



## 10 DOWNING STREET

*From the Private Secretary*

SIR ROBERT ARMSTRONG

Economic Summit: Williamsburg

The Prime Minister held a meeting yesterday, attended by the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, the Minister for Trade, yourself and other officials, to consider our policy towards the Williamsburg Summit, prior to the next meeting of Sherpas in the United States this weekend. I record in this minute the conclusions of this meeting following, for ease of reference, the order of items in your minute of 23 March.

General Economic Situation

It should be possible to reach some encouraging conclusions on the prospects for non-inflationary world growth but, the Prime Minister stressed, the emphasis should be on cautious optimism. If, in the event, forecasts were exceeded, well and good. It would be wise to aim for a conclusion along the lines "we have more reason on this occasion to believe that recovery will be sustained".

The Summit could also usefully confirm the increased degree of practical co-operation which had been achieved by G5 Finance Ministers. They would be meeting in Washington before the end of this month when they would give further consideration to the maintenance of discipline by promoting the convergence of prudent policies. If the 5 could be seen to be working out a combined economic strategy in this way, this could provide a measure of confidence. The Jurgensen Report on Intervention in Exchange Rates, which represented a very considerable departure from original French ideas on this matter could, if it led to agreement on the merits of very limited intervention for the

purpose of smoothing operations, have an effect which would at least not be harmful.

The Prime Minister said that underlying all the discussions at Williamsburg of the general economic situation would be the prospect of reducing the US deficit.

International Trade and Debt Financing

As regards international trade, it was desirable that Williamsburg should adopt an anti-protectionist stance, though trade legislation now under consideration in the United States (the Export Administration Act) might complicate this. It was suggested that the Summit might take the line that as recovery takes place, countries should not use the likely worsening of their Balance of Payments position (as imports increased) as an excuse for protectionist measures. But this formula was considered to be too specific. We should instead work for a conclusion that, as recovery commenced, countries should endeavour to reduce protectionist measures to a minimum in accordance with circumstances.

The controversy over EC/US agricultural exports might cause difficulty but, on the other hand, this subject might not loom large at Williamsburg.

The Germans might well press for Williamsburg to send a signal to UNCTAD 6 which would begin shortly after the Summit - though the kind of message the Germans appeared to have in mind seemed to be devoid of significant content.

As regards international debt, many schemes were currently under discussion. The Summit should reaffirm its support for co-operation between the IMF, central banks and the BIS.

As regards the IDA, it was desirable that Williamsburg should be able to record a United States decision to meet their IDA 6 commitments. But that depended more on the US Congress than on anything we ourselves could do.

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It was unlikely that IDA 7 would be the subject of much discussion at Williamsburg. The Chancellor of the Exchequer confirmed that the UK's proportional contribution to IDA 7 would be less than that to IDA 6. The Prime Minister said that in general she was averse to a bigger proportion of our aid being spent multilaterally than bilaterally. She was concerned that the inclusion of China in the IDA arrangements would work in the opposite direction.

East/West Economic Relations

It was undesirable that this subject should constitute a separate item on the agenda. Our general aim should be to incorporate it in the discussion of other subjects and do little more than note progress on the various studies. But it was clear that there could be controversial exchanges on this matter. The United States still appeared determined to achieve a clear statement at Williamsburg on what should and should not be done with regard to trade with the Soviet Union; while the Germans had made it plain that they would agree to very little more than stocktaking. It was to be hoped that the United States could be persuaded to raise at Williamsburg only such matters in this field on which there had been prior agreement.

Political Co-operation

Williamsburg should not issue public statements in this field unless there was a good reason arising from the emergence of a particular issue at the time. In the margins of the Summit there might well be some discussion of INF stationing.

I am copying this minute to Mr. Fall (Foreign and Commonwealth Office), Mr. Kerr (H.M. Treasury) and Mr. Rees (Minister for Trade's Office)

*A. J. Wiles .*

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