing budget deficits which helps explain why real interest rates remain high, particularly in the US.
4. Lower inflation and improved productivity should help to encourage recovery of real output but unemployment is likely to continue to rise at least in the short-term in most countries.
5. Grounds for concern in present situation. Too rapid expansion could rekindle inflation and undo oil savings. But continued high interest rates could jeopardise recovery.
6. Combination of international interest rate differences and growing payments imbalances among major countries could worsen exchange rate and trade tensions and increase protectionist pressures.
7. Need to stick to broad strategy of prudent macro-economic policies to bring down inflation, but see advantages in altering mix of policies. Support US efforts to reduce inflation but concerned that fiscal deficit should be lowered so that reliance on high interest rates can be reduced. Important for US but also of vital concern to rest of world.





8. Need for countries to strike correct balance between external and domestic sectors. Countries where inflation progress is good and external balance improving should place more reliance on domestic demand (Japan, and to a lesser extent Germany).

9. Welcome consideration being given to possible Versailles agreement on closer international monetary co-operation between the Five. General agreement on counter-inflationary strategy could be reinforced by closer consultation over the implementation of agreed objectives, <sup>giving a bonus</sup> eg in terms of exchange rate stability and employment.

10. There could well be merit in linking any agreement to membership of the SDR basket and in IMF participation, not least because there are both short and longer-term problems for discussion.



ESSENTIAL FACTS

1. The UK was invited to provide a Macro-economic Assessment paper as part of the preparation for the Summit. This takes broadly the line spelt out in the above 'Points to Make'. It has been circulated to capitals and was discussed at the last Sherpas' meeting at Rambouillet.
2. The paper has in general been received favourably although the US has so far not been able to offer much reassurance on the budget deficit and Japan has refused obdurately to consider any policy adaptation. The French, Italians and EC Commission would place particular stress on the risks to employment, while the Germans would be more concerned about the risks of rekindling inflation. But the broad strategy of continued prudent policies consistent with a gradual recovery of output and a further slowdown in inflation, however, has been endorsed. US interest rates and budget policy are a key topic.
3. At the Sherpas' discussions on 25 April there was a first discussion of the possibility of some new initiative on the working of the international monetary system. Ideas are still at a formative stage but this agreement might involve acceptance by the five countries whose currencies make up the SDR basket that they had special responsibilities making it desirable for them to consult closely together to achieve greater convergence over the conduct of their economic policies within the framework of the IMF. Such agreement could lead the way to regular meetings perhaps involving the assistance of the IMF and regular reports to the wider IMF membership. The discussions are to continue at Helsinki and then again in Paris next week.





4. The French interest lies primarily in relation to the achievement of greater exchange rate stability against the background of the difficulties they see posed by high US interest rates and non-intervention in the exchange markets. At the other end of the spectrum the US believe that the clue to exchange rate stability is firmer agreement on long-term policies to reduce inflation and that attempts to co-ordinate interest rates or exchange rates, in disregard of underlying market forces, would be self-defeating-

5. The proposal - originating with the UK - to express joint objectives in terms of the special responsibilities of SDR currencies may help to reconcile two apparently divergent approaches, not least because it brings together short and long-term issues. In the longer-term it can be argued that the SDR members have an overriding duty to maintain the value of their currencies; but in the short-term they also have a duty to seek to prevent undue fluctuations between them. Other Summit countries (except so far the Japanese) have welcomed the possibility of such an agreement and clearly there would be a considerable bonus if there could be progress on detailed short-term policies to maximise the benefits in terms of economic recovery of such room for manoeuvre as exists in the implementation of agreed strategic objectives. However, it would be wrong to expect too much to emerge from these discussions and they may indeed not provide, in the end, more than some additional communiqué language.

#### Forecasts

6. The OECD Secretariat's latest forecasts show that output in the OECD area as a whole, after falling slightly in the current half year, will recover later this year and grow at an annual rate of around 3% next year. GDP in the US is shown as particularly depressed at present and the forecast recovery is more modest than





than foreseen by the US Administration. In Japan, domestic demand is again expected to lag behind overall GDP growth next year.

7. The forecast growth of output is seen as enough to lead to some recovery of employment next year but in view of the likely rise in the labour force unemployment may only level out at  $8\frac{1}{2}$ -9% for the OECD as a whole, equivalent to about 31 million people.

8. Inflation, as measured by consumer prices, is expected to fall from about  $8\frac{1}{2}$ % at an annual rate now for the OECD as a whole to  $7\frac{1}{2}$ % by the end of the next year. Inflation in the US is put at about 6% with Japan and Germany at 3-4%.

9. The Secretariat expects the current balance for the total OECD area to return close to balance after a deficit of almost \$30 billion last year. The modest US surplus is forecast to disappear in 1983. Japan is forecast to show a surplus of about \$10 billion this year and \$20 billion in 1983. Germany, too, is expected to move into increasing surplus.

HM Treasury

6 May 1982





PRIME MINISTER'S MEETING WITH MR G SHULTZ, 9 MAY

BRIEF NO 2

TRADE ISSUES

POINTS TO MAKE

1. Trade will be a major issue at the Summit. Emphasis of resistance to growing protectionist trends is important. But the problem posed by Japan is sensitive. Hence our wish to see reference in the Communiqué to the need to correct structural imbalances.
2. In this context, trends in US are also causing anxiety. Congressional references to reciprocity are troubling. Hope President will be able to avoid this turning into a threat to the open trading system.
3. Would be counter-productive for Summit to try to over-sell GATT Ministerial Meeting in November, or for Versailles to endorse priorities everyone knows are distinctively US ones. Low key approach is preferable.
4. UK concerned about handling of US ideas for new tariff round with developing countries. Must be a long-term project, and launching idea at Summit would be dangerously premature. Careful ground work must come first.



ESSENTIAL FACTS

1. The paper on Trade Issues for the Versailles Summit is in the hands of the Japanese. It is in general satisfactory and balanced, apart from its (unsurprising) failure to refer to the problem of structural imbalances (ie the Japanese problem), and the need to correct them.
2. The US approach to the trade aspect of the Summit at this stage seems dangerously over-simplistic. They seem to be trying to use it directly to advance a number of their own distinctive objectives (work on services, investment issues and high-technology trade problems) in a manner which is likely to be damaging.
3. They are exerting repeated pressure to get the Summit to endorse proposals for both the agenda and the outcome of the GATT Ministerial Meeting in November. If this were allowed to happen it could only be viewed as 'fixing' by non-participants in; the Summit process and will be counter-productive.
4. Secondly, they are pressing for the idea of a new round of tariff negotiations with the developing countries to be floated at Versailles and pursued at the GATT Ministerial Meeting. The proposal seems considerably premature. At this stage, the US ideas should be considered without publicity by Western nations in the preparation for the Gatt Ministerial Meeting in November. Launching them prematurely at Versailles might well prejudice their chances of being accepted ultimately by developing countries and we hope the US can be dissuaded.
5. In relations to US trade policy we are worried by the strength of the American protectionist lobby. Not only has restrictive action been launched against steel imports, but new legislation is being widely canvassed developing scarcely concealed



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protectionist ideas under the general heading of 'reciprocity'.  
While it is argued that its purpose is essentially to warn the Japanese that the US is serious about dealing with its trade imbalance with Japan, a wider threat to the multilateral world trading system is obvious, and it would be helpful to pass back a message of concern to the President through so direct an intermediary as Mr Shultz.

Department of Trade

6 May 1982

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PRIME MINISTER'S MEETING WITH MR GEORGE (SHULTZ), 9 MAY  
BRIEF NO 3  
EAST/WEST ECONOMIC RELATIONS

POINTS TO MAKE

1. Appropriate officials should discuss subject during preparations for Versailles.
2. Know you are looking for agreement there on ways of limiting supply of official credits to Soviet Union. Agree West may in the past have lent too much. This has now been recognised. Commercial lenders are drawing in their horns. Prudential considerations will have strong effect on future lending.
3. My officials are studying your proposals urgently. Difficult to ensure burden-sharing and some participants may query need for mechanism.
4. In my messages to President Reagan of 29 January and 5 April I asked if anything could be done to release American components for our contracts caught by President Reagan's measures. Hope very much you can agree to this. Problem now very urgent for John Brown. Decision one way or the other by mid-June would be welcome.





PRIME MINISTER'S MEETING WITH MR GEORGE SHULTZ, 9 MAY  
EAST/WEST ECONOMIC RELATIONS

ESSENTIAL FACTS

1. The Americans have prepared paper on East/West Economic Relations for Sherpas to discuss during preparations for Summit. Little preliminary discussion at Sherpas meeting on 23-25 April. There may be further discussion on 14 May.
2. The Americans are pressing Summit partners to agree on mechanisms to limit the volume of future flows of official and officially guaranteed credit to the Soviet Union, on grounds of financial prudence and political sense. They have prepared and circulated a paper on 'The Impact of Credit Restrictions on Soviet Trade and the Soviet Economy', and proposed mechanisms for limiting the volume of credit flows. The paper and the mechanisms will be discussed at meeting of Economic Directors in Paris on 14 May. No final view has been reached among the Whitehall Departments directly concerned on the US proposals. Other Summit countries (France, Japan) may well have difficulty with proposals, but detailed examination of proposals is only beginning now.
3. President Reagan's measures of 29 December, after declaration of Martial Law in Poland, banned the export and re-export to the Soviet Union of certain American components, including some, especially rotors, for European licensees of General Electric, with existing contracts to supply generators for West Siberian gas pipeline. John Brown, and FRG, French, Italian companies affected. Problem increasingly urgent. Americans have linked unblocking of components to progress on proposals to limit official credits to Soviet Union (para 2 above).
4. Message of 5 April to President Reagan:

\*ing 'I also attach great importance to the subject raised in my message of 29 January - that of existing contracts between British companies and Soviet importers affected by the measures which you announced on 29 December. It is now more urgent, as the companies concerned will soon have to make decisions about their manufactur \*programmes in relation to these contracts. The most important of the companies concerned, John Brown Engineering, has held decisions in suspense for three months, but time is now running short for them.'

Trade Relations and Export Department, 6 May 1982





PRIME MINISTER'S MEETING WITH MR G SHULTZ, 9 MAY

BRIEF NO 4

NORTH/SOUTH

POINTS TO MAKE

1. We are committed to launching Global Negotiations as soon as possible on a generally acceptable basis.
2. Bedjaoui text does not adequately protect Specialised Bodies  
as it stands but reasonable basis for discussion.
3. Nobody in European Community inclined to outright rejection of Bedjaoui text; and strong pressures, in some quarters, to endorse it.
4. Global Negotiations without USA meaningless; and we have been able to argue against premature positions which might prejudice eventual consensus.

ESSENTIAL FACTS

1. On 31 March the G77 spokesman in New York, Ambassador Bedjaoui of Algeria, produced a new text for launching Global Negotiations. It does not go far enough in the protection it affords Specialised Bodies. But we and other EC partners consider that it is the best definitive G77 text so far, and reflects the influence of moderate elements such as India and Pakistan. The USA take a much more critical view.
2. The French, and the Commission have pressed strongly for endorsement of the Bedjaoui text. The Presidency have successfully resisted this with British, Danish and (hesitant) German support. The Americans asked us to delay a positive EC response. We have succeeded so far but President Reagan should be aware that he will be isolated in arguing for rejection of Bedjaoui text. The Americans say that they are working on an alternative text, which will not be ready for some weeks. This may be interpreted as simply further temporising.

Economic Relations Department

6 May 1982





PRIME MINISTER'S MEETING WITH MR G SHULTZ, 9 MAY

BRIEF NO 5

ENERGY

POINTS TO MAKE

1. Fall in oil demand has taken pressure off world oil prices.
2. Good prospect that market will remain easy at least until mid-1980s - challenge is to make most of this opportunity without recreating climate favourable to jumps in oil price in future.
3. No need for energy to feature prominently at Versailles - though we look for confirmation in the Communiqué that our common interest lies in continuing efforts to consolidate present position and avoid over-dependence on imported oil.

ESSENTIAL FACTS

1. World oil demand has fallen from a peak of 51.6 mbd (1979) to around 45-46 mbd (1982 estimate). OPEC share has fallen from around 30 mbd to only 18-19 mbd (even less in present quarter because of stock-draw). OPEC seems likely to maintain official marker price at \$34 per barrel, but only through substantial production cuts. US oil is currently priced around \$30 per barrel; BNOG marker price is \$31 per barrel. US and Canada benefit most from fall in oil prices - changes in currency values mean that fall in real cost of oil in Europe and Japan is very slight.
2. Increased efficiency in energy use, more use of fuels other than oil, increased production from non-OPEC countries and economic recession all contribute to decline in oil demand. We aim to continue with policies that are based on market forces but which encourage energy conservation and use of other fuels. Other Summit countries share this view.
3. Energy problems of least developed countries continue to be serious (their oil imports are mostly from OPEC and they have not benefitted from lower oil prices). These problems are best considered under North/South agenda item.

Department of Energy

6 May 1982

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Brief No 6

PRIME MINISTER'S MEETING WITH MR GEORGE SHULTZ: 9 MAY 1982

Impact of Technology

Points to Make

1. The theme of technology is a useful one to introduce into the Summit discussions.
  
2. The development of technologies should be primarily a response to the operation of markets. A general policy of promoting development through dirigiste methods risks waste and failure.
  
3. The prime need is to encourage adaptability, and get people to welcome change. Training and education are essential to this process.
  
4. The advanced countries have to move up market. They must rid themselves of fears that new developments in technology will mean increased unemployment. Such fears are irrational given the history of technical advance, which has always given rise to new forms of demand.



5. Government's rôle is to enable markets to work freely by creating the right environment for investment in new technology.

Essential Facts

6. The French President appears to have in mind to:

i. stress that the world is facing a new industrial revolution;

ii. say that as a result there are choices to be made by society eg more centralisation or more decentralisation, increasing or decreasing the North/South gap;

iii. identify action points eg international cooperation in technological developments, training the young.

7. These ideas carry with them a flavour of additional funds and new institutions. There is already a good deal of technological co-operation through international bodies, technical associations and the like. It is not clear that more is needed.

H M TREASURY  
6 May 1982





PREPARATIONS FOR SUMMIT MEETINGS: VISIT BY MR GEORGE SHULTZ, 9 MAY 1982

BRIEF NO 7: POLITICAL QUESTIONS

Points to Make

1. Versailles Summit will deal primarily with economic issues, but some political discussion inevitable and desirable, both in its own right and so that Heads of State and Government be seen to address the issues of the day.
2. Discussion possible at greater leisure at Versailles than at Bonn, and includes Japan.
3. Discussion must be topical. Too soon to decide precisely what it should be. Political Representatives will have a preliminary discussion on 14 May.
4. But main emphasis must be East/West since:
  - (i) Versailles discussion of East/West economic relations must be seen against political background;
  - (ii) Useful to talk about East/West issues before next Haig/Gromyko meeting;
  - (iii) Recent events in Poland worrying, and discussion timely;
  - (iv) Must also make sure Afghanistan does not drop from view.
5. Other possible topics include the Falkland Islands, depending on events, and the Middle East, especially Arab/Israel after Sinai withdrawal.





6. [if raised by Mr Shultz] Considering carefully proposals for youth exchanges. Good idea in principle, but need to look at practicalities.
  
7. [if raised by Mr Shultz] Content for hijacking and terrorism to be discussed if others wish.





PREPARATIONS FOR SUMMIT MEETINGS: VISIT BY MR GEORGE SHULTZ 9 MAY 1982

BRIEF NO 7: POLITICAL QUESTIONS

Essential Facts

1. The French propose that political discussion at Versailles be limited to meals at which Heads of State or Government will be alone or (lunches on Saturday 5 or Sunday 6 June) accompanied by Foreign Ministers. Discussion will be topical and informal.
2. Foreign Ministers will discuss political matters alone at dinners on Friday 4 and Saturday 5 June, probably in a more structured discussion. It was agreed at the last Sherpas meeting that Foreign Ministers be asked to concentrate on 4 June on East/West relations (including the US proposals for limiting credit) and North/South issues.
3. There will be a preparatory meeting of political representatives (UK representative Sir A Acland or Mr Bullard) in Paris on 14 May, before the next Personal Representatives' meeting.
4. We are not aware of any differences of view between us and the Americans on the form or nature of political discussion at Versailles, though they may hanker after a more structured discussion than we or the French would like.
5. We understand that the next Haig/Gromyko meeting is likely to take place during the UNSSD meeting in New York starting on 7 June.
6. Youth exchanges. US have recently proposed that an expanded programme of Youth exchanges among the summit countries be announced at Versailles. Mr Wick, Director of the US International Communications Agency is in charge.





There will be a meeting to discuss the question in Paris next week.

7. Hijacking and terrorism. We should let others make the running. Hijacking a traditional feature of Economic Summits since 1978. US and Canada are keen that the expert group that has met in past years between Summits, should do so again this year, but French have been against this. US have recently suggested setting up a new 7 nation group on terrorism, which we are considering but have some doubts about.

Planning Staff

6 May 1982





BIOGRAPHICAL NOTE

GEORGE PRATT SHULTZ

President of Bechtel Corporation

Age 59

1946-57 Associate Professor of Industrial Relations at the Massachusetts Institute of Technology (MIT). He took leave of absence in 1955-56 to serve as senior staff economist for the Council of Economic Advisers

1955-57 Professor of Industrial Relations at the University of Chicago Graduate School of Business

1962-68 Was Dean of the School

1968-70 US Secretary of Labor

1970-72 Director of the Office of Management and Budget

1972-74 US Secretary of the Treasury  
(succeeding John Connally)

In December 1972 his position as overall supremo on economic policy was formally recognised by the additional appointments of Presidential Assistant and Chairman of the newly-created Council on Economic Policy to co-ordinate all domestic and international economic policies.

April  
1974 Resigned from Treasury. He was the last member of Nixon's cabinet to leave before Nixon's own resignation.

1974-75 Executive Vice President of the Bechtel Corporation  
(the world's largest private civil engineering group)

1975 President of Bechtel

Shultz serves on Governor Reagan's Policy Council

Married with 5 children

Although Shultz presided over US economic policy during a time of great difficulties, characterised in particular by inflation and the energy crisis, a coherent thread of liberal market-oriented thinking governed his approach both domestically and internationally and proved in many respects highly successful.



PRIME MINISTER

Lunch for Mr. George Shultz  
Sunday, 9 May at Chequers

Miss Thomas has suggested the following menu  
for your lunch for Mr. Shultz on Sunday:

Pea Soup

Saddle of Lamb  
Selection of Vegetables  
Mint Sauce  
Reducrrant Jelly

Damson Pie  
Cream

Cheese

Coffee

*Sue Goodchild*

6 May 1982



PRIME MINISTER

Visit of Mr. George Shultz

You agreed earlier that, the Falklands situation permitting, you would see Mr. Shultz at Chequers on Sunday, 9 May.

You will recall that he is coming as President Reagan's personal emissary to discuss the Versailles Economic Summit. I understand that he would prefer the discussion to be tete-a-tete. But you may like to have a note-taker (probably Michael Scholar) with you.

You said that you would like to give Mr. Shultz lunch. I attach a draft guest list. *Have reduced numbers.*

Agree to see Mr. Shultz at 1145 on Sunday, 9 May at Chequers, followed by lunch? *Yes mb*

(The Americans clearly understand that if the Falklands situation so requires, the arrangements may have to be altered, though we have said that you will certainly do your best to fit in an hour's talk with Mr. Shultz in any event.)

*A.S.C.*

5 May 1982





PRIME MINISTER'S LUNCH FOR MR GEORGE SHULTZ, 9 MAY 1982

DRAFT GUEST LIST

Mr George Shultz

US Ambassador

? 1 or 2 Advisers accompanying Mr Shultz

The Prime Minister

✓ The Chancellor of the Exchequer

✓ Sir Robert Armstrong - Cabinet Office

~~Sir Antony Aeland - FCO~~

*Lord Bridges*

~~Mr Julian Bullard - FCO~~

*J. Wans*

✓ ~~Sir Kenneth Couzens~~ - HM Treasury

~~Sir Donald Maitland - Department of Energy~~

✓ Mr M D M Franklin - Department of Trade

✓ *Alan Walters*

✓ *Richard Scholar*



*Sue Goodchild,*



Foreign and Commonwealth Office

London SW1A 2AH

4 May 1982

*Dear John,*

Visit of Mr George Shultz

In response to your letter of 30 April, I attach a proposed Guest List for the lunch which the Prime Minister proposes to give to Mr George Shultz at Chequers on 9 May.

We have proposed a lunch of 10 to 12 people, depending on how many will accompany Mr Shultz himself. The list includes all those who would be directly involved with the Versailles Economic Summit and its preparation. The Foreign and Commonwealth Secretary unfortunately cannot be there, as he will be attending the informal meeting of Community Foreign Ministers. John Kerr will, no doubt, wish to comment on whether the Chancellor can attend.

As you point out, President Reagan's letter starts by referring to both Summits - the Economic Summit and the NATO Summit - in early June. But the rest of the letter is concerned with economic problems; and Mr Shultz's background and itinerary are directly relevant to the Versailles meeting. We therefore believe that he will not wish to discuss the defence aspects of the NATO Summit. If he wishes to raise politico/military matters - as well as political subjects taken at the Versailles Summit - Julian Bullard could handle those.

We will provide a brief for this meeting by 7 May.

I am copying this letter to the recipients of yours.

*Yours ever.*

*F N Richards*

(F N Richards)  
Private Secretary

A J Coles Esq  
10 Downing Street