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TO IMMEDIATE FCO  
TELEGRAM NUMBER 1429 OF 29 APRIL 1985

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MY TELNO 1422 OF 29 APRIL: SECRETARY BAKER'S PRESS INTERVIEW ON THE BONN ECONOMIC SUMMIT

1. TRESURY SECRETARY BAKER TODAY GAVE AN INTERVIEW AT THE WHITE HOUSE ON THE BONN ECONOMIC SUMMIT.

2. IN AN OPENING STATEMENT BAKER SAID THAT "THE RECOVERY TALKED ABOUT AT WILLIAMSBURG AND LONDON HAS BEEN ACHIEVED AND WE ARE NOW IN THE EXPANSION STAGE OF THE BUSINESS CYCLE. THE EFFORTS TO FOLLOW ANTI-INFLATION, PRO-GROWTH POLICIES, MOST MARKED IN THE UNITED STATES, AND TO A LESSER DEGREE IN EUROPE HAVE RESULTED IN A BROAD-BASED EXPANSION THAT IS TAKING PLACE IN A LOW INFLATION ENVIRONMENT. UNFORTUNATELY, EUROPE HAS NOT YET BEEN AS SUCCESSFUL AS WE HAVE AND, DESPITE OUR SHARED SUCCESSES, PROBLEMS REMAIN IN ALL THE SUMMIT COUNTRIES. IN ALL COUNTRIES, GOVERNMENT EXPENDITURES, BUDGET DEFICITS, OR BOTH ARE TOO LARGE. ALL OF OUR ECONOMIES FACE STRUCTURAL RIGIDITIES WHICH HINDER JOB CREATION AND SUSTAINED GROWTH AND ALL OF US NEED TO PROMOTE FREER TRADE AND RESIST A RISING PROTECTIONIST SENTIMENT. THE BONN DISCUSSIONS WILL ADDRESS THESE SHARED PROBLEMS AND OUR INDIVIDUAL RESPONSIBILITIES FOR SOLVING THEM."

3. IN RESPONDING TO QUESTIONS ABOUT THE DATE OF A NEW GATT ROUND, SECRETARY BAKER SAID, "WE OBVIOUSLY WOULD LIKE TO SEE AGREEMENT ON A NEW ROUND IN 1986. QUITE FRANKLY, AT THE OECD MEETING IN PARIS, WE HAD A COMMUNIQUE THAT CALLED FOR THE START OF A NEW ROUND AT THE EARLIEST POSSIBLE DATE AND, OF COURSE, WE WILL ARGUE THAT THE EARLIEST POSSIBLE DATE IS SOME TIME IN 1986." BAKER DENIED THAT HE WAS CONCERNED THAT CONGRESS MIGHT ULTIMATELY REFUSE TO GIVE AUTHORITY FOR A ROUND: ALL THE SUMMIT COUNTRIES WERE AGREED ON THE NEED FOR A ROUND: THE ONLY QUESTION NOW WAS WHEN IT SHOULD BEGIN.

4. ASKED ABOUT PRESIDENT MITTERAND'S INSISTENCE ON A MONETARY CONFERENCE, BAKER SAID "WELL, I THINK WHAT WE WOULD SAY IS THAT THERE OUGHT NOT TO BE LINKAGE PER SE BETWEEN A MONETARY CONFERENCE AND TRADE LIBERALIZATION. THAT THERE'S EVERY GOOD REASON IN THE WORLD WHY WE OUGHT TO START A NEW TRADE ROUND. PROTECTIONIST SENTIMENT IS GROWING AROUND THE WORLD. IT'S CLEARLY GROWING HERE IN THE UNITED STATES AND I'M QUITE CONFIDENT THAT THE PRESIDENT WILL ARGUE THAT IF THE SUMMIT COULD GIVE HIM A DATE FOR THE NEW ROUND, IT WOULD BE VERY PERSUASIVE IN HIS DEALINGS WITH THE CONGRESS AND WITH OTHERS IN THE UNITED STATES TO AVOID A NEW ROUND OF PROTECTIONIST LEGISLATION HERE."

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5. ASKED ABOUT THE ADMINISTRATION'S TARGET FOR REAL ECONOMIC GROWTH IN 1985, SECRETARY BAKER SAID, "THE ADMINISTRATION IS STILL STICKING TO ITS 4 PERCENT TARGET."

6. ASKED ABOUT WHETHER THE US WOULD PRESS THE EUROPEANS TO INFLATE THEIR ECONOMIES, SECRETARY BAKER SAID, "WE WANT THEM TO TAKE UP THE SLACK BOTH - WELL FISCALLY AND IN ANY OTHER WAY THAT THEY CAN RESPONSIBLY TAKE UP THE SLACK. WE ARE NOT SUGGESTING ... THAT THEY SIMPLY GO IN AND INFLATE MONETARILY. WE DON'T WANT THEM TO DO SOMETHING THAT WOULD RUN THE RISK OF RE-IGNITING INFLATION. BUT WE FEEL THAT THERE MAY BE SOME ROOM FOR ADDITIONAL GROWTH IN THE ECONOMIES OF BOTH GERMANY AND JAPAN."

7. ASKED ABOUT THE STRONG DOLLAR, SECRETARY BAKER SAID, "WELL, I THINK WE WOULD RESPOND THE WAY WE HAVE IN THE PAST. WE WOULD NOT CHARACTERIZE IT AS OVER-VALUED. WE'D CHARACTERISE IT AS STRONG. NOBODY CAN DENY THE FACT THAT IT IS STRONG. I THINK WE WOULD POINT OUT THAT WHILE THERE ARE DETRIMENTS TO A STRONG DOLLAR, THERE ARE, LIKEWISE, BENEFITS TO IT. ... WE ARE STILL IN THE SAME POSITION WE HAVE BEEN IN WITH RESPECT TO INTERVENTION. WE DON'T THINK ITS APPROPRIATE EXCEPT WHERE THE MARKET IS DISORDERLY. WE THINK THERE ARE SOME QUESTIONS WITH RESPECT TO HOW WELL IT WORKS, QUITE FRANKLY, WHEN YOU HAVE A MARKET, FREE MARKET OUT THERE IN DOLLARS NOW, OF ABOUT DLRS 150 BILLION A DAY".

8. ASKED ABOUT THE DATE FOR A MONETARY CONFERENCE, SECRETARY BAKER SAID, "I WOULDN'T WANT TO PREDICT THAT HERE NOW. I THINK THAT THE PRESIDENT WILL WANT TO SEE WHAT HAPPENS, WHEN HE GETS OVER THERE TO THE SUMMIT, AND WILL WANT TO SEE WHAT SUPPORT THERE IS FOR THE IDEA OF DISCUSSIONS, MONETARY DISCUSSIONS, HAVING TO DO NOW WITH THE G-10 STUDIES, WHICH IS A PROPOSAL THAT I MADE IN PARIS. IT'S NOT A BRETTON WOODS. WE'RE NOT TALKING ABOUT ANOTHER BRETTON WOODS."

9. ASKED ABOUT THE VALUE OF A SPECIAL MEETING OF HIGH LEVEL OFFICIALS FROM MAJOR INDUSTRIAL COUNTRIES, SECRETARY BAKER SAID, "THE VALUE, QUITE FRANKLY, IS THAT IF THOSE STUDIES, IF THE CONCLUSION OF THOSE STUDIES TREAT WITH WEAKNESSES IN THE INTERNATIONAL MONETARY SYSTEM, AND WE HAVE REASON TO SUSPECT THAT THAT'S WHAT THEY ARE GOING TO DO, THEN YOU SHOULD BUILD, THE INDUSTRIALIZED COUNTRIES SHOULD BUILD, POLITICAL SUPPORT FOR THAT, IF THEY WANT TO SEE THOSE THINGS ADAPOTED AT AN INTERIM COMMITTEE MEETING OF THE IMF, WHICH IS THE FORUM THAT WILL ULTIMATELY DEAL WITH ANY CHANBGES IN THE MONETARY SYSTEM. SO, IT WOULD BE COMPLEMENTARY TO THE IMF. THE IDEA WOULD BE TO BUILD SUPPORT. AND THAT WOULD BE IT. I MEAN, THAT'S THE REASON THAT WE MADE THE SUGGESTION. AND IT SEEMS TO ME TO BE A VERY REASONABLE AND GOOD SUGGESTION"

10. ASKED ABOUT THE US POLICY ON CURRENCY INTERVENTION AFTER THE G5 MEETING IN JANUARY, SECRETARY BAKER SAID, "WELL, I DON'T THINK THE POLICY CHANGED IN JANUARY, AND IF IT DID, WE'VE CHANGED IT BACK. BUT I THINK THE POINT IN JANUARY WAS SIMPLY THAT WE WANTED TO SEND THE SPECULATORS A SIGNAL THAT THEY WOULD CONTINUE TO SPECULATE AT THEIR OWN RISK. AND WE HAVE SINCE INTERVENED TO A GREATER DEGREE, QUITE FRANKLY, THAN WE HAD THERETOFORE. BUT OUR BASIC POLICY REMAINS THE SAME. WE INTERVENE ONLY TO CURE A DISORDERLY MARKET".

11. FCO PLEASE PASS TO POWELL (NO 10), SIR ROBERT ARMSTRONG (CABINET OFFICE), LITTLER AND LAVELLE (TREASURY), BRAITHWAITE AND TAITE (ERD) AND GREEN (BANK).

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TELEGRAM NUMBER 1443 DATED 30 APRIL

INFO IMMEDIATE BONN, PRIORITY PARIS, ROME, TOKYO, OTTAWA,  
UKREP BRUSSELS.

MY TELNOS 1422 AND 1429 OF 29 APRIL: SHULTZ'S PRESS INTERVIEW  
ON THE BONN ECONOMIC SUMMIT: TRADE ISSUES AND MONETARY CONFERENCE.

1. IN A PRESS INTERVIEW FROM THE WHITE HOUSE ON 30 APRIL, SECRETARY OF STATE SHULTZ ANSWERED QUESTIONS INTER ALIA ON TRADE AND MONETARY ISSUES.

2. ASKED WHAT THE ADMINISTRATION WOULD DO IF THE OTHER PARTICIPANTS AT THE SUMMIT DID NOT AGREE TO A NEW GATT ROUND BEGINNING IN 1986, SHULTZ SAID, "CERTAINLY WE BELIEVE, AND SO FAR AS I CAN SEE VERYBODY HAS SAID THAT ANOTHER ROUND OF NEGOTIATIONS TO DEAL WITH UNCOVERED AREAS AND TO TRY TO BRING MORE COUNTRIES INTO THE GATT REGIME, ARE NECESSARY. THERE HAS BEEN A DIFFERENCE OF OPINION ABOUT HOW RAPIDLY THEY OUGHT TO GET UNDERWAY. THE FACT IS THAT THERE ARE A LOT OF PREPARATIONS GOING ON RIGHT NOW AND WE THINK THE SOONER THEY GET UNDERWAY THE BETTER, PREFERABLY GET GOING IN THE FIRST HALF OF NEXT YEAR. AND THERE ARE ALL SORTS OF REASONS FOR THAT, AND I WON'T ENUMERATE THEM. BUT IS IS A VERY IMPORTANT MATTER. OF COURSE, IF THE DECISION

THEM. BUT IS IS A VERY IMPORTANT MATTER. OF COURSE, IF THE DECISION IS MADE NOT TO GO AHEAD ON A MULTINATIONAL, MULTILATERAL ROUND OF NEGOTIATIONS, THE UNITED STATES WILL HAVE TO PROCEED, BECAUSE WE DO BELIEVE THAT MORE OPEN TRADE IS AN IMPORTANT ELEMENT IN THIS PROSPERITY OF THE WORLD. CONTRAST WHAT'S HAPPENED SINCE WORLD WAR II WITH WHAT HAPPENED IN THE 1930S. AND THERE'S YOUR ANSWER TO THE IMPORTANCE OF OPEN TRADE. SO, WE WILL CONTINUE TO SEEK THAT OBJECTIVE, WHETHER IN MULTILATERAL NEGOTIATIONS OR IN BILATERAL NEGOTIATIONS, AS WE RECENTLY CONCLUDED WITH ISRAEL''.

3. ON THE DISCUSSION OF MONETARY ISSUES AT THE SUMMIT, SHULTZ SAID, ''THE SPECIFIC SUGGESTION ABOUT A CONFERENCE HAS TO DO WITH THE STUDIES BEING CONDUCTED BY THE GROUP OF TEN, I THINK STIMULATED BY AN AGREEMENT REACHED AT WILLIAMSBURG AMONG THE SUMMIT SEVEN HEADS OF STATE, ON MONETARY MATTERS. SO, I SUPPOSE WHAT IS HAPPENING IN THOSE STUDIES AND WHERE THEY ARE TAKING US IS A NATURAL POINT OF DEPARTURE FOR ANY DISCUSSION.''

4. ON THE U S BUDGET DEFICIT, SHULTZ SAID, ''AS FAR AS THE BUDGET BATTLE IS CONCERNED, IT'S VERY MUCH IN PROCESS, AND I THINK THAT IN ADDITION TO PLACING POLITICAL BETS, WHICH IS WHAT YOU SEEM TO BE DOING, ALMOST THIRSTING TO SEE THE PRESIDENT DEFEATED, YOU SHOULD BE ROOTING FOR HIM TO SUCCEED. BECAUSE WHAT HE'S TRYING TO DO IS PROFOUNDLY RIGHT, AND THAT IS TO REDUCE THE VERY LARGE BUDGET DEFICIT OF THE UNITED STATES BY CUTTING DOWN OUR SPENDING. AND THAT'S WHAT HE'S TRYING TO DO AND THAT'S WHAT IS NEEDED. SO, LET'S GET ON THE PRESIDENT'S SIDE AND SAY YOU'RE ON THE RIGHT TRACK: WE SUPPORT YOU: LET'S GET IT DONE. THAT'S WHAT HE'S TRYING TO DO''.

5. FCO PLEASE PASS TO POWELL (NO 10), SIR ROBERT ARMSTRONG (CABINET OFFICE), LITTLER AND LAVELLE (TREASURY), BRAITHWAITE AND TAIT (ERD) AND GREEN (BANK).

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