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10 DOWNING STREET

From the Private Secretary

MR. HATFIELD
CABINET OFFICE

Economic Summit

I attach a copy of a message which the Prime Minister has received from the Prime Minister of Australia about the forthcoming Summit. I should be grateful if you could let me have a draft reply (I have acknowledged the letter of the Australian High Commissioner).

I am copying this minute and Mr. Hawke's letter to Mr. Ricketts (Foreign and Commonwealth Office and Mr. Peretz (HM Treasury).

A. J. COLES

18 May 1984



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Bob

10 DOWNING STREET

From the Private Secretary

18 May 1984

The Prime Minister has asked me to thank you for your letter of 18 May enclosing an advance text of a letter from the Prime Minister of Australia about the forthcoming Economic Summit.

A. J. COLES

His Excellency Mr. A.R. Parsons



PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T 83/84

PRIME MINISTER
CANBERRA

18 MAY 1984

My dear Margaret,

Australia considers the forthcoming Western Economic Summit, to be held in London from 7-9 June 1984, to be of crucial significance for the international community. Most importantly it comes at a critical juncture in the efforts by all of us to secure a durable and more broadly based international economic recovery.

Australia, as my Foreign Minister Bill Hayden would have indicated to you earlier this week, would want to see the Summit promote policies to ensure that the present international recovery is sustained and be of benefit to both developed and developing countries. The problems of unemployment, inflation, debt and continued interest rate pressures require realistic policy responses. Australia would urge the Summit participants, in conformity with their global responsibilities, to adopt a responsible, longer term perspective which recognises global interdependence and the interests of developing countries, debtors and middle countries such as Australia.

Australia attaches particular importance to the future shape of the world trading regime. We think it particularly necessary that the Summit promote a more open trading system through the liberalisation of trade.

As you know I have been urging countries of the Asia Pacific region to consider carefully their interests in a possible new multilateral round of trade negotiations. Following agreement by their respective countries, senior trade officials from Australia, Brunei, Indonesia, Japan, Malaysia, New Zealand, the Philippines, Republic of Korea, Singapore and Thailand met informally from 30 April - 1 May 1984 in Denpasar, Indonesia to discuss how countries of the Western Pacific region might approach the suggestion that there should be a new round of multilateral trade negotiations. More specifically the meeting sought to identify what countries of the region might expect of any new round and to isolate the concerns and apprehensions they would want taken into account in any decision to proceed with a new round.

An open trading system was acknowledged to be essential both to the improvement of the international economy and to the continued economic dynamism of the region. Those participating in the meeting agreed that, with strengthening economic recovery, now would be a good time to implement trade liberalisation.

These and other specific points arising out of the Denpasar meeting have since been considered by the ASEAN Economic Ministers and have, I believe, been the subject of a separate communication to you by them.

Australia, for its part, shares the widely held view of participants at the Denpasar meeting that the issue of trade liberalisation was not satisfactorily addressed either in the GATT Ministerial meeting of November 1982 or in the GATT work programme which emerged from it. Effective trade negotiations can only proceed on the basis of the principle of trade liberalisation which improves access particularly in developed country markets.

Meaningful benefits, especially for developing countries, depend primarily on an unequivocal commitment on the part of the three major trading blocs to negotiate to facilitate expanded access to their markets, given the volumes of their trade in the international context.

Accordingly, it is Australia's view that, in order for a new round of trade negotiations to receive wide support:

1. commitments involving trade liberalisation undertaken in the Tokyo round must move to finality within the agreed timeframe
2. any new round should not impede the rate of progress in fulfilling the objectives of the 1982 GATT Ministerial meeting and the work programme which was agreed at that meeting
3. the major industrialised countries should develop formal negotiating commitments endorsed by their Governments, to reduce existing barriers to trade and to preclude the introduction of new impediments to trade.
4. The issues for negotiation in trade liberalisation in any new round must include
 - Textiles
 - Tropical products
 - Agriculture
 - Safeguards

- Subsidies
 - Non-tariff barriers
 - Structural adjustment
 - Tariff escalation.
5. While discussions are proceeding on the possibility of a new round, countries should agree to halt the introduction of any new or additional protectionist measures.

Many of these views were strongly reaffirmed in the recent Trade and other Ministers' meeting convened by the US Special Trade Representative Brock in Washington between 10-12 May 1984. That meeting agreed that a new round of trade negotiations, provided it happened soon, would extend important opportunities for developing countries to improve their access to developed country markets while avoiding the need for defensive trade policies in their own markets.

There was a general sense at the Washington meeting that the GATT work programme was not making satisfactory progress. The meeting also agreed that completing the work programme was an important priority. It was recognised that if the work programme was to form a solid basis for a new round, stronger political impetus and commitment would be needed. In that regard it was suggested that another meeting be held in Geneva in the next few months to give direction to these pressing GATT issues. Australia, for its part, attaches considerable importance to the success of such a meeting and would look to all Summit participants to strongly endorse its purpose.

What is needed at this juncture is strong leadership by the industrial countries represented at the Summit. More specifically, the GATT needs more political direction in the areas of safeguards/structural adjustment, non-tariff measures and trade areas of particular importance to the developing countries. Australia, for its part, would also attach particular importance to issues involving trade in agriculture given its prime significance and implications for the orderly management of international trading arrangements.

Australia, as an industrialised country, is prepared to commit itself to the full implications of a genuine process of multilateral trade liberalisation, necessarily carrying with it the need for appropriate measures of domestic structural adjustment. We think it important that all countries, and particularly the major industrial countries, accept their responsibility in this regard and urge all Summit participants to be quite specific in their commitment to this process.

Yours sincerely
Bob Hawke

R.J.L. Hawke

The Rt Hon. Margaret Thatcher
Prime Minister
10 Downing Street
LONDON

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AUSTRALIAN HIGH COMMISSION

THE HIGH COMMISSIONER

AUSTRALIA HOUSE
STRAND
LONDON WC2B 4LA
01-438 8000

PRIME MINISTER'S

PERSONAL MESSAGE

SERIAL No. T 83/84 cc MASTER
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18 May 1984

My dear Prime Minister,

Mr Hawke has asked me to pass to you, in your capacity as host to the Western Economic Summit, the following advance text of a letter dated 18 May:

Text begins:

My dear Margaret,

Australia considers the forthcoming Western Economic Summit, to be held in London from 7-9 June 1984, to be of crucial significance for the international community. Most importantly it comes at a critical juncture in the efforts by all of us to secure a durable and more broadly based international economic recovery.

Australia, as my Foreign Minister Bill Hayden would have indicated to you earlier this week, would want to see the Summit promote policies to ensure that the present international recovery is sustained and be of benefit to both developed and developing countries. The problems of unemployment, inflation, debt and continued interest rate pressures require realistic policy responses. Australia would urge the Summit participants, in conformity with their global responsibilities, to adopt a responsible, longer term perspective which recognises global interdependence and the interests of developing countries, debtors and middle countries such as Australia.

Australia attaches particular importance to the future shape of the world trading regime. We think it particularly necessary that the Summit promote a more open trading system through the liberalisation of trade.

As you know I have been urging countries of the Asia Pacific region to consider carefully their interests in a possible new multilateral round of trade negotiations. Following agreement by their respective

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countries, Senior Trade Officials from Australia, Brunei, Indonesia, Japan, Malaysia, New Zealand, the Philippines, Republic of Korea, Singapore and Thailand met informally from 30 April - 1 May 1984 in Denpasar, Indonesia, to discuss how countries of the Western Pacific region might approach the suggestion that there should be a new round of multilateral trade negotiations. More specifically the meeting sought to identify what countries of the region might expect of any new round and to isolate the concerns and apprehensions they would want taken into account in any decision to proceed with a new round.

An open trading system was acknowledged to be essential both to the improvement of the international economy and to the continued economic dynamism of the region. Those participating in the meeting agreed that, with strengthening economic recovery, now would be a good time to implement trade liberalisation.

These and other specific points arising out of the Denpasar meeting have since been considered by the ASEAN Economic Ministers and have, I believe, been the subject of a separate communication to you by them.

Australia, for its part, shares the widely held view of participants at the Denpasar meeting that the issue of trade liberalisation was not satisfactorily addressed either in the GATT Ministerial Meeting of November 1982 or in the GATT Work Programme which emerged from it. Effective trade negotiations can only proceed on the basis of the principle of trade liberalisation which improves access particularly in developed country markets.

Meaningful benefits, especially for developing countries, depend primarily on an unequivocal commitment on the part of the three major trading blocs to negotiate to facilitate expanded access to their markets, given the volumes of their trade in the international context.

Accordingly, it is Australia's view that, in order for a new round of trade negotiations to receive wide support :

- 1) Commitments involving trade liberalisation undertaken in the Tokyo round must move to finality within the agreed timeframe.
- 2) Any new round should not impede the rate of progress in fulfilling the objectives of the 1982 GATT Ministerial Meeting and the Work Programme which was agreed at that meeting.

- 3) The major industrialised countries should develop formal negotiating commitments endorsed by their governments, to reduce existing barriers to trade and to preclude the introduction of new impediments to trade.
- 4) The issues for negotiation in trade liberalisation in any new round must include
 - textiles
 - tropical products
 - agriculture
 - safeguards
 - subsidies
 - non-tariff barriers
 - structural adjustment
 - tariff escalation.
- 5) While discussions are proceeding on the possibility of a new round, countries should agree to halt the introduction of any new or additional protectionist measures.

Many of these views were strongly reaffirmed in the recent Trade Ministers Meeting convened by the US Special Trade Representative Brock in Washington between 10-12 May 1984. That meeting agreed that a new round of trade negotiations, provided it happened soon, would extend important opportunities for developing country markets while avoiding the need for defensive trade policies in their own markets.

There was a general sense at the Washington Meeting that the GATT Work Programme was not making satisfactory progress. The Meeting also agreed that completing the Work Programme was an important priority. It was recognised that if the Work Programme was to form a solid basis for a new round, stronger political impetus and commitment would be needed. In that regard it was suggested that another meeting be held in Geneva in the next few months to give direction to these pressing GATT issues. Australia, for its part, attaches considerable importance to the success of such a meeting and would look to all Summit participants to strongly endorse its purpose.

What is needed at this juncture is strong leadership by the industrial countries represented at the Summit.

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More specifically, the GATT needs more political direction in the areas of safeguards/structural adjustment, non tariff measures and trade areas of particular importance to the developing countries. Australia, for its part, would also attach particular importance to issues involving trade in agriculture given its prime significance and implications for the orderly management of international trading arrangements.

Australia, as an industrialised country, is prepared to commit itself to the full implications of a genuine process of multilateral trade liberalisation, necessarily carrying with it the need for appropriate measures of domestic structural adjustment. We think it important that all countries, and particularly the major industrial countries, accept their responsibility in this regard and urge all Summit participants to be quite specific in their commitment to this process.

Yours sincerely,

(R.J.L. Hawke)

Text ends.

Yours sincerely

A.R. Parsons

A.R. Parsons

The Rt Hon. Margaret Thatcher, M.P.
Prime Minister
10 Downing Street
LONDON SW1



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