



Prime Minister

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Ref. A085/570

MR BUTLER

MS.

Agree that I should
 reply that you wish your
Personal Representative to take
a more robust line on
GATT at the next meeting?

Bonn Economic Summit

Yes - CDP
 and also on WTO 22/2.

I attended a meeting of Personal Representatives in Berlin from 15 to 17 February. I was accompanied by Mr J G Littler (Treasury) and Mr R Q Braithwaite (Foreign and Commonwealth Office).

Political Matters

2. We were told that the Federal Chancellor envisaged a declaration to mark the 40th anniversary of the end of the Second World War. He wanted this to be the only statement issued from the Summit other than the main economic declaration. He was taking personal responsibility for the drafting. He did not want Political Directors to work on the draft, but he envisaged circulating the text to Personal Representatives for their last meeting before the Summit.

Economic Matters

3. The German Personal Representative had circulated before the meeting a first draft of a Thematic Paper. It was very long and very thorough, but very well done; it presented us with no major problems. Its main fault was excessive length, and the Germans undertook to make the next draft much shorter.

4. The paper handled with tact and discretion the issues of the United States fiscal and balance of payments deficits, and the strength of the dollar and its impact on Europe and Japan. That did not prevent the French Personal Representative from

accusing the United States of deliberately using their deficit as a device for swallowing a large part of the world's savings. The United States delegation had come briefed to be low key and unprovocative, but this provoked Mr Sprinkel to a rejoinder that the United States was going to remain an open economy and it was up to the European countries to get rid of structural rigidities and close the gap by increasing growth. He was not worried (he said) about the dollar because he did not see the Europeans doing anything early or effective to remove the rigidities in their economies. This provoked the French Personal Representative into saying that the Strategic Defence Initiative was first and foremost a device for giving a massive boost to United States industry from public funds.

5. There was general agreement - even from the French - on the need to reduce public expenditure as a proportion of Gross National Products. It should be possible to get useful wording into the final declaration on this.

6. There was some apprehension about the fragility of economic recovery and emphasis on the need to sustain it. It was generally agreed that the Bonn Summit would need to focus on the problems of growth and employment.

7. There was not a great deal to say about the developing countries: it was recognised that further discussion on this would have to wait until after the meetings of the Interim Committee of the International Monetary Fund and the Development Committee of the World Bank in Washington in April. The case-by-case approach to debt rescheduling was re-endorsed. It was agreed that the Summit would need to concern itself with the problems of Africa, but there were no signs of pressure for a separate declaration on Africa.



8. Once again the United States and Canadian Personal Representatives and, less vigorously, the German Personal Representative argued for launching a new trade round in the GATT to prevent further erosion of the international trading system, and for announcing a commitment to start the new round in 1986. Others, including the representatives of the European Commission as well as the British and Japanese representative, were more cautious on timing and tactics, while agreeing on the general objective. The French Personal Representative said that President Mitterrand would agree to movement on a new trade round only if there was agreement on parallel movement on a new monetary round (by which he clearly meant French proposals for a "new Bretton Woods"). The German Personal Representative said that the Federal Chancellor would want a "coalition against protectionism".

Why?
On what
incentive?

9. It was once again clear that the Federal Chancellor would be determined to have a strong environmental component in the final declaration. The German Personal Representative circulated, very late in the day, a set of draft conclusions which rather imperfectly summarised the conclusions in the declaration from the meeting of Environment Ministers in December, and tried to reinsert a number of German ideas which that meeting had not been able to accept. The French Personal Representative said that the conclusions of the December meeting were perfectly acceptable to the French Government but that the President could not accept any explicit reference to that meeting in a Summit declaration, because the French Government had boycotted the meeting as a signal of their refusal to allow the Summit to become further institutionalised, particularly at Ministerial level. I said that the German draft conclusions would not do as they stood, and that we were prepared to discuss a redraft which stuck more closely to the conclusions of the December meeting. In the end it was decided not to try and



draft there and then, but to assemble a group of "experts" to produce a redraft in time for the next meeting of Personal Representatives. I am asking Sir Robin Nicholson to represent the United Kingdom in this group.

1/2 from other groups. This group should be terminated.

10. The Personal Representatives took note of the report by the Working Group on Technology, Growth and Employment (TGE) on research into environmental factors and possibilities for co-operative projects on reduction of environmental damage. It was agreed in principle that the report (like previous TGE reports) should be published before the Summit; but we also agreed to invite the group of experts to advise further on the TGE's proposals for setting up a study group on environmental measures. Personal Representatives will consider both the timing of publication of the TGE Report and the proposal for a study group further at their next meeting, in the light of that advice.

No

No further work -

11. The latest report of the TGE Working Group on its main remit will not be ready until the next meeting of Personal Representatives. We have asked the Working Group to offer for that meeting a view on whether the Working Group should continue to exist and, if so, for what purpose, or whether it should be wound up. The French Personal Representative, from whose President's initiative the Group originated, did not seem to be committed to its further survival.

Terminated?

12. The United States Personal Representative did not make any statement or ask for any conclusions on East-West economic relations and their security implications.

13. There will be problems about the manned space station, where the French Government will want the Summit to recognise that European space policy is autonomous and equal to American space policy, as well as taking note of the European contributions to the American space programme.



14. It was agreed that there need be no reference to energy matters in the Summit declaration if the international energy situation and prospect remained unchanged.

Administrative Questions

15. I will report separately on various points of detail about the arrangements for the Summit. Perhaps the only one I need mention here is that the German Personal Representative proposed, and the rest agreed, that the press rules for the Bonn Summit should be exactly the same as those for the London Summit.

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

Rx
Approved by
ROBERT ARMSTRONG
and Signed in his absence.

22 February 1985