

Prime Minister.

See questions in margin.

Ref. A084/1647

MR COLES ✓

*Mr G*  
I have highlighted the additional words in this draft compared with the previous draft.

London Economic Summit: Draft Economic Declaration

*FERB*  
6.6.

We have now received comments from most of the participants on the version of the Draft Economic Declaration circulated on 24 May.

2. Some of the drafting suggestions are improvements or are clearly uncontroversial, and we have incorporated them in a revised version of the draft, a copy of which I attach herewith. Others are not acceptable to us or are likely to be unacceptable to other participants. We have not incorporated these in the revised draft.

*Prime Minister.*  
*Agree?*  
*Mr G*  
*Yes no*

3. When the Personal Representatives meet on the evening of Friday 8 June, they will have before them (if the Prime Minister agrees) this latest revised draft, subject to any amendments which need to be made as a result of the day's discussions, together with a schedule of all the amendments proposed. Personal Representatives will then be able to go through the draft: I shall be able to explain why we have accepted those amendments we have accepted and why we have not accepted those which we have not; and Personal Representatives will be able to discuss what further amendments to make to the draft and to argue among themselves about the amendments which are controversial. It is intended that the outcome should be an agreed text, possibly with some sections in square brackets where Heads of State or Government will be asked to take decisions, for circulation to Heads of State or Government in time for discussion at their meeting on the morning of Saturday 9 June.

4. Until 1981 it was the custom for the Prime Minister, after her dinner, to descend upon Personal Representatives as they laboured away at the Draft Declaration, to give them encouragement and renewed enthusiasm for their task. Geography made this



impossible at Versailles, and the Prime Minister had already departed by the time Personal Representatives were discussing the Declaration at Williamsburg. If this year the Prime Minister felt able to come back from the National Portrait Gallery to 10 Downing Street via Lancaster House and look in on the Personal Representatives, they would all be thrilled and delighted.

5. I am sending copies of this minute and of the revised text to the Private Secretary to the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer and the Secretary of State for Trade and Industry.

RTA

ROBERT ARMSTRONG

6 June 1984

(Draft of 6 June 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 bring down fiscal deficits, and to control monetary growth.

4. But its continuation 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 and the creation of new jobs. 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.

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 and employment opportunities, we must make sure that the industrial economies adapt and develop in response to market needs and technological change. We must encourage active job training policies and 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. In our strategy for dealing with the debt burdens of many developing countries, 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, despite the painful and courageous efforts it requires. 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 continuously high or even further growing levels of international interest rates could both exacerbate the problems of the debtor countries and make it more difficult to sustain the strategy. This underlines the importance of 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 and where necessary reduce budgetary deficits and monetary growth;

(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 encouraging flexibility in the organisation of working time;
- 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 of convergence of economic performance toward lower inflation and higher growth; ✓

(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 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; to reaffirm the agreement reached at the OECD Ministerial Meeting in May 1984 on the importance of a new round of multilateral trade negotiations to strengthen the open liberal trading system for the mutual benefit of all economies, industrial and developing; and, building on the 1982 GATT work programme, to consult partners in the GATT on the possible objectives for, participation in and timing of a new negotiating round so as to permit decisions to be taken by Governments in 1985 on the arrangements for a new round.

9. We note, with great concern, the deterioration of the economic situation in Africa. We attach major importance to the special action programme for Africa which is being prepared by the World Bank. This programme should provide renewed impetus to the joint efforts of the international community in favour of this continent under threat.

10. 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. *This is rather open.*

11. We welcome the further 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.

12. 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 include a section on these matters in the report which it will make to Personal Representatives in time for the next Economic Summit. We welcome the invitation from the Government of the Federal Republic of Germany to certain Summit countries to a multilateral conference on the environment in Munich on 24-27 June 1984.

13. 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.

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14. We welcome the invitation from the President of the United States 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 invitation, having regard to their own space programmes. We welcome the intention of the United States to report at the next Summit on international participation in the programme.

[15. 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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