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PS TO PM. NO. 10 DOWNING STREET.

UNCLASSIFIED  
DESKBY 302100Z  
FM UKDEL WILLIAMSBURG 301910Z  
TO IMMEDIATE FCO  
TELEGRAM NUMBER 15 OF 30 MAY

PLEASE ADVANCE TO FCO NEWS DEPT, 01D, NUMBER 10 AND C01

ITEM: LEADERS CONFIDENT OF PROSPECTS FOR RECOVERY  
BY JOHN BARROWS, LPS CHIEF ECONOMIC CORRESPONDENT WILLIAMSBURG,  
VIRGINIA (LPS): AT THE END OF THEIR THREE-DAY SUMMIT  
MEETING HERE TODAY 30 MAY, LEADERS OF THE WORLD'S SEVEN MAJOR  
INDUSTRIAL NATIONS DECLARED THEIR DISCUSSIONS HAD GIVEN THEM  
QUOTE NEW CONFIDENCE UNQUOTE IN THE PROSPECTS FOR A RECOVERY OF  
THE WORLD ECONOMY.

IN A FINAL STATEMENT ENTITLED QUOTE THE WILLIAMSBURG DECLARATION  
ON ECONOMIC RECOVERY UNQUOTE, THE HEADS OF STATE AND GOVERNMENT  
FROM THE USA, UK, FRANCE, FEDERAL GERMANY, ITALY, CANADA AND JAPAN,  
SAID: QUOTE WE HAVE STRENGTHENED OUR RESOLVE TO DEAL COOPERATIVELY  
WITH CONTINUING PROBLEMS SO AS TO PROMOTE A SOUND AND SUSTAINABLE  
RECOVERY, BRINGING NEW JOBS AND A BETTER LIFE FOR THE PEOPLES OF  
OUR COUNTRIES AND OF THE WORLD. UNQUOTE

THE DECLARATION SAID THE RECESSION HAD PUT THEIR SOCIETIES  
THROUGH A SEVERE TEST, BUT THEY HAD PROVED RESILIENT. QUOTE  
SIGNIFICANT SUCCESS HAS BEEN ACHIEVED IN REDUCING INFLATION  
AND INTEREST RATES, THERE HAVE BEEN IMPROVEMENTS IN PRODUCTIVITY,  
AND WE NOW CLEARLY SEE SIGNS OF RECOVERY. UNQUOTE

NEVERTHELESS, THE INDUSTRIALISED DEMOCRACIES CONTINUED TO FACE  
THE CHALLENGE OF ENSURING THAT THE RECOVERY MATERIALISED AND  
ENDURED IN ORDER TO REVERSE A DECADE OF CUMULATIVE INFLATION,  
AND REDUCE UNEMPLOYMENT.

QUOTE WE MUST ALL FOCUS ON ACHIEVING AND MAINTAINING LOW  
INFLATION AND REDUCING INTEREST RATES FROM THEIR PRESENT TOO-HIGH  
LEVELS. WE RENEW OUR COMMITMENT TO REDUCE STRUCTURAL BUDGET  
DEFICITS, IN PARTICULAR BY LIMITING THE GROWTH OF EXPENDITURE. UNQUOTE

THE LEADERS PLEDGED THEMSELVES TO ACT TOGETHER AND PURSUE A  
BALANCED SET OF POLICIES DESIGNED TO EXPLOIT RELATIONSHIPS BETWEEN  
GROWTH, TRADE AND FINANCE, SO THAT RECOVERY COULD SPREAD TO ALL  
COUNTRIES, DEVELOPED AND DEVELOPING ALIKE.

PROGRAMME OF ACTION

THE DECLARATION SAID THAT IN PURSUIT OF THESE OBJECTIVES THEY  
HAD AGREED THE FOLLOWING:

/TO

= TO UNDERTAKE APPROPRIATE MONETARY AND BUDGETARY POLICIES CONDUCTIVE TO LOW INFLATION, REDUCED INTEREST RATES, HIGHER PRODUCTIVE INVESTMENT AND GREATER EMPLOYMENT OPPORTUNITIES, ESPECIALLY AMONG THE YOUNG, CONSISTENT WITH LOW INFLATION AND REDUCED INTEREST RATES

= TO PROMOTE CONVERGENCE OF ECONOMIC PERFORMANCE IN THEIR ECONOMIES AND GREATER STABILITY OF EXCHANGE RATES, INCLUDING A WILLINGNESS TO UNDERTAKE COORDINATED INTERVENTION IN EXCHANGE MARKETS WHERE AGREED THAT THIS WOULD BE HELPFUL

= TO HALT PROTECTIONISM, AND AS RECOVERY PROCEEDS, TO REVERSE IT BY DISMANTLING TRADE BARRIERS, AND TO DISCUSS PREPARATION FOR NEW TRADE LIBERALISATION NEGOTIATIONS WITHIN THE GENERAL AGREEMENT ON TARIFFS AND TRADE WITH SPECIAL EMPHASIS ON EXPANDING TRADE WITH AND AMONG DEVELOPING COUNTRIES.

THE LEADERS VIEWED WITH CONCERN THE INTERNATIONAL FINANCIAL SITUATION, ESPECIALLY THE DEBT BURDENS OF MANY DEVELOPING NATIONS. THEY AGREED TO A STRATEGY BASED ON EFFECTIVE ADJUSTMENT AND DEVELOPMENT POLICIES BY DEBTOR NATIONS, ADEQUATE PRIVATE AND OFFICIAL FINANCING. MORE OPEN MARKETS AND WORLDWIDE ECONOMIC RECOVERY. THEY WILL SEEK EARLY RATIFICATION OF INCREASES IN RESOURCES FOR THE INTERNATIONAL MONETARY FUND AND THE GENERAL ARRANGEMENTS TO BORROW.

THE SEVEN SAID THEY HAD INVITED FINANCE MINISTERS, IN CONSULTATION WITH THE IMF MANAGING DIRECTOR, TO DEFINE CONDITIONS FOR IMPROVING THE INTERNATIONAL MONETARY SYSTEM AND CONSIDER THE PART WHICH MIGHT - IN DUE COURSE - BE PLAYED BY A HIGH-LEVEL INTERNATIONAL MONETARY CONFERENCE.

#### DEVELOPING COUNTRIES

THE DECLARATION SAID THE WEIGHT OF THE RECESSION HAD FALLEN VERY HEAVILY ON DEVELOPING COUNTRIES AND THE SEVEN WERE DEEPLY CONCERNED ABOUT THEIR RECOVERY. QUOTE RESTORING SOUND ECONOMIC GROWTH WHILE KEEPING OUR MARKETS OPEN IS CRUCIAL, UNQUOTE THEY SAID. SPECIAL ATTENTION WOULD BE GIVEN TO THE FLOW OF RESOURCES, IN PARTICULAR OFFICIAL DEVELOPMENT ASSISTANCE, TO POORER COUNTRIES, AND FOR FOOD AND ENERGY PRODUCTION, BOTH BILATERALLY AND THROUGH INTERNATIONAL INSTITUTIONS. QUOTE WE REAFFIRM OUR COMMITMENTS TO PROVIDE AGREED FUNDING LEVELS FOR THE INTERNATIONAL DEVELOPMENT AGENCY. UNQUOTE

THE LEADERS AGREED UPON THE NEED TO ENCOURAGE THE DEVELOPMENT OF NEW TECHNOLOGY AND PUBLIC ACCEPTANCE OF ITS ROLE IN PROMOTING GROWTH, EMPLOYMENT AND TRADE.

THEY SHARED THE VIEW THAT MORE PREDICTABILITY AND LESS VOLATILITY IN OIL PRICES WOULD HELP WORLD ECONOMIC PROSPECTS, AND THAT THE FALL IN OIL PRICES IN NO WAY DIMINISHED THE IMPORTANCE OF ENERGY CONSERVATION AND DEVELOPMENT OF ALTERNATIVE ENERGY SOURCES.

THE SEVEN SAID EAST-WEST ECONOMIC RELATIONS SHOULD BE COMPATIBLE WITH THEIR SECURITY INTERESTS, AND THEY NOTED WITH APPROVAL THE WORK OF MULTILATERAL ORGANISATIONS WHICH RECENTLY HAD ANALYSED KEY ASPECTS OF THESE RELATIONS.

EXPRESSING NEW CONFIDENCE IN THE PROSPECTS FOR RECOVERY AS  
A RESULT OF THIS SUMMIT, THE LEADERS SAID THEY WOULD MEET AGAIN  
NEXT YEAR AND HAD ACCEPTED MRS THATCHER'S INVITATION TO DO SO IN  
BRITAIN. (LPS)

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