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Ref. A084/1530

MR COLES

London Economic Summit: Economic Declaration

Your minute of 21 May conveyed the Prime Minister's approval of the draft Economic Declaration attached to my minute of 18 May.

2. We have now revised the draft in the light of the weekend's discussion by Personal Representatives of the Thematic Paper. The changes are not major, but I should draw attention to the following:

- in paragraph 6, the inclusion of a reference to flexibility in the use and the remuneration of labour (to reflect a general feeling among Personal Representatives that there was a need to loosen and open up wage structures);
- in paragraph 8(2), a reference to job training;
- a recasting of paragraph 8(4) and of paragraph 8(10) to reflect changes in the Thematic Paper agreed at the weekend;
- in paragraph 11, a reference to the Munich conference on the environment;
- in paragraph 13, some additional American words about the virtues of the international manned space station.

3. I am sending copies of this minute and of the revised draft to the Private Secretaries to the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, the Secretary of State for Trade and Industry, the Secretary of State for Transport and the Home Secretary.

Rf
Approved by
ROBERT ARMSTRONG

and signed in his absence.

22 May 1984

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(Draft of 22 May 1984)

THE LONDON 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 annual Economic Summit.

2. The primary purpose of these meetings is to enable Heads of State or Government to come together to discuss economic problems, prospects and opportunities for our 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. But its continuation cannot be taken for granted; it requires unremitting efforts. 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. Failure to reduce inflation further and damp down inflationary expectations could put recovery at risk. 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 those objectives and policies. We welcome the "down payment" measures of the United States Government as an important step in the process of reducing the budget deficit of the United States.

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5. Not the least of our concerns is the growing strain on public expenditure from social insurance provisions in many of the industrialised countries. Those provisions have to be kept within the 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 flexibility in the use and remuneration of labour, 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 sustain the strategy. This underlines the importance of continuing to follow 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;

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

- by encouraging the efficient working of the market;
- by encouraging industrial development in response to market needs and technological change, including in innovative small businesses;
- by encouraging the improvement and extension of job training;
- by discouraging measures to prop up declining industries;
- and by reducing or phasing out subsidies and other assistance which distorts markets;

(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 the mobility of labour and capital;

(4) to invite Finance Ministers to carry forward, as a matter of urgency, their current work on ways to improve the operation of the international monetary system, including exchange rates, surveillance, the creation, control and distribution of international liquidity and the role of the IMF; and by early 1985 to complete the present phase of their work and to make recommendations for next steps, including further international discussion;

(5) to carry forward the procedures agreed at Versailles and at 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;

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(7) to confirm the strategy on debt and to continue to implement it flexibly, helping debtor countries to make the necessary economic and financial policy changes, taking due account of political and social difficulties;

(8) to maintain and wherever possible increase flows of resources, including official development assistance, to the developing countries, to find ways of increasing the flow of private investment, and to encourage practical measures in those countries to conserve resources and enhance indigenous food and energy production;

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

(10) to accelerate the completion of current trade liberalisation programmes, in co-operation with other trading partners; to press forward with the work on trade in services in the international fora; and to explore with other GATT partners as quickly as possible the objectives for, the participation in and the timing of a new negotiating round.

9. We note with approval the continuing consensus on the security and other implications of economic relations with Eastern countries, and on the need to continue work on this subject in the appropriate organisations.

10. We welcome the second report of the Working Group on Technology Growth and Employment created by the Versailles Economic Summit, and the progress made in the eighteen areas of co-operation, and invite the Group to pursue further work on technology and the environment, education and employment, adaptation to technological change, trade in technology and the products of technology, and the sharing of major scientific facilities, and to report to Personal Representatives in time for the next Economic Summit.

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11. We recognise the international dimension of environmental problems and the role of environmental factors in economic development. We have therefore decided to invite the Working Group on Technology, Growth and Employment to consider what has been done so far and to identify specific areas for research on the causes, effects and means of limiting environmental pollution of air, water and ground where existing knowledge is inadequate, and to identify possible projects for industrial co-operation to develop cost-effective techniques to reduce environmental damage. The Group is invited to report by 31 December 1984 on these matters. We also welcome the invitation from the Government of the Federal Republic of Germany to other Summit countries to a multilateral conference on the environment in Munich on 24-27 June 1984.

12. We thank the Prime Minister of Japan for his report on the Hakone 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 United States Administration to other Summit countries to participate in the development of an international manned space station, noting that a space station would be an example of the kind of programme that provides a stimulus for technological development leading to strengthened economies and improved quality of life. Other Summit countries will actively examine the possibility of accepting the invitation, having regard to their own space programmes. We welcome the intention of the United States Administration to report at the next Summit on international participation in the programme.

[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

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