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10 DOWNING STREET

From the Private Secretary

SIR ROBERT ARMSTRONG

BONN ECONOMIC SUMMIT

The Prime Minister has noted your minute of 9 January reporting the main conclusions on matters of substance reached at last month's meeting of Personal Representatives to prepare for the Bonn Economic Summit.

You will wish to know that the Prime Minister does not like the formulation in paragraph 2(b) of your minute "better integration of the developing countries in the world economy".

I am copying this minute to the Private Secretaries to the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, the Secretary of State for Trade and Industry and the Secretary of State for the Environment.

Charles Powell

10 January 1985

CONFIDENTIAL

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Prime Minister
CDP
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Ref. A085/57

MR POWELL
_____Bonn Economic Summit
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This minute reports the main conclusions on matters of substance from last month's meeting of Personal Representatives.

2. The German Personal Representative said that the Federal Chancellor thought that the main concerns of the Bonn Summit should be:

- ✓ a. the need to create conditions for lasting recovery, sustainable growth and higher employment in the industrialised countries and especially in Europe;
- b. the need to create conditions for better integration of the developing countries in the world economy; ?
- ✓ c. the need to maintain and step up the fight against protectionism;
- ✓ d. the need to reconcile the challenges of the economy with the challenges of ecology.

3. There was general agreement upon the prospect for continuing growth of the industrial countries through 1985, though possibly at a slightly lower rate than in 1984. The main element in this was expected to be a slight decline in the rate of growth in the United States. No-one expected an early change in the level of the United States fiscal deficit or current account deficit, and it was not expected that United States interest rates would fall in the near future.



4. The United States Personal Representative laid much emphasis on the need for what he called structural adjustments in the industrial sectors of the industrialised countries: he saw this as more important than developments of macro-economic policy for the Bonn Summit.

5. We noted that Finance Ministers could not now be expected to complete their work on improvements in the international monetary system in time for a full report to the Bonn Summit. At best there would be an interim report.

6. There was general agreement on the need for a new trade round in the GATT, but (as last year) a sharp divergence on the pace at which we should move: the Europeans wanted to complete the 1982 work programme and talk about procedures for discussing a new round this year, while the United States, Canadian and Japanese representatives wanted to move much more quickly to a new round, subsuming the 1982 work programme. The United States representative feared a further growth in protectionism in the United States, and both he and the Canadian representative saw great dangers of a collapse, or an UNCTADisation, of GATT, and a serious threat to the international multilateral trading system, if there was not early and quick progress to a new round.

7. There was a general feeling that the problems of international debt looked less menacing and more manageable than they looked a year ago.

8. It was clear that the Federal Chancellor would be looking for the possibilities for Summit initiatives on environmental issues, but the German representative had nothing yet to report on that. Several countries (including the United Kingdom and France) emphasised the need to avoid further institutionalisation of the economic summit.



9. The preparations for the Bonn Summit will generally speaking follow the pattern adopted for Williamsburg and London. In the light of the discussion, the German representative will prepare a first draft of a thematic paper, which will have a "second reading" discussion at the next meeting of Personal Representatives in the middle of February.

10. I am sending copies of this minute to the Private Secretaries of the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, the Secretary of State for Trade and Industry and the Secretary of State for the Environment.

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ROBERT ARMSTRONG

9 January 1985