

010
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MR. ALEXANDER

The most important thing to do
carry out the Aid review for Venice. We
were all concerned Prime Minister
that too much work to the
International Institution.
mt.

I attended a meeting of Personal Representatives in Paris last week, to continue the preparations for the Ottawa Economic Summit. I was accompanied by Sir Michael Palliser and Sir Kenneth Couzens.

2. I shall be circulating a detailed record, but it may be worth putting ^{down} some of the main impressions which I formed.

3. It looks as if the main subjects for discussion at Ottawa are likely to be the international macro-economic situation, "North-South" relations and the aid study commissioned at Venice, and international trade. Energy seems likely to feature less prominently at Ottawa than it did at Tokyo or Venice, unless there is some at present unforeseen crisis in the supply or price of oil.

4. On the international economic situation we had before us a review by the new Chairman of the Council of Economic Advisers of the United States, Mr. Murray Weidenbaum. This review was not in final form: Mr. Weidenbaum will be discussing it with some of his colleagues in the Economic Policy Committee of the OECD (including Sir Douglas Wass). But it was clear that the general balance and emphasis of the report would be perfectly acceptable to the United Kingdom Government.

5. The German representative drew attention to the high level and the volatility of United States interest rates, and to the difficulties which these created for economic and exchange market management in other industrialised countries. I judged that in this he was reflecting the views of the Federal Chancellor as well as the Finance Minister. There was some support from the French representatives, although the French representatives contributed little to this meeting in view of the imminence of the French elections. The American representatives did not show much sign of being affected by what the German representative had said. If United States interest rates continue to be high and volatile through to the Ottawa Summit, this may well feature in the discussion there.

CONFIDENTIAL

CONFIDENTIAL

6. We were still a long way from reaching agreement on a report to the Ottawa Summit on the aid study commissioned at Venice. The Canadian representatives produced a long draft which was characteristically soft. At the other end of the spectrum the American representatives were taking a pretty hard-nosed line. The Italian and Japanese representatives were notably soft on these questions. The German delegation was divided: the German Personal Representative himself, Dr. Schulmann, was taking a line which we should regard as unexceptionable, but his colleagues, Herr Per Fischer and Herr Franz Fischer, were taking a much softer and at times anti-American line. Herr Franz Fischer was one of those who assisted in the preparation of the Brandt Report, a document to which he was overtly referring during the course of the meeting.

7. On international trade, all of us were conscious of the development of protectionist pressures and of the need for the Ottawa Summit to protect the open trading system. European Community countries and institutions all spoke of the need to discuss at Ottawa the problems of trade between the United States and Europe on the one hand and Japan on the other, in the context of world trade, and the Japanese representative (who had prepared a paper) showed some signs that the Japanese were aware of the need to respond. But I formed the strong impression that the Americans were about to do a deal with the Japanese on American trade with Japan, and that, once they had done so, they would lose interest in the idea of discussing these problems at Ottawa. We could, I think, find the Americans and the Japanese combining to make it difficult for the Europeans to make much impact on Europe-Japanese problems at Ottawa.

8. Both Sir Michael Palliser and I were concerned about the signs of an emerging anti-American attitude among the German representatives, and particularly in the two Fischers. It would be useful if the Prime Minister and the Foreign and Commonwealth Secretary were able to take advantage of the forthcoming visit of the Federal Chancellor and Herr Genscher to explore the German position, in particular on "North-South" relationships and on aid

CONFIDENTIAL

CONFIDENTIAL

matters. If the Germans were to line up with the Canadians, the Italians and the Japanese at Ottawa, we could find ourselves isolated with the Americans on attitudes to these matters; and that would not be the best preparation for the Mexico Summit which will follow later in the year; any divisions among the industrialised countries would be bound to be exploited by the developing countries at Cancun.

9. I am sending a copy of this minute to Mr. Walden.

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ROBERT ARMSTRONG

1st May, 1981

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10 DOWNING STREET

From the Private Secretary

SIR ROBERT ARMSTRONG

The Prime Minister has seen your minute to me of 1 May summarising your impressions of the recent meeting of Personal Representatives in Paris. She has commented that the most important point in Ottawa will be to carry out the aid remit from Venice. All the participants in Venice, in the Prime Minister's view, were concerned that too much money was going to the international institutions.

I am sending a copy of this minute to Mr. Walden (Foreign and Commonwealth Office).

M. O'D. B. ALEXANDER

5 May 1981

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