



File
086
cc: Sir P. Craddock

10 DOWNING STREET

From the Private Secretary

SIR ROBERT ARMSTRONG

LONDON ECONOMIC SUMMIT: DRAFT ECONOMIC DECLARATION

The Prime Minister saw over the weekend your minute of 18 May and the attached draft Economic Declaration. Mrs. Thatcher found the new draft very satisfactory.

I am sending copies of this minute to Mr. Ricketts (Foreign and Commonwealth Office), Mr. Peretz (HM Treasury), Mr. McCarthy (Department of Trade and Industry) and Miss Nichols (Department of Transport).

A. J. ODLES

21 May 1984

NR

Prime Minister.

Ref. A084/1514

MR COLBY *RA 4/5*London Economic Summit: Draft Economic Declaration

Sir Peter Middleton and I have now revised the draft economic declaration in the light of the discussion at the Prime Minister's meeting on 16 May. I have also reflected the suggestion for a specific reference to shipping made in the Secretary of State for Transport's minute of 17 May.

- 2. I attach a copy of the revised draft as it will now be given to Personal Representatives over the weekend.
3. I am sending copies of this minute and of the revised draft to the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, the Secretary of State for Trade and Industry and the Secretary of State for Transport.

RA

ROBERT ARMSTRONG

*Very good mb.*18 May 1984

Draft of 18 May 1984

DRAFT ECONOMIC DECLARATION

We, the Heads of State or Government of seven major industrialised countries and the President of the Commission of the European Communities, have gathered in London from 7 to 9 June 1984 at the invitation of the Rt Hon Margaret Thatcher FRS MP, the Prime Minister of the United Kingdom, for the tenth Economic Summit.

2. The primary purpose of these meetings is to enable Heads of State or Government to come together to discuss the economic problems, prospects and opportunities for their countries and for the world. We have been able to achieve not only closer understanding of each other's positions and views but also a large measure of agreement on our objectives and on the policies to be followed in pursuing them.

3. At our last meeting, in Williamsburg in 1983, we were already able to detect clear signs of recovery from world recession. That recovery can now be seen to be established in many of the industrialised countries. It is the reward for the firm efforts made in the Summit countries and elsewhere over recent years to reduce levels of

inflation and of interest rates, to control and where possible bring down fiscal deficits, and to control monetary growth.

4. That does not mean that its continuation can be taken for granted. We have to make the most of the opportunities with which we are now presented to reinforce the basis for enduring growth. We need to spread its benefits widely, both within our own countries and also to other countries, including the poorer countries who stand to gain as much as any from a sustainable growth of the world economy. To achieve that, we must work to reduce inflation and interest rates still further. Prudent monetary and budgetary policies of the kind that have brought us so far will have to be sustained and where necessary strengthened. We reaffirm the commitment of our Governments to these objectives and policies. [We welcome the initial measures recently announced by the United States Administration to limit the fiscal deficit of the United States.]

5. Not the least of our concerns is the growing strain on public expenditure from social security provisions in many of the industrialised countries. Those provisions have to be kept within limits of what our national economies can afford. We welcome

the increasing attention being given to these problems by national governments and in international fora such as the Organisation for Economic Co-operation and Development (OECD).

6. To achieve sustained growth, we must make sure that the industrial economies adapt and develop in response to market needs and technological change. We must encourage flexible labour policies, and bring about the conditions in which more new jobs will be created on a lasting basis, especially for the young. We need to foster and expand the international trading system and liberalise capital markets.

7. At Williamsburg we defined a strategy for dealing with the debt burdens of many developing countries. In the pursuit of this strategy a key role has been played by the International Monetary Fund, whose resources have been strengthened for the purpose. Debtor countries have been increasingly ready to accept the need to adjust their economic policies. In a climate of world recovery and growing world trade, this strategy should continue to enable the international financial system to manage the problems that may still arise. But a significant rise in levels of international interest rates would both exacerbate the problems of the debtor countries and make it more difficult to

CONFIDENTIAL

sustain the strategy. This underlines the importance of following policies which will be conducive to lower interest rates, and which take account of the impact of our policies upon other countries.

8. We have therefore agreed -

(1) to continue with and where necessary strengthen policies to reduce inflation and interest rates, and to control budgetary deficits and monetary growth;

(2) to seek to reduce obstacles to the creation of new jobs:

- by encouraging the efficient working of markets;
- by encouraging industrial development in response to market needs and technological change, especially among innovative small businesses;
- by discouraging measures to prop up declining industries;
- and by promoting agreement to reduce or phase out export subsidies and other assistance which distorts trade;

(3) to study with the appropriate international organisations policies to improve economic efficiency and promote growth, in particular by harmonising standards encouraging innovation and working for a more widespread acceptance of technological change, and facilitating mobility of labour and capital;

- (4) to invite Finance Ministers to carry forward their consideration of the operations of the international monetary system;
- (5) to carry forward the procedures agreed at Versailles and Williamsburg for multilateral monitoring and surveillance;
- (6) to seek to improve the operation and stability of the international financial system by means of prudent and convergent policies among the major countries, by providing an adequate flow of funding to the international financial institutions, and by improving international access to capital markets in industrialised countries;
- (7) to continue to support a flexible strategy for dealing with international debt problems, and helping debtor countries make the necessary economic and financial policy changes, taking due account of political and social difficulties;
- (8) to work for the maintenance of adequate flows of resources (including official development assistance) to the non-industrialised countries; seek ways of increasing the flow of private investment; and encourage practical measures in those countries to enhance indigenous food and energy production, and to create conditions where populations move towards stability;

(9) to urge all trading countries to resist continuing protectionist pressures and reduce barriers to trade and, to make renewed efforts to liberalise and expand international trade, in services (including shipping) and technology as well as in manufactures and commodities;

(10) to participate positively in the work programme laid down at the GATT Ministerial meeting in November 1982, with a view to promoting constructive decisions at the GATT Contracting Parties meeting in November 1984; and to explore with other parties to the GATT and with the Director General how best to make progress towards a new GATT negotiating round, with clearly defined objectives and guidelines, early in the second half of the decade.

9. We note with approval that work continues in the appropriate organisations on the economic and security implications of relations with Eastern countries.

10. We welcome the second report of the Working Group on Technology, Growth and Employment set up at the Versailles Economic Summit, and the progress made in the eighteen areas of co-operation, and invite the Group to pursue further work on adaptation to technological change, the relationship between technology and trade, and the sharing of scientific facilities, and to report to the next Economic Summit.

11. We are agreed upon the need to pursue research into the causes and effects of environmental pollution and the means of limiting it. We have therefore decided to invite the Working Group on Technology, Growth and Employment to identify specific areas for research into the causes and effects of pollution, of air, water and ground where existing knowledge is inadequate and to bring together the results of research already undertaken, and to identify possible projects for international industrial co-operation to develop cost-effective techniques for reducing environmental damage. The Group is invited to report to the next Economic Summit in 1985 on these matters.

12. We thank the Prime Minister of Japan for his report on the Conference of Life Sciences and Mankind, organised by the Japan Foundation in March 1984, and welcome the intention of the French Government to sponsor a second Conference in 1985.

13. We welcome the invitation from the President of the United States to other Summit countries to co-operate in the development of an international manned space station. Other Summit countries will actively examine the possibilities of taking part in the programme, directly or collectively. We look forward to a progress report from the United States Administration on space station matters at the next Summit.

CONFIDENTIAL

[14. We have agreed to meet again next year and have accepted the Federal Chancellor's invitation to meet in the Federal Republic of Germany.]

London

9 June 1984

CONFIDENTIAL