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PRIVATE SECRETARY

cc Mr. Wicks

DRAFT DECLARATION

1. The immediate question which Foreign Ministers will be asked to decide is the actual handling of the various pieces of paper prepared last night. There are three possibilities:

(a) the East/West declaration, the text on the Middle East and the texts on terrorism and narcotics issue as a declaration (or two linked declarations). The texts on Southern Africa and Cambodia are used for the Chairman's summary. This is the Presidency's preferred solution. It follows what was agreed earlier by Sherpas. But it offends the Japanese by putting Cambodia in a lower category.

(b) all of the texts are handling as a single or linked declarations. This has the draw-back for us of bringing the text on Southern Africa up to the higher category. We might never succeed in getting it down again at future Summits.

(c) the declaration covers East/West, terrorism and narcotics, seen as subjects of ^{global} ~~notable~~ importance. The three regional texts are left for the Chairman's summary. We are seen as the main obstacle to this solution, which some would prefer, because of the importance we have attached to the Middle East text.

I suggest we might argue for (a) above. The Japanese showed some signs of beginning to give way on Cambodia. But if we cannot get (a) I would hav thought it better to go for (c), sacrificing something on the Middle East in order to keep South Africa out of the top category.

(There was some confusion about what exactly Foreign Ministers agreed last night: some thought that they wanted all texts to be of equal status, but that was not the Presidency's view.)

On the East/West text there are only two problems.

(a) the German insertion in paragraph 6. This gives undue prominence to Shevardnadze's statement before we have had a

chance to evaluate it properly. It helps the Russians to set the agenda for the CST.

(b) the French reserve on the last paragraph is a doctrinal point about which we all became confused, even Attali. I think we could go along with any of the variants e.g. "consistent with the security interests of each of us".

On the Middle East text I doubt if the Americans will stick to their reserve about compliance. We would be happy for the words to come out but can accept the text as it is.

I went to one of our fall back positions on paragraph 3 of the terrorism text, but this still did not satisfy everyone. I think we can press strongly for the passage in square brackets to be included: it does not significantly lengthen the text.

The French have a problem on condemning Vietnamese occupation in the Cambodia text. We could join in urging them to drop this reserve, but it is not a point of major importance.

The text on Southern Africa is ragged: we had no draft to work with. The French had by this time left, possibly accidentally. I included the reserve to President Botha's speech but there is no prospect of securing agreement to it. It may be useful for trading purposes. The text is relatively mild and contains no hint of sanctions. I think we can live with it.

DRAFT ECONOMIC DECLARATION; COMMENTARY

INTRODUCTION (paragraphs 1 to 5)

1. Only remaining square brackets in middle of paragraph 4 where French object to "market" forces and want a reference to "in a context of supportive social programmes". Everyone else can support "market" forces.

2. The final sentence of paragraph 6 reflects the usual French pressure for references to improving the international monetary system, but is innocuous.

INTERNATIONAL ECONOMIC POLICY COOPERATION (paragraphs 6 to 13)

3. Paragraph 12 on agriculture was controversial. In its present form it gives (implied) credit to the Community for the February reforms; points forward to further reforms; and gives people what they want on small farms.

MULTILATERAL TRADING SYSTEM/URUGUAY ROUND (paragraphs 14 to 20)

4. At the end of paragraph 14 we secured a satisfactory reference to standstill and roll-back. The Americans resisted this to the bitter end but then raised their square brackets. The sentence is so placed in the Communique to govern all trade issues: but the Americans and others all know that it refers particularly to recent and threatened US action to support their farmers.

5. Paragraph 16 on strengthening GATT disciplines reflects our ideas and is satisfactory.

6. Paragraph 18 is the main passage on agriculture. The final text contains alternative square bracketed passages. The first

is satisfactory to the rest of the Community. The second reflects a substantial concession by the Americans, who have abandoned language committing Summit countries to abolish "trade distortive measures of agricultural policies". They are now prepared to settle for reductions of such measures, and have not attempted to set a date. "Zero/2000" has thus disappeared at least in this context. The rest of the Community have not accepted the new American language: but at this stage I think it would be reasonable to give the Americans some support.

7. The latest version of paragraph 9 reflects a compromise between the French and the Americans on "globality", ie the proposition that no agreement on any subject in the Mid-Term Review in Montreal this December can be reached unless there is agreement on all subjects. The new text is satisfactory.

NEWLY INDUSTRIALISED ECONOMIES (paragraph 21)

8. There was an argument between the Americans and the Japanese about whether exchange rates were a proper subject for discussion with the NIEs. We have an interest because of the Hong Kong dollar/US dollar link. But the reference in the final text to "currency" policies is all right.

DEVELOPING COUNTRIES AND DEBT (paragraph 22)

9. The Americans want a specific reference to helping the Philippines. The rest of us are not keen, and the French were strongly opposed.

10. There is no square bracketed language elsewhere in this section. Paragraph 30 deals with the debt of the poorest in a manner which adequately reflects the Chancellor's ideas, though

without referring to them specifically. The references to "comparability" are code for burden-sharing which the Americans will not accept explicitly.

FUTURE SUMMITS (paragraph 32)

11. This is our language (reflecting a pedestrian original).

OTHER ISSUES

12. The passage on the environment is acceptable. We have checked with the Department of the Environment that they do not object to the reference to "acid rain". But the Americans and the Canadians seem equally determined to have that reference out.

13. We have also checked with London that the reference to the manned space station is OK.

ReB