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GERMAN VIEWS ON TORONTO ECONOMIC SUMMIT

SUMMARY

1. ECONOMICS MINISTRY AND FEDERAL CHANCELLERY HOPE FOR RECOGNITION AT TORONTO OF WHAT THE EC ACHIEVED ON AGRICULTURE AT THE BRUSSELS COUNCIL, AND FOR PATIENCE WHILE THOSE MEASURES TAKE EFFECT. ECONOMICS MINISTRY PESSIMISTIC ON AGRICULTURE FOLLOWING THE OECD MINISTERIAL ON 18-19 MAY, BUT BELIEVE THERE ARE A FEW POSITIVE POINTS ON OTHER GATT MATTERS WITH WHICH TO BOLSTER THE MTM. ON THE MACRO-ECONOMIC SIDE THEY BELIEVE THE SUMMIT WILL HAVE A GOOD IF UNDRAMATIC STORY TO REPORT. AFFIRMATION BY THE FEDERAL CHANCELLERY THAT NO GERMAN INITIATIVE ON THE ENVIRONMENT IS PLANNED.

DETAIL.

2. DURING A CALL ON VON WUERZEN (STATE SECRETARY, ECONOMICS MINISTRY) ON 30 MAY, I SOUGHT VIEWS ON PROSPECTS FOR TORONTO. I SUGGESTED THAT WE NEEDED TO FIND A SOLUTION IN THE AGRICULTURAL AREA WHICH AVOIDED PUBLIC DISAGREEMENT. VON WUERZEN REFERRED TO THE OECD MINISTERIAL MEETING ON 18-19 MAY AND SAID HE WAS UNIMPRESSED BY THE COMPROMISE FORMULA OF A 'FRAMEWORK APPROACH'. HE WAS NOT OPTIMISTIC ABOUT AGREEMENT ON AGRICULTURE AT TORONTO, THOUGH HE NOTED THAT THE GERMANS HAD SHOWN MORE FLEXIBILITY THAN THE FRENCH AT THE OECD MEETING. KUEHN, WHO WAS ALSO PRESENT, SAID THAT HAVING AGREED TO A RATHER EMPTY 'FRAMEWORK APPROACH' FORMULA IN OECD, IT WOULD BE DIFFICULT TO FIND A FURTHER AND MORE MEANINGFUL FORMULATION SO SOON THEREAFTER.

3. ON OTHER GATT MATTERS VON WUERZEN WAS MORE OPTIMISTIC, THINKING THERE WERE SOME POSITIVE POINTS WITH WHICH TO BOLSTER THE MTM. HE REFERRED PARTICULARLY TO INSTITUTIONAL QUESTIONS AND ADDED THAT THE FRG WOULD WELCOME MORE FREQUENT MINISTERIAL MEETINGS. THERE WAS A POSSIBILITY OF MOVEMENT ON INTELLECTUAL PROPERTY, ALTHOUGH THE US DEMANDS WERE TOO HIGH. SERVICES WERE AT TOO EARLY A STAGE. ON ROLL-BACK VON WUERZEN SPECIFICALLY SAID THE GERMANS HOPED TO FIND THE EC PUT UNDER PRESSURE.

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4. I ASKED WHAT THE PROSPECTS WERE THEN FOR A SUCCESSFUL SUMMIT. HE THOUGHT WE WOULD HAVE SOME GOOD THINGS TO SAY ON THE MACRO-ECONOMIC SIDE. THE US COULD REFER TO THE REDUCTIONS IN ITS DEFICITS AND THE RISE OF ITS SAVINGS RATIO. BOTH JAPAN AND GERMANY COULD REFER TO STRUCTURAL IMPROVEMENTS, EVEN IF FASTER PROGRESS WOULD HAVE BEEN DESIRABLE. THE GERMANS WOULD BE TOLD THAT THEY COULD BOOST DOMESTIC DEMAND BUT THERE WOULD BE NO REVIVAL OF THE LOCOMOTIVE THEORY. IN GENERAL, HE SAW A MEETING WITHOUT DRAMA AGAINST A GENERALLY SATISFACTORY ECONOMIC BACKGROUND.

5. IN AN EARLIER CONVERSATION WITH GRIMM (CHANCELLERY) HE EXPLAINED THAT AGRICULTURE AND THE TORONTO SUMMIT HAD BEEN DISCUSSED BETWEEN KOHL AND MULRONEY DURING THE LATTER'S VISIT TO BONN. KOHL HAD SAID THERE SHOULD BE AN HONEST STOCK-TAKING OF THE PROSPECTS FOR AGRICULTURE, OF THE WORLD SITUATION AND OF THE IDEAS BEING ADVANCED TO SOLVE CURRENT PROBLEMS. THE EC WAS ENTITLED TO RECOGNITION THAT WE HAD PUT OUR OWN HOUSE IN ORDER, AND TO PATIENCE WHILE THE RESULTS BEGAN TO SHOW. IT HAD TO BE UNDERSTOOD THAT WHILE IT WAS NOT IN EUROPEAN INTERESTS TO OVERPRODUCE AND DUMP PRODUCTS ON THE WORLD MARKET, NOR COULD WE BE EXPECTED TO ACCEPT HIGHER IMPORTS FROM THE US. KOHL WOULD PREFER A MODEST POLITICAL AGREEMENT TO MAJOR COMMITMENTS ON THE LINES OF THOSE SOUGHT BY THE US. GRIMM ADDED THAT THE JAPANESE COULD BE EXPECTED TO BE COOPERATIVE SINCE THEY WERE IN NO POSITION TO CRITICISE OTHERS' AGRICULTURAL POLICIES.

6. ON THE ENVIRONMENT, GRIMM STRESSED THAT THE CHANCELLOR HAD A CLOSE INTEREST IN THE SUBJECT BUT AFFIRMED EXPRESSLY THAT THE GERMANS WERE NOT PREPARING ANY INITIATIVES IN THAT FIELD.

FOR TORONTO.

7. BETWEEN NOW AND THE SUMMIT, I EXPECT TO HAVE OPPORTUNITIES TO DISCUSS THE GERMAN APPROACH WITH TIETMEYER, KITTEL (AGRICULTURE MINISTRY) AND JELONEK AND SUDHOFF (AUSWAERTIGES AMT). I SHALL REPORT FURTHER AS APPROPRIATE.

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