

SIR ROBERT ARMSTRONG

1984 Economic Summit

The Prime Minister has seen and noted
Sir Robert Armstrong's minute of 20 September,
Ref. A083/2662.

WILLIAM RICKETT

23 September 1983

NA

Prime Minister

2

Ref. A083/2662

PRIME MINISTER

1984 Economic Summit

I saw Mr Allen Wallis, President Reagan's Personal Representative, on 19 September.

2. On the date of the London Summit, I said that the French President had queried whether it was appropriate to hold the Summit so shortly before the European election, and had suggested having it on 25 and 26 June. Mr Wallis said that he would have to consult the White House about that, but he did not expect the President would find it easy to accept the later dates.

3. On style and format, I spoke as indicated in paragraph 3 of my minute of 14 September. It was clear from Mr Wallis's reply that American thinking coincided with ours on these matters. When our meeting finished, Mr Wallis handed me a copy of his brief (copy attached).

4. Two interesting points emerge from that brief:

- a. the Americans want to give more emphasis and impetus to trade liberalisation;
- b. seeing the London Summit as logical successor to the last three Summits, at all of which the President and you have stressed the need for major structural changes to achieve and maintain non-inflationary growth, they will be looking very much to you for leadership at the London Summit, given that the President will be inhibited by domestic electoral considerations.

5. Mr Wallis suggested that it would be useful to bring forward the first meeting of Personal Representatives to early November (rather than December as I had in mind) because a number of Personal Representatives will in any case be coming to Paris for OECD meetings at that time. I shall be pursuing that as a matter of urgency, and will report further.



6. I am sending copies of this minute to the Foreign and Commonwealth Secretary and the Chancellor of the Exchequer; in view of the emphasis placed by the Americans upon trade liberalisation, I am also sending copies of this and of my earlier minute to the Secretary of State for Trade and Industry.

A handwritten signature in black ink, consisting of the letters 'RA' in a stylized, cursive font.

ROBERT ARMSTRONG

20 September 1983

CONQUEROR

III

CONFIDENTIAL

Talking Points

I. General

-- US Government engaged in intensive work following up on agreements reached at Williamsburg. (Quadrilateral trade meetings in July and this month; G-5 meeting in Washington on convergence; Trade/Finance Ministers dinner September 28; future discussions in G-10 on monetary system, etc.)

-- Expect that much of this work during coming year will find its way into the London Summit discussions next June.

-- We are trying to mesh our work in international economic policy areas I've just noted with our preparations for London Summit.

-- Before we get too far along, would like to exchange views with you on your preliminary thinking about London, and in particular to see where each of us is at this stage on both format and substance. *

-- On format, President said in his letter to Prime Minister last June that he hoped we could continue to make these meetings informal.

-- We believe the Williamsburg format worked well and hope it can be carried over for London: i.e., time for meeting of Heads only; a more or less open agenda stressing linkage among the issues; no pre-negotiated communique.

-- We also think that preparatory process which ultimately evolved last year of developing themes for discussions worked reasonably well, and would like your views on how you intend to proceed this time.

-- More important, of course, is the substance. We think summits can be useful occasions for heads to review what governments have done over the past year and trace the broad outlines of the policies they wish to pursue during the coming year.

-- The President believes that we should concentrate on following up the Williamsburg Declaration, both in actions which were agreed for early implementation, such as dismantling of trade barriers as recovery proceeds, and in the medium-term strategy as outlined in the Declaration, concerning mainly the linkage between debt management and further trade liberalization, particularly concerning trade with LDCs.

-- For London itself, he believes the focus should be mainly on follow-up to that medium-term strategy.

-- For us, the main component of that strategy is a new round of trade negotiations.

-- We believe there ought to be at least three main components to these negotiations:

- steps to liberalize trade in goods and services with and among developing countries;

- negotiation of new agreements among all GATT countries to remove barriers to trade in services and high technology products, and improve the use of safeguard measures;

- new rules governing trade in agricultural products, with special emphasis on export subsidies.

-- We realize France will not agree absent agreement to hold a conference to reform the monetary system. We do not believe one should depend upon the other and we will resist linking them.

-- Other components for London, building from Williamsburg (and indeed from at least the last three summits), involve:

- Development of closer coordination among summit governments and others on trade and financial policies, both through existing institutions and various informal meetings which officials responsible for these policies would deem desirable. In this process, we also believe it would be useful to introduce the role which foreign investment can play in helping LDCs overcome their external financial problems and develop their export potential.

- We will continue the Versailles consultative process on economic convergence and hope to see some constructive results by the time of the London Summit.

- The heads should be able to review how well our debt management strategy has been working, encourage the LDCs to continue their adjustment efforts and reaffirm our intention to work closely together and with the IMF in helping to deal with specific debt problems.

- Finally, as we have done at each Summit since Ottawa, the heads ought to be able to review where we are on East-West economic relations and confirm the continuing work in various fora aimed at maintaining a close consensus among our countries.

-- I realize this is not an exhaustive list, but would appreciate your views on it.

II. Putting London in Context of Past Summits

-- If we look back to the three economic summits which the President and Prime Minister have attended together, there is in fact a coherence and continuity which we should acknowledge and build upon for the future.

-- At Ottawa, our common themes were to lay out the basic elements of a strategy to halt inflation and promote sustainable growth through the removal of constraints on the resourcefulness of our people.

- We (US and UK) agreed on the need to reduce the rate of growth in government spending, change the tax codes to promote saving and investment, and get stable and moderate money growth.

- Ottawa also highlighted the problems of the developing countries created by the oil price explosion and financing imbalances during the 1970s; and outlined themes later developed more fully at Cancun.

- Finally, Ottawa addressed, for the first time, the security implications of East-West economic relations, a theme that has recurred at each subsequent Summit.

-- At Versailles (as unpleasant as the aftertaste of that meeting may have been), we created a mechanism to consult on achieving convergence of results in our separate approaches to the non-inflationary growth we had targetted at Ottawa. We also agreed, in the study on intervention commissioned at Versailles, on the linkage between the achievement of such convergence and stability of exchange rates.

- We also highlighted the role which new technologies will play in structural change and growth, employment and trade in the future.

- The East-West discussion underlined the need for a more concerted effort to develop a greater consensus than had been achieved up to then.

-- At Williamsburg, we were able to express our confidence that our policies, outlined at Ottawa, were working and recovery was underway, though much needed to be done.

- We agreed on measures to enhance the convergence consultative process, begun at Versailles, and on the general conclusions about exchange market intervention.

- The heads could note the progress achieved in developing a consensus on East-West economic relations, and in cooperation on high technology development.

- Most important, and again echoing an Ottawa theme, we traced the elements of short and medium-term strategies to deal with the interrelationships among growth, trade and finance, including in its components management of debt problems and promotion of an open trading system through new negotiations to liberalize trade, with special emphasis on trade with LDCs.

-- Given this coherence, it makes sense that London should build on this structure and carry forward the momentum which the President and Prime Minister began together three years ago.

III. Special British Points

-- Even before Reagan, Thatcher was stressing the need for major structural changes to achieve and maintain non-inflationary growth as the key both to national and international economic progress.

-- Last three summits have reinforced this view and traced a coherent strategy reflecting Thatcher/Reagan approaches and policies.

-- At London, it makes sense to consolidate these achievements and carry forward the strategy into the future.

-- With her new electoral mandate, Thatcher has excellent opportunity to carry her own "revolution" the next step that will permit her to capitalize on the efforts she made in her first term to restructure the British economy and lay the foundations for renewed British competitiveness.

-- British industry, both manufacturing and services, just like ours, needs the assurance of more open markets to justify new investments.

-- The real growth markets are in the developing countries, especially the NICs of Asia and Latin America.

-- A successful strategy to develop that potential depends on managing the international financial situation so to assure those countries can service their debts and continue to grow. For that, they need improved access to our markets.

-- In turn, we need to break down some of the more severe barriers they have raised in order to gain better access to their markets for those products and services in which we are most competitive.

-- Thatcher in a position to exert leadership on this to an extent beyond that which inevitably puts inhibitions on an American President in an election year. However, the President will give her every possible support in such an effort.