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10 DOWNING STREET

*From the Private Secretary*

SIR ROBERT ARMSTRONG  
CABINET OFFICE

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London Economic Summit

The Prime Minister held a meeting today to discuss the London Economic Summit. Present were the Foreign Secretary, the Chancellor of the Exchequer, the Secretaries of State for Trade and Industry and Transport and yourself. The meeting had before it the draft thematic paper prepared by the Personal Representatives, circulated under cover of your minute of 25 April (reference A084/1240); and a paper on possible British initiatives circulated under your minute of 26 April (reference A084/1263).

BF | The Prime Minister was dissatisfied with the language of the thematic paper which contained too much economists' jargon. The danger was that its obscure wording would permeate the discussion and possibly even the final Communique. Even though it would not be circulated under her name, she could not allow it to go out in this form. She asked the Chancellor of the Exchequer, in conjunction with yourself, to re-write it in a more direct style. You said you would be preparing the first draft of the Communique and would ensure that it was in a style which would make it accessible to the wider public.

On the substance of the paper, the Prime Minister said she was sceptical about prolonging the life of the Working Group on Technology, Growth and Employment, which had been established at Versailles two years ago, for a further year. Its continued existence illustrated the danger of setting up bodies in the Summit framework. You said the Group had done useful work without absorbing significant time or resources. It was a useful forum for considering environmental questions and was consistent with our emphasis on establishing a proper scientific basis for decisions. It was noted that President Reagan was anxious to secure co-operation for the international space station. The attitude of the UK Government to this should be considered carefully by Departments.

The Prime Minister said it was important not to allow the Summit to become a forum for criticism of President Reagan's policies. The climate on the Federal deficit was changing and a deficit reduction package was likely to be settled soon. The tone of the Summit should not be criticism but encouragement for these developments. The Chancellor of the Exchequer said

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the change of climate in the United States had come about because the Republicans themselves recognised that an uncontrolled deficit was an electoral liability. The package was still inadequate in relation to the size of the problem but this was recognised by labelling it as a down-payment, with an implied commitment to further measures later.

The discussion then turned to the political dimensions of the Summit. The Foreign Secretary asked whether there would be a political declaration and how extensive the political discussion should be. Representatives of Foreign Ministries would be meeting on 18 May to consider these points. It was noted that Williamsburg was the first time there had been a declaration on a full range of political questions; earlier Summits had issued statements in response to specific international issues. While the French were reluctant to expand the political content, Germany, Japan and the United States were in favour. Germany was seeking a full text, partly to counter the atmosphere which might be created by the anniversary of D-Day landings.

The Prime Minister thought there should be a declaration which should certainly contain an important statement on international terrorism. The other points should be responsive to current concerns and the declaration should not become a tour d'horizon, taking up subjects merely because they had featured in the discussion at earlier Summits. The Foreign Secretary should resist efforts by Germany to prepare a long text in advance, and ensure that the UK had an opportunity to make the first draft of the statement on terrorism.

The Foreign Secretary raised the question of Ministerial attendance by those countries where Ministerial responsibility for the economy was divided. While it was generally accepted that only one Economic Minister could attend plenary sessions, a problem arose for the two working dinners and the special session for Finance Ministers. This was most acute for Germany who might want both Stoltenberg and Lambsdorff to attend. Japan was not pressing its case but would certainly do so if concessions were made to Germany.

After discussion it was agreed that no attempt should be made to prevent Count Lambsdorff from attending the Summit but that the rule should be that only one Minister could attend any session or working dinner. The choice should be left to the Head of Government concerned. The Prime Minister said she would put this to Chancellor Kohl. Could you consider how this rule would operate in relation to the Palace banquet where invitations are restricted to two Ministers.

The meeting then considered the UK paper on Summit initiatives. The recommendations in your minute to pursue items 2a, b, c, e and f but not 2d were agreed. The UK should take up the question of liberalisation of Japanese capital markets as this would maintain the pressure following the US/Japanese bilaterals. On trade in services, it was agreed that the best approach was that set out in

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para 13b i.e. the Summit Seven should seek to work through OECD rather than through GATT or by setting up their own apparatus. On shipping, the Secretary of State for Transport said our objectives should be to secure a declaration in favour of a liberalised regime. This would help to resist pressure from third world countries to allocate shipping on a bilateral basis and would strengthen the position of those in the US favouring a liberalised regime.

Work on harmonisation of international standards should be pursued though this left open the question of whether harmonisation should be secured in Europe first in order to create a stronger bargaining position for Europeans. On export subsidies, it was agreed that little progress was likely. It was important to avoid a declaration which would tie the UK more than less scrupulous competitors. The aim should be to tackle all forms of concessionary trade finance not just those labelled mixed credits.

I am copying this letter to Len Appleyard (Foreign and Commonwealth Office), David Peretz (HM Treasury), Callum McCarthy (Department of Trade and Industry) and Dinah Nichols (Department of Transport).

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Andrew Turnbull

30 April 1984