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Secretary of the Cabinet and Head of the Home Civil Service

Sir Robert Armstrong GCB CVO

Ref.A084/592

21 February 1984

Dear Peter, *PJ 21/2*

Personal Representatives Meeting:
17-19 February 1984

I should like to thank you for your help in organising the security arrangements for the Personal Representatives meeting held in the Cabinet Office and No 10 last weekend. The security staff on duty in No 10 were both helpful and courteous, and I should be grateful if you would pass my thanks to them.

Yours sincerely
Robert Armstrong

Peter Joce Esq

*Seen by all Custody
Guards concerned. PJ.*

SIR ROBERT ARMSTRONG

Economic Summit

The Prime Minister has noted the contents of your minute of 20 February about the discussion held by Personal Representatives in London from 17-19 February.

AJC

21 February 1984

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Ref.A084/588

PRIME MINISTER

London Economic Summit 1984

Personal Representatives met in London from 17 to 19 February to continue preparations for the London Economic Summit. I had circulated in advance the discussion paper which you approved, and that provided the basis for our discussion.

2. A very fair degree of consensus on world economic prospects emerged. There was general agreement that world economic recovery was now running probably more strongly than our paper suggested. There was no disposition to abandon the fight against inflation, and general agreement to pursue appropriate monetary and budgetary policies. Some concern was expressed as to whether recovery could continue into 1985 if the United States fiscal and balance of payments deficits continued at their present levels; but surprisingly little was made of this, perhaps because everybody round the table realised that there was no possibility of a change in United States fiscal policies before the Presidential election. The United States representatives were defensively sensitive about any suggestion that the fiscal deficit was the cause of high interest rates in the United States. Even when one Personal Representative suggested that there was a link through the effect of the high deficit on inflationary expectations and in turn of inflationary expectations on the level of interest rates, the United States representatives agreed that that was a very reasonable point of view but they knew of no evidence to support it.

3. We agreed that the London Economic Summit would need to review progress on the consultation and surveillance processes initiated at Williamsburg in order to promote convergence of economic performance and greater stability of exchange rates, and perhaps to give renewed impetus to certain aspects of this work. There was no hint from the French (or from anyone else)

of suggestions for a "new Bretton Woods". The Summit would probably also need to review progress in dealing with the problems of international debtor countries and endorse a continuing strategy for dealing with international debt problems.

4. On trade issues, there was general agreement on the need to pursue the rollback of protectionism, though the United States representatives warned me privately against using the word "dismantling": in an election year the President would have enough trouble resisting domestic pressures for more protection without the additional complication of being asked to commit himself to dismantling the protection that already exists. As to the Japanese proposal for a new round of multilateral trade negotiations, there was general agreement that this should continue to be discussed, and that such a round might well be appropriate in the second half of the 1980s; but the sort of timetable envisaged in our paper - a scheduled meeting of GATT contracting parties in November 1984 leading to a meeting at Ministerial level in 1985 to consider when and how a new round might be held - met with general consent.

5. Though there was general agreement that the Summit should not treat relations with the developing countries as a separate "chapter", but bring the relationship between the developed and developing world into focus in each aspect of its deliberations on international economic, financial and trade prospects and needs, it was evident that there would be the usual differences of emphasis at the London Summit, with the United States Government taking a hard line, particularly on any question of more money for the International Development Association, and the Italians, the Canadians and the Japanese (and to some extent the French) taking a softer line.

6. If I had to say, on the basis of this meeting, what were likely to be the main themes emerging from the London Economic Summit, they would be:

(a) The need to strengthen the process of economic recovery, so as to make it lasting and to spread its benefits widely over the world; negatively, the Summit would need to avoid giving the impression that the industrialised countries were congratulating themselves on their recovery but not interested in the possibility of better prospects for the developing countries.

(b) As a means to that, giving emphasis to the requirements and processes of structural change: the removal of rigidities in industrialised economies; the encouragement of technological change; the reduction of protectionism and the opening of markets, particularly to exports from developing countries; and structural adjustments in the developing countries.

(c) The need to follow appropriate budgetary and monetary policies to make possible lower interest rates.

(d) A strategy for continuing to deal with international debt problems.

7. Perhaps the most striking contribution to the discussion was an intervention by Monsieur Jacques Attali, President Mitterrand's Personal Representative, when he described the five principles of President Mitterrand's broad economic policy as follows:

(1) The President wanted to increase the speed of change, and particularly of technological change. Change was coming, it was inevitable, and the quicker it was brought about the better. He believed it possible to manage the consequences in terms of employment.

(2) The share of the state in the Gross Domestic Produce was too large. It was necessary to increase the capacity of each citizen to be free. Socialism means less state, not more social welfare. The President intended to reduce the French state's share of the Gross Domestic Product in France by 1 per cent a year beginning in 1985.

(3) In the management of economic recovery and growth, priority needed to be given to investment and profits rather than to wages.


(4) It was necessary to reach an equilibrium as quickly as possible in the public sector. The President had decreed that there should be no deficit in French publicly-owned companies in 1985 or subsequent years. Any Chairman of a company in which there was such a deficit would be fired. !!

(5) The President believed it important to encourage the creation of small businesses as the most important line for creating new jobs.

8. When we had all recovered our breaths (amid murmurs of "Who's the Thatcherite now?") Monsieur Attali added, for good measure, that the President had come to the conclusion that the fight against inflation might not need the continued maintenance of price controls.

9. Monsieur Attali's observations appeared to surprise other members of the French delegation as much as it surprised the rest of us; but one of them said that elements of what Monsieur Attali had said had appeared in a public speech by President Mitterrand shortly before Christmas.

10. I am sending copies of this minute to the Foreign and Commonwealth Secretary and the Chancellor of the Exchequer.


Approved by
ROBERT ARMSTRONG
and signed in his absence

20 February 1984



10 DOWNING STREET

From the Private Secretary

SIR ROBERT ARMSTRONG

London Economic Summit

At your meeting with the Prime Minister today you reported the Japanese suggestion that Ministers of Trade should be invited to the Summit. The Prime Minister took the view that we should not extend the usual Ministerial attendance i.e. we should stick to the pattern of Foreign and Finance Ministers. But if any country wished to substitute a Trade Minister for either of these two, that would be acceptable.

The Prime Minister also confirmed that she wishes in principle to meet all Heads of State and Government as they arrive for the Summit. Detailed arrangements would be worked out depending on the time of arrival, the next engagement of the guest and the desirability of not taking up too much Prime Ministerial time during a period when Mrs. Thatcher will be very busy in connection with both the Summit and a number of other matters.

JC

17 February 1984

JK

MEETING OF PERSONAL REPRESENTATIVES

17-19 FEBRUARY 1984

Timetable

Friday 17

7.00 pm Assemble Cabinet Office (Personal Representatives only)
7.30 pm To No 10 for Dinner
8.00 pm Dinner, Small Dining Room

Saturday 18

Plenary Session

10.00 am Assemble Cabinet Office
Meetings in Conference Room A, Cabinet Office
1.00 pm Lunch, State Dining Room, No 10
2.30 pm Conference Room A, Cabinet Office
7.00 pm Break for Dinner
7.30 pm Dinner, State Dining Room, No 10

Sunday 19

Plenary Session

9.30 am Assemble, Lancaster House
10.30 am Return Cabinet Office, Meetings on Conference Room A
12.45 pm Break for Lunch
1.00 pm Lunch, Small Dining Room, No 10 (Personal Reps only)
State Dining Room, No 10 (Experts)

Attendance

United Kingdom

Personal Representative: Sir Robert Armstrong

Experts:
Sir Crispin Tickell (FCO)
Mr J G Littler (Treasury)
Mr N J Barrington (FCO)
Mr L V Appleyard (FCO)
Mr D H Colvin (Cabinet Office)

MEETING OF PERSONAL REPRESENTATIVES, 17-19 FEBRUARY 1984

PERSONAL REPRESENTATIVES AND EXPERTS

Federal Republic of Germany

PR: Dr Hans TIETMEYER, Deputy Secretary of the
Economic Policy Division of the Federal
Ministry of the Economy

Experts: Mr FISCHER, Director of Economic Affairs, MFA
Mrs STEEG, Director of the Department of
External Trade, Federal Ministry of the
Economy

USA

PR: Mr Allen WALLIS, Under Secretary for Economic
Affairs

Experts: Mr McMINN, NSC
Mr SPRINKEL, Treasury Under-Secretary for
Monetary Affairs

Canada

PR: Mr de Montigny MARCHAND, Deputy Minister in
charge of Foreign Policy, DEA

Experts: Mr BERRY, Director General of Economic Policy,
DEA
Mr DRABBLE, Associate Deputy Minister, Ministry
of Finance

France

PR: Mr Jacques ATTALI, Special Adviser to President
Mitterand

Experts: Mr PAYE, Director of Economic Affairs, MFA
Mr CAMDESSUS, Director of the Treasury, Ministry
of Economy and Finance

Italy

PR: Mr Renato RUGGIERO, Director-General for
Economic Affairs, MFA

Experts: Mr SARCINELLI, Director-General of the Treasury
Mr CAPPARI, AUS for North/South Affairs, MFA

Japan

PR: Mr Moriyuki MOTONO, Deputy Minister for Foreign
Affairs

Experts: Mr Tomomitsu OHBA, Deputy Vice Minister for
International Affairs, Ministry of Finance.
Mr Akinori MARUMO, Deputy Director General,
Economic Planning Agency
Mr Yoshiyasu SATO, Deputy Director General,
Economic Affairs Bureau, MFA
Mr Akio KURODA, Director General, International
Affairs Dept, Trade Policy Bureau, MITI

European Community

PR: Mr DURIEUX, Director of the Cabinet of the
President of the Community

Experts: Mr FIELDING, Director General DGI (External
Relations)
Mr MAINGASSON, Directorate DG2 (Monetary
Matters)