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CABINET OFFICE

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From the Secretary of the Cabinet: Sir Robert Armstrong KCB, CVO

Ref. A04924

18th May, 1981

A review of economic summits prepared in the Foreign and Commonwealth Office was circulated to Personal Representatives for their meeting in Paris in April. It was welcomed by them with unanimous approval, and even acclaim; and several of them said that they were going to make sure that their Heads of State or Government read it before the Ottawa meeting.

We had a brief discussion about the future of summits, and I undertook to prepare a draft of a paper which Personal Representatives might agree and submit to Heads of State or Government for the Ottawa meeting.

I now attach a draft paper. I should welcome your comments on it, before it goes round to other Personal Representatives. If they are to have it in reasonable time before Vancouver, we ought to get it out by the end of this week; and I should therefore be grateful for your comments, and those of Ken Couzens, to whom I am copying this letter and the draft, by midday on Wednesday 20th May.

I am also sending a copy of this letter and the draft to Michael Alexander.

ROBERT ARMSTRONG

Sir Michael Palliser, GCMG

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FUTURE OF ECONOMIC SUMMITS

Note by Personal Representatives

1. The meeting of Heads of State or Government of Canada, France, the Federal Republic of Germany, Italy, ^{Japan,} the United Kingdom and the United States at Montebello, Canada, from 19 to 21 July 1981 will be the seventh such meeting since the first at Rambouillet in 1975. It will thus complete a cycle of annual meetings in which each of the participating countries will have hosted one meeting. Heads of State or Government will wish to take stock of the achievements of these meetings, and to consider the pattern for the future.

Review of Economic Summits

2. The Personal Representative of the Prime Minister of the United Kingdom arranged for us to be provided with a Review of Economic Summits, a copy of which is attached to this note. We commend to Heads of State or Government the conclusion, in paragraph 20, that on balance the time and effort devoted to preparing and holding the summits have been justified by the results and by the impression made on public opinion, though we also believe that there is force in the criticism that the summits have tended to lose the spontaneity originally envisaged for them and to become over-bureaucratic in their preparation.

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Pattern of Future Summits

3. We think that the summits should continue. International economic and monetary problems do not seem likely to become easier for the industrialised countries to deal with over the next seven years than during the last, and we believe that there will continue to be advantage, to the industrialised countries and to the seven Heads of State or Government themselves, in their gathering together at reasonably regular intervals, to exchange views and to seek to ensure, not that all the seven countries are following the same policies, but that all are following compatible policies in that they are based on as much agreement as possible about international economic problems and prospects, about the common interests of the seven countries, and about the general direction and trend of policies which is most likely to serve those interests. It is also desirable that they should seek to establish as close an identity of view as possible on the problems and needs of the developing countries and of the contribution which the industrialised countries can and should make to meeting those needs.

4. If Heads of State or Government agree that Economic Summits should continue, they may wish to consider the frequency of meetings. In the first cycle they have been held annually. It is for consideration whether they should be held less frequently - say, once every two years. It could be

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argued that, if the main concern is with long-run economic and monetary trends, meetings every other year would be sufficient. As against that, one of the virtues of annual meetings is that a certain continuity of representation persists (though for four of the seven participants in this year's summit it will in fact be their first). A biennial summit would become even more of an International Event than an annual summit, and correspondingly more would be expected of it by public opinion. If we are right in thinking, as we do, that there is much to be said for seeking to make summits less dramatic and to encourage public opinion not to expect too much from them, then there is much to be said for continuing the pattern of meeting roughly once a year.

Shape and Content of Meetings

5. In the last few years the preparations for Economic Summit meetings have tended to become increasingly bureaucratic, despite attempts by Heads of State or Government and their Personal Representatives to resist this trend. In particular:

- (1) Heads of State or Government have tended to arrive at the Summit (as they did in Venice) with a long and detailed communiqué which has been largely agreed in advance, which is then difficult to change, and which does not necessarily reflect the balance and thrust of their own thinking and discussion at the meeting.

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(2) Both at Tokyo and Venice some participants felt, and persuaded their colleagues, that the international energy situation required the seven countries represented at the Summit to define in some detail targets for oil imports, for energy conservation or for investment in alternative sources of energy.

6. If the outcome of the meeting is required to be as detailed and specific as this implies, a considerable degree of advance preparation is inevitable. We think, however, that there is much to be said for the view that this is not what summit meetings of this kind should be about. They can of course endorse specific and detailed decisions taken in other international groupings, or by "subject" Ministers of the seven countries represented, when there is some particular reason for them to do so. But the primary purpose of summit meetings should be, we suggest, to provide opportunities for strategic and general discussions among Heads of State or Government. They should not be expected to take detailed executive decisions: they should review prospects, establish identities and differences of view, and set directions. The meetings should be such that their success is measured not by the length or the specificity of the communiqué but by the degree of mutual understanding established among the participants.

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7. This cannot eliminate the need for some advance preparation. It is valuable for Personal Representatives to meet in advance of the Summit, in order:

- i. to identify the broad topics which Heads of State or Government are likely to want and need to discuss;
- ii. to establish where there is likely to be general agreement - and therefore no need for extended discussion at the Summit - and where there is likely to be some divergence of views among the Heads of State or Government - and therefore need for discussion to seek to narrow divergence and produce convergence where possible;
- iii. to consider what should be the context and balance of a communiqué.

8. We believe that the meetings of Personal Representatives have proved their value for these purposes, and that Personal Representatives can perform these tasks without excessive bureaucratisation, provided that they are not as a rule expected to produce corporate reports to which all must be formally committed. A technique that has proved useful for the purpose described in paragraph 7ii. is for one Personal Representative to be invited to prepare a memorandum or study on a particular subject, which provides a focus for discussion in the group.

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9. Ideally, if preparatory work on the communiqué is to stimulate rather than circumscribe discussion by Heads of State or Government, it should not be carried too near to finality before the meeting at the Summit itself. In practice the limits on the amount of time available at the Summit make it inevitable that some preparatory drafting work should be undertaken. This need not, however, be so inflexible as to constrain discussion, provided that the communiqué can be seen as primarily a description of the subjects discussed, rather than an account of the discussion; and, in so far as it goes beyond that, as a declaration of general views, policies and objectives rather than a statement of precise and detailed commitments.

Political Questions

10. These Summit meetings were instituted to provide opportunities for exchanges of views on matters of international economic and financial policy, and have continued to be primarily economic summits. At recent meetings opportunities have been taken to discuss and to issue declarations on political matters: on aspects of international terrorism at Bonn, Tokyo and Venice, and on Afghanistan at Venice. We think that it is not only inevitable but highly desirable that, when these seven Heads of State or Government meet, they should take advantage of the rare opportunity for them to have a general political discussion of the

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international problems of the day which are of concern to all of them. It is no less inevitable and right that, if at the time of a Summit meeting there is a subject of international political concern which calls for a public comment or declaration by this group of Heads of State or Government, they should use the opportunity that the meeting presents. But we think that it is desirable, and we recommend for the agreement of Heads of State or Government, that these meetings should keep, and be seen by the press and the public to keep, as their primary function and characteristic that of being a forum for discussion of international economic and financial matters; and that the shape and content of the meetings and the balance of the final communiqués should be structured accordingly.

Conclusions and Recommendations

11. We invite Heads of State or Government to agree that:

- (1) Economic Summits of these seven Heads of State or Government should continue to be held approximately once a year;
- (2) the object of the meetings should be to provide an opportunity for strategic and general discussion of international economic and financial issues, rather than to reach specific decisions or undertake particular commitments, and the communiqués should be prepared and structured accordingly;

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- (3) the tendency for the preparation of these meetings to become increasingly bureaucratized should be reversed;
- (4) while the opportunity to engage in discussion of political questions will and should be taken, these meetings should keep their function and characteristic as being primarily for economic rather than political discussion.

12. Conclusions on these lines would require no announcement or reference in a communiqué (though they would no doubt be reflected in background briefing to the press). The only announcement required would be the date and venue of the next meeting.

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Foreign and Commonwealth Office

London SW1A 2AH

19 May 1981

Sir Robert Armstrong KCB CVO
CABINET OFFICE

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Sir Robert,

FUTURE OF ECONOMIC SUMMITS

1. You asked for my early comments on your draft paper on this subject, enclosed with your letter of 18 May.
2. I am in full agreement with the general message of your draft paper, which seems to me to cover the ground very well. I have only three minor points to suggest, which you might like to incorporate. These are:-
 - (a) If we propose a further round of seven power economic summits, we should reiterate the need to calm the suspicions of smaller, non-participating countries that their interests are not being over-ridden. This is a point for your paragraph 3, or perhaps the conclusions.
 - (b) Your paragraph 3 rightly notes that the summits should seek an identity of view on relations with developing countries. You might also say that the summit countries, on occasion, could consider their relations with the oil producers and East European countries, as they have done in the past.
 - (c) On the timing of future summits, I agree that we should stick to the annual pattern. But you might suggest summits need not be at intervals of exactly twelve months. If the preparatory process is simplified, it would be easier to vary the rhythm of summits, if there were a special need to hold one rather more or rather less than a year after the last.
3. Perhaps I should mention two other points which are not for inclusion in your paper but which we should bear in mind if the Personal Representatives - or the Heads of State and Government - come to discuss this subject.

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4. The first concerns Community participation. It has been agreed since 1977 that the Commission and the Presidency should represent the Community. Since then we have always manipulated the dates so that, at each summit, the Presidency is held by a major Community member which would be attending the summit anyway. But we cannot do this in 1982, when the Presidency will be held by Belgium in the first half of the year and Denmark in the second. The summit countries will therefore have to decide whether, exceptionally, the participating countries should be increased to eight for the 1982 meeting, to accommodate the Presidency. We are reflecting on this problem, but our initial feeling is that we should argue for such an exception.

5. The second problem concerns the year in which the United Kingdom is host to the summit. If the second cycle of meetings reproduces the first, we should be hosts to the summit in 1984. This could fall awkwardly in our electoral timetable and 1983 might be no better. Unless we want to be host to the first summit of the new cycle next year, it would be better to ensure that we do it after 1984.

Tommaso

Michael

Michael Palliser

cc: Sir Kenneth Couzens KCB
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Sir Kenneth Couzens, KCB
Second Permanent Secretary
Overseas Finance

19 May 1981

Sir Robert Armstrong KCB CVO
Cabinet Office
70 Whitehall
LONDON SW1A 2AS

Dear Robert

Thank you for copying to me the draft paper reviewing economic summits which you sent to Michael Palliser on 18 May.

I would like to suggest the attached redraft of paragraph 3. I think the Chancellor would not want to make it a specific and separate function of the economic summits to consider the "needs of the developing countries and of the contribution which the industrialised countries can make to them". That would emphasise the "North/South" approach which he is anxious to de-emphasise. In the attached redraft I have tried both to cure this point, and to avoid the implication in the present draft that the 7 countries should think about their common interests, but not about the interests of the smaller industrial countries not represented at the summit. I have also dropped the reference to "compatible policies". It seems to me that in present circumstances that phrase is liable to feed the argument about US interest rate policy and its effect on Europe. It is in fact a potentially awkward phrase for us since, like the USA, we put the main emphasis of our economic policy on getting the domestic economy right rather than on external compatibility.

My second comment relates to the end of paragraph 4. I wonder whether this does not put too much weight on the proposition that a bi-annual summit would be even more of an "International Event" than an annual one. I would have thought that there is something in the point, but not much. I fear that the public generally may by now have become pretty blasé about summits. 7 Power economic summits, thrice yearly European summits and a succession of high level bilateral meetings make something of a continuum of the whole business. So if we want to argue for continuing annual summits, I would simply say that there is something to be said for encouraging public opinion to regard them as rather routine and therefore not to expect too much from them. I would

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also add that international economic events now move so rapidly (oil price increases, sharp changes in current account positions and in the situation of exchange rates, even national changes of policy arising from changes of government) that annual meetings are justified if the experience of working together and maintaining some continuity of policy is to be achieved.

My third point arises on paragraphs 6 and 11(2). I very much agree that summits oughtn't to set detailed energy targets and I think paragraph 6 is right to say that Heads of Government "should not be expected to take detailed executive decisions". However, paragraph 11(2) may go a bit too far in rejecting "specific decisions" or "particular commitments". For example, it may be with hindsight that some people would regard the set of commitments entered into in the Bonn Summit as mistaken. But they were not detailed executive decisions like those on energy targets, and it seems to me possible that at some future summit Heads of Government might want to make a bargain or enter into reciprocal agreements of a very broad kind. I don't think we are arguing that the economic summits should of necessity be reduced simply to talking shops. My remedy would be to add a few words to paragraph 6 to the effect that excluding detailed executive decisions need not exclude commitments of a broad kind. I would also alter paragraph 11(2) to read something like:

- (2) The object of the meetings should be to provide an opportunity for strategic and general discussion, and where possible for agreement, on international economic and financial issues rather than to reach detailed executive decisions; and the communique should be prepared and structured accordingly;

I am copying this letter to Sir Michael Palliser and to Michael Alexander ✓

Yours etc

Ken

K E Couzens

REVISED PARAGRAPH 3

3. We think that the summits should continue. International economic and monetary problems do not seem likely to become easier for the industrialised countries to deal with over the next 7 years than during the last. We believe that there will continue to be advantage, to the industrialised countries and to the 7 Heads of State or Government themselves, in their gathering together at reasonably regular intervals to exchange views and to seek to ensure, not that all the 7 countries are following the same policies, but that they are following policies which are based on as much agreement as possible about international economic problems and prospects, about the common interests of the 7 countries, and about the general direction and trend of policies which is most likely to serve not only their own interests but those of the other industrial countries and of the developing countries as well."