

RECORD OF PLENARY SESSION (MORNING) OF ECONOMIC SUMMIT, BONN 19.

Saturday 4 May

Kohl Personal Reps have done a good job.
 First four paras are preamble.
 Agreed
 Any comments on 5?
 Agreed.
 Para 6: US text agreed
 French text:
 "... to modernise the means of production
 and to combat social ..."
 UK text:
 "and advanced tech. industries"
 FRG text:
^{Addition}
~~Adda~~ agreed
 Italy text:
^{Addition}
~~Adda~~ agreed.
 Canada : ^{Addition}
~~Adda~~ agreed
 EEC : Content.
 Paras 7, 8 and 9

Thatcher Para 9 too long and out of proportion.
 And question proposal for expert group:
 not in the end helpful. Ask Sherpas to shorten.

Kohl Don't understand. Dealing with emotion as well
 as reason. Useful to spell out in detail.
 Concerned with political impact.

Thatcher Length does not add strength.

Reagan I agree with Thatcher. I believe that Sherpas
 could shorten. Dispense with expert group.

Howe No difference on substance. Sherpas took
 instructions not to change too literally. Ask

/ them

Howe (cont'd) them to have a go. I have had a go.

Expert group for further discussion.

Kohl I don't understand this misunderstanding. I summed up that aid wasn't reaching the intended recipients, and that we needed follow-up with concrete proposals, before Tokyo Summit. We must adopt wording addressed to public at large.

Dumas I think the text is very good. It faithfully reflects our discussion yesterday.

Two options:

(i) faithfully reflect feeling

(ii) brevity; would just mean we spoke about it.

Idea of expert group came from Kohl.

Andreotti Don't dilute text.

Thatcher We have all been doing a great deal of aid, research, transport. This all suggests something new. It's a bit hard on us all. It unbalances the communique.

Howe I have a version to look at.

Kohl A long and emotional defence of existing text [most of which I missed because I was handing round the copies of ours]. Need to have ^{EXPERT} extra-group to ensure follow-up. We don't want to be seen to have lost touch with the young.

Howe Reads through the revised draft, with exegetical, paranthetical interpolations.

Contains all positive points, avoids repetition, brings out political points clearly.

Kohl

No problem, but one exception: date for conclusion of expert group work - 1 December this year. An ad hoc group, not a permanent group. When do the seven Foreign Ministers meet?

Shultz

Last week of September.

Kohl

So, say prepare report by September.

Dumas

I see no advantage in changing the text. But the English text more or less reflects the discussion. So we won't quarrel about authorship. Group of experts a good idea, and a date.

Kohl

Not a permanent group, and an ad hoc group to report by a date and then finish.

Abe

Support group. UK draft okay - doesn't make any change of substance. Put in communique.

Kohl

Agree UK.

Dumas

No advantage: stick to original.

Kohl

Not something to quarrel about. Let's be civilised. In our civil code looking for paternity is forbidden. Ask Sherpas to look at both texts. They have fully deserved our confidence and respect.

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Kohl (cont'd) Add date in September, plus examination by Foreign Ministers.

Mulroney Proposes a new sentence and a half on third window.

Baker Okay, add "on a case by case basis".

Delors Why exclude the poorest countries?

Mulroney On the contrary, they are included.

Kohl Canadian insertion accepted? Okay. ~~Turn~~
Turn to Section IV.
Anything on environment?

Mitterrand Objects to first sentence of para 13.
Don't leave out central and local authorities.
Put second sentence first.

German Minister And that "we shall also ^{harmonise} ~~harmonise~~ the mechanisms of the market to solve environmental problems".

Mitterrand It doesn't seem to be very meaningful, so I am dubious about it. If we relied upon the motor manufacturers to clean up exhausts, we should never have had a decision. French makers far less ready to act than Germans.
New version preferable, but slightly obsessive.

Shultz

What we are talking about here is a method. There is an argument about what is the most effective way of going about it. Government has to interpose. You do it either by way of regulation or by way of additional cost. If the latter, the market works out best way of doing it. Working by price mechanism, the people who have to make the change will be smarter than the bureaucrat.

Nakasone

On environmental matters Government restrictions and regulations are necessary, and there is a role for central and local authorities. Unbalanced without a reference to that.

Mitterrand

All these explanations add to my anxiety. I never talked about regulations. I reacted to a discussion that is becoming more and more ideological. If you say, you don't spit in the street, or "drive on the left", is that regulation? I never referred to civil servants. Always too many civil servants. But you can't rely only on market mechanisms when manufacturers don't want to comply. If that's all you want to say, okay; I won't join in.

Kohl

This was taken from document published by Minister of the Environment. Suggests "alongside regulations we shall ^{HARNES} ~~mountain~~ " as last sentence.

Craxi

"We shall use sensible legislation". No market mechanism can deal with problem of polluted seas, or indeed problem of ^{RUINED} threatened woodlands.

Reagan

I find myself at a loss. Perhaps the problem is a translation of language. In my country the problem is to decide where pollution lies, and that Government sets the standard to ^{be} reached and polluter is responsible for reaching that standard. We try to give the polluter reasonable time to comply. Sometimes Government contributes to clean-up process when it is very expensive. But we give polluters no choice but to comply. "Polluter pays" common sense.

Mitterrand

Nothing to add. I don't think agreement will be difficult to reach.

Mulroney

Can I suggest a WORDING

"We shall harness both the mechanisms of Government vigilance and the disciplines of the market to solve environmental problems".

Kohl

Okay.

Mitterrand

Okay.

Reagan

Pays tribute to clarity of Irish language.

Kohl

Last section okay?

Nakasone

Pleasure to write you
Pleased to / to Japan, hopeful early
meeting in Tokyo.

Kohl

Okay. No need to mention date in Declaration.
Accept text of last section.

Mitterrand

Para 17: difference in ~~sense~~ sense between "welcome"
and "have noted".

Kohl

Would you accept "welcome" in ^{BOTH} all cases?
Agreed. Turn to para 10. I have made
considerable efforts to find a compromise
but I regret that I have not had much success.
It's not in our interest that some of us should
find ourselves in an isolated position. But
it's clear that we are not going to be able
to agree. The last attempt was a combination
of Option D^(A) and second sentence of Option C, as
follows:

"We agree that a new GATT round should begin
as soon as possible. Most of us think that this
should be in early 1986. ^{WE} Would propose that GATT
Ministers Meeting should be held in Spring of
1986 to take the necessary decisions on the
agenda, modalities and exact date of the new
round."

I thought we ? substitute two middle
sentences if we agreed on the last sentence.
Go round the table.

Thatcher

Recognise your great efforts. Disappointed we can't agree on early 1986 for beginning of round. If we don't, putting our people in acute difficulty. Congress presses for protectionism; if they succeed, not their problem but the problem of ^{the rest} ~~most~~ of us, including developing countries. If we agree on early 1986 we shall help President and those who think like him to resist Congressional protectionism. If not, we bear a very heavy responsibility. I could go along with Kohl's amendment, subject to ^{ministerial meeting} ~~Mitterrand agreeing~~ "early in the new year"; that would be in time for new round to begin in first half of 1986.

Delors

Supports Kohl's proposals, for four reasons:

Nakasone

We support your proposal: but include "most of us think ...". I would prefer "we think that this should be in early 1986".

Kohl

That's the problem!

Reagan

We support Kohl though we should have preferred stronger. It will be very beneficial in my own problem.

Craxi

Option D reflects our disagreement. Option C is half way to an agreement. Accept Kohl.

Mulroney

We have an opportunity; to take advantage of it we need to put out a signal which shows our agreement and our efficiency. We need to show our members' wills. If we don't, we shall be the losers. Analyse problem. In para 3 "to halt protectionism" in para 4 "early and substantial reductions of barriers". We pinpoint problem, we identify solutions, but we don't decide on corresponding action. Canada put round a draft formula. Contact seems to have met needs of Mitterrand yesterday. I could accept Kohl compromise, but we need France in.

Mitterrand

First, a few simple principles, which explain position of France.

- France is against protectionism. No guilty feelings. We talk a lot about agriculture, not enough about services.

Protectionism is everywhere.

- if we talk about protectionism, we have to talk about all protectionism.. We Wherever you look you can find protectionist measures.
- in order to succeed in the new trade round, it is essential that it be prepared with great care, and include all subjects.

- Round must preserve principles of CAP.
- Round must include developing countries.
- We should move ahead at same pace as
in monetary field.

We accept, indeed we advocate, a GATT meeting to deal with all areas, after negotiating with developing countries and after deciding what is to be approach to monetary affairs. Will comment on that in para 11. Although to suggest compromise honourable, but matter was prejudiced by public discussion. I can't accept any of compromises put forward. I think we need to think sensibly about this type of meeting. We are not a supreme body; we are not the Directorate of the world's affairs. There are enough or too many such bodies. Still less a Supreme Court, to pass judgement on each other and other people. These meetings were supposed to be informal; they have become bureaucratic. There shouldn't be texts at the end of these conferences. There should just be a statement setting out the subjects which were discussed. Very unsatisfactory; it is very obvious that the majority will always be the same. It is not sound that European affairs should be determined by non-European countries. We regulate matters by carefully wrought tactics; here we deal with things in a day and a half. France will not be associated with this text. Nobody wants to be isolated; I much regret that I have to say no.

If in 1986 there isn't a GATT meeting, what then does this Summit look like. France will not participate in next Summit unless it returns to original intentions. No majority can dictate to France. We are used to minorities in the EC, UN etc. Okay so long as it is not systematic. We ^{meet} need here to get to know each other better, to harmonise. France has never failed to support on matters of basic Alliance security and defence. My conscience is at ease. I am aware of domestic difficulties this will cause for some, I have no hostility to any of you, least of all the US, whose oldest friend we are. That won't stop me from saying what I believe to be right. No one country responsible for this. We think that there should be no text. This is beginning to look like a motion adopted at a Congress. We have got to simplify our procedures. The Chairman should not have to find him or her self involved in casuistry with the press. We must simplify our procedures, get rid of this pile of paper, say what we discussed but not what we decided. We must return to the spirit of Rambouillet, to our beginnings. If we don't, I shan't come again.

Kohl

Allow me to make my own comments. I have only had three such meetings. The last thing I should like to do would be to dictate to anyone, least of all to our French friends. This is not the

intention. Wrong to isolate one from the other.
We have to think whether we run the danger of
sitting on a mountain of paperwork, deal with a
lot of drafting and don't have ^{enough} a lot of time
for ^{real} proper discussion. We have got to say what
we are doing, that has to be put down on paper.
There was convergence of ideas yesterday morning
Unanimity to a large extent. The political
Declaration was a great success. You came as
friend to talk in Bundestag about
stationing of forces in Germany. You stood on
our side as a true friend and partner. Now
let's look at questions before us. Every one
of us is a sinner with regard to protectionism.
President of US and his colleagues are trying
very hard to resist protectionist pressures in
Congress. In Congress there has been a mandate
to US Government with timetables. The need is
to find a common and useful purpose to all.
That purpose is to avoid legislation in Congress
which leads to a trade war. I have to accept
that you cannot accept the proposal. Is this
for conscientious reasons, or with bitterness
in your heart? I appeal to you not to be
bitter, for the sake of human ^(?known)
co-operation among us. So try to find a formula
which expresses what you cannot agree fully,
but which does not hurt you or others.

Reagan

A few observations. I remember when I had to take a position on East/West economic relations. I was alone, sometimes discussions got heated. But I never thought ^{that meant} Summits should be discontinued. ^{To} ~~You~~ say that ^{this is} ~~your remark that this is~~ not meaningful is to ignore that thousands of journalists come to cover the meetings. Thousands of people all over the world attach value to our meetings and to our getting together. All are agreed that we don't agree on protectionism. All we are suggesting is a meeting to consider what might be done. We are not discussing what outcome of meeting might be. Our own feeling is that I don't know any country with a greater trade imbalance than the US, with developing countries as well as with other industrialised countries. We said three years ago, have a meeting as soon as possible. If we say the same again, we shall look laughable and my political problem will be acute. ~~My~~ political ~~problem~~ would be acute. It will be a stepping stone to protectionism. I can't see anything wrong with saying, we are going to have a meeting and it's going to be in 1986.

Craxi

I am beginning to worry about possible negative reactions of a wrong decision taken today. Having heard Mitterrand, some new thoughts. No doubt that these meetings should keep character of open political discussions.

It may not be possible to avoid majorities and minorities; that is the very reason why we should not be over-bureaucratized. We should continue to try to find consensus. On another point Mitterrand quite right: we have to prepare a new round very carefully. We should always underline parallel development of monetary policy. Minimise character of disagreement; don't make it seem bigger than it is. Try to find a formula that meets different points of view. Don't give up, Kohl.

Thatcher

I listened very carefully to Mitterrand. From time to time suggestions have come up that there should be no communique. As we come up to be Chairman, we do not feel able to do that. He himself launched TGE group. It wouldn't do in this world: we are looked to for a lead from this great group of nations, even where we are not the deciding body. We have not only a right but a duty to give a lead. We have a preparatory meeting on monetary affairs in June (G10) and Interim Committee in October. We are not hesitating to say that the work should go to these two groups. Deciding in June on monetary as on trade. Why do we hesitate to say that it is our aim and purpose that all the preparatory work should be completed for a new round to take place in first half of 1986.

We can't go away without giving a lead. We have given you detail on Africa. We have a broad lead in economics. We need a thematic paper to focus our minds on the issues and a Communique to give a lead and bring precision to our discussion.

Nakasone

I listened very carefully to Mitterrand. Japan sole country from Asia. A country which lost last war. We decided we must incorporate new values: Democracy and a constitution. We have been accepted as one of you. We show our people that we are moving forward hand in hand with you. We are most grateful for the Political Declaration, and hope it will be issued.

Opening up markets: measures of 9 April. We have set up a task force to follow up. Without summits we should just be sitting back. We are tackling problems in interests of world future. We don't have to impose on each other any conclusions. We couldn't agree that agriculture should take the brunt. Concerned about developing countries. We should be one in voicing our determination against protectionism. Make one reference to agenda and modalities of new round. I think that that description would suffice.

Mulroney

Mitterrand is right in some of his comments. This group should not substitute itself for other bodies. Avoid excessive bureaucracy. Find a more simple, spontaneous, flexible way of working. Touched by what Craxi said. Feeling is running high - cf Reagan's vis

X of 1975

to Germany.

X X X

Kohl

[Makes a suggestion which I missed because I was otherwise engaged.] Avoids risk that only agriculture will be done. This is May; it should be possible by November. - Next regular GATT conference should be able to draw up agenda for round in 1986. Nobody disagrees about objective, to stem tide of protectionism. This would clearly show we are prepared to do something, without appearing to try to dominate other members of GATT. This should overcome Mitterrand's very valid objection.

Mitterrand

I should have to look at this a bit more closely. GATT is sovereign. It all depends how it is worded.

Kohl

Yes, express hopes and aspirations.

Bangemann

We will together with developing countries aim at a consensus on a new round of negotiations which will have to be confirmed at earliest possible date by Contracting Parties. For this purpose high level meeting of officials and Contracting Parties in November, so that agenda and modalities should be set out for new round next year.

Thatcher

Could we have a break while we have some drafts prepared?

Kohl

Is there a possibility for you, Mitty? Ask participants to hold: 1986: conference where basic decisions can be taken. Conference in 1985 is already going to take place. Could this be way out? I really am trying to reach a valid compromise. If we agree on thought process, we could break for lunch.

Mitterrand

I regret I should be taking up so much time and attention. France's refusal on trade point has not taken up whole of meeting. I agreed Declaration; very good, so Summit will not have been useless. I never thought they were useless; trouble is they are becoming omnipotent. It's very difficult to go on saying No time and time again. There is great progress; you are leaving it up to GATT to take the decision. But if you say what the modalities are going to be, more difficult. Let us see text and go to lunch. We will merely have noted that there is political disagreement on this point. I don't think we are going to overcome this point. You are very logical and consistent. Let's move on to next point. I agree work going on ?urgently/ energetically; let's not emphasise difference. 1986, No. Earliest possible date, Yes.

Craxi

French point of view quite clear. Not in disagreement on need for MTNs. Simply disagreement about setting date explicitly. If we could express our will clearly

about aims and include a feeling of urgency, we could come to a compromise without a date.

"We agree that the new GATT round should begin as soon as possible. We must speed up and conclude its preparation. We shall have to find the broadest possible agreement among developing countries. We propose a GATT Ministerial on agenda, modalities and date of negotiations".

Reagan

Personal appeal: I go out of office in 1989 ~~later~~.
I don't want to go out ^{still} saying a meeting as soon as possible.

Thatcher

Craxi formula goes back on OECD :
[which she reads]. We can't go back on that; we should go forward.

Delors

A proposal.

Howe

Makes proposal. Not acceptable to Mitterrand.

Pause for bilaterals.

Kohl

We cannot overcome this obstacle. So where can we unite on LCD? Para 10. First three sentences stand.

We endorse OECD Ministerial Council that decided that a new GATT round should start as soon as possible

Most of us think it should start in 1986. We also think that a preparatory meeting should take place and that a broad consensus should be found.

We also agree to see a partnership of developed and developing countries. We look to a balanced package.

Is this acceptable to France? It's a text based on useful OECD text, ^{but we} ~~let us~~ speak with our own voices.

We endorse the agreement reached by OECD Ministerial Council that it should ? new round as soon

as possible. Most of us that ⁱ should

start in 1986, we also think it useful but

Can French agree? Based on OECD text.

Mitterrand

I shall need to see it in writing; but subject to that yes.

Reagan

Likewise. I have one thought - In ^{line} ~~para~~ 4

"We agree that a new GATT round should begin as soon as possible. Most of us think that it should begin in 1986".

Thatcher

Inserting option d after third sentence.

Kohl

Useful continuity by basing on OECD wording.

Mitterrand

The text that has just been read out by Kohl has the advantage of ^{getting rather} more content than OECD, and is less dry than option d. It also refers to countries not here. I could accept Kohl's text.

That will require me to say why France is not part of the majority.

Kohl

Acceptable to others? We strongly endorse the agreement reached by the OECD Min. Council to the effect that a new GATT round should start as soon as possible. Most of us think that this should be in early 1986. We also agree that it would be useful that before the end of the Summer a preparatory meeting of senior officials should take place in the GATT to reach a broad consensus on subject matter and modalities for such negotiations. We also agree that ?countries participating

[? Mitterrand]

France yes. ?(?)

Mulroney

Yes.

Italy

Yes.

USA

Japan

OK.

EEC

Yes.

Thatcher

OK.

Goria

Why take out refs. to Tokyo Round and GATT work programme?

Bangemann We do not have skill to negotiate on those matters.

Kohl Para 11.

Reagan We support up to last sentence; leave out both
[] [].

Kohl So end "in Seoul in October".

Thatcher Agreed.

Goria If you delete first bracket, OK. We could not
accept deletion of second bracket because it would
take out any significance.

Baker First sentence of 11 constitutes a recognition that
we need to improve functioning of monetary system.
I thought Finance Ministers agreed not to prejudge
substance; therefore delete.

Ch/Ex That is a correct account of our discussion.

EC Confirms that. But leave it in.

Bangemann It should be deleted; otherwise *setting more*
problems.

Kohl Ask Goria to agree to discuss when report is before us

dd

Goria It seems to me a step back.

Kohl Is Reagan happy about 10?

Reagan We approve.

Kohl Thank you.

Beregevoy I should like to propose (on 11): France has asked for fundamental reform. *INCLUDE SOMETHING LIKE*
with a view to finding means of increasing the stability of financial markets."

Canadian FM This text reflects Finance Ministers' decision to discuss *early* progress. Stop ~~at~~ "in October".

Howe Support same point. It is ^{COVERED} ~~agreed~~ in paras 3 and 4. Para 11 seems to contemplate extending the process. Clearer to stop at "in October".

Delors That means we are not showing the same determination as on trade.

Japan Para 11 follows on para 4b. Stop it at "in October". No need for either square bracket.

Bangemann Suggest using wording from 4^d, perhaps in first sentence of 11. "It is also essential that the functioning of the world monetary system should be made more stable and more effective".

Kohl

Could that be accepted as a compromise.

Goria

It's different: 4d is aims; 11 is proposals.
Insert at end "for making the international
monetary system more stable and more effective".

Kohl

Agreed?

Mitterrand

I abstain; and shall ^{make} remarks known.

ENDS.