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PART C

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PART C

Chancellor's (Lawson) Papers:

LONDON ECONOMIC SUMMIT
JUNE 1984

Disposal Directions 25 Year

Phd

21/7/95

CH/EXCHEQUER	
NO.	27/4/84 27 APR 1984
ACTION	M. Lavelle
COPIES TO	CST, Sir P. Middleton Mr Litter Mr Unwin Mr B. Hill Mr Mountfield

Sir Robert Armstrong

copy to: PS/Secretary of State for Foreign and
Commonwealth Affairs
PS/Chancellor of the Exchequer ←
Mr Colvin, Cabinet Office

LONDON ECONOMIC SUMMIT: PRIME MINISTER'S MEETING ON 30 APRIL WITH
FOREIGN AND COMMONWEALTH SECRETARY AND CHANCELLOR OF THE EXCHEQUER

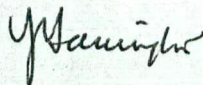
1. I assume that this meeting will discuss substance rather than the arrangements for the Summit. There is only one major problem on the latter aspect, which is Count Lambsdorff. It is vital that this problem should be settled if we are not to have great embarrassment, administrative disruption and resentment from other delegations at the Summit itself.
2. The Japanese have been asking what provision we should make for the attendance of their MITI Minister if Count Lambsdorff should come to London for the Summit. I have told them, honestly, that we are making no provisions for extra Ministers at the moment. There can be no extra places at the tables and we cannot allott special cars, passes and other facilities to delegations who bring an extra Minister. If they were to rotate Ministers at functions, which is technically feasible, the Minister who was left out could be treated only like a senior official. This would cause us great embarrassment. We know that special treatment for any delegations who bring an extra Minister would be resented by the others. Mr Regan has said that he would protest for a start.
3. I told the Japanese that we appreciated that their decision was linked to that about Count Lambsdorff. I hoped, and expected, that he would not be coming.
4. The Germans at the official level have not discussed the question with us, since they no doubt realise it has to be decided by Ministers in Bonn. The Anglo/German Summit at the end of next week may be the last chance for the Prime Minister and the Foreign and Commonwealth Secretary (it is more difficult for the Chancellor) to persuade their

/German

German counterparts to agree that Count Lambsdorff should not come to London in June. I hope they can speak firmly and that the Germans before they leave London can be committed to a decision that Count Lambsdorff should not come. We are shortly going to print on the programme and there is no provision for an extra German Minister in it.

5. Other problems connected with the arrangements are mostly matters of detail, which we are pursuing at full stretch. An up-to-date programme is attached. I shall be available if you wish to check any point with me before or during Monday's meeting.

6. The main problem, it seems to me, will be for messages to come out of the Summit which will attract the attention both of the public and of serious commentators in a way that will submerge press reports of likely negative factors, such as demonstrations against President Reagan.



N J Barrington
OAB 1/10 273 4326

27 April 1984

1984 ECONOMIC SUMMIT : PROVISIONAL OUTLINE PROGRAMME

MONDAY 4 JUNE

1630 (approx)

United States Delegation arrive at Heathrow Southside.
Transfer from airport to Winfield House by helicopter

1745

Greeting by Prime Minister at Orangery

THURSDAY 7 JUNE

0715

Japanese Delegation arrive at Heathrow Southside
Transfer from airport to Central London by car and escort

(Time to be confirmed - possibly in afternoon with other delegations in protocol position)

Greeting by Prime Minister at Orangery

Between 1400 and 1630
(Times to be confirmed)

Other Delegations arrive at Gatwick airport in reverse protocol order.

Transfer from airport to Kensington Palace Gardens by helicopter.
Greeting by Prime Minister at Orangery. Principals travel by car to living accommodation

EVENING

1830

Reception at St James's Palace

2000

Separate working dinners
(1) Heads of State/Government at 10 Downing Street

2015

(2) Foreign Ministers at Carlton Gardens
(3) Finance Ministers at 11 Downing Street

FRIDAY 8 JUNE

MORNING

0930

Arrival of Heads of State/Government at Lancaster House (Group photographs)

1000-1230

(1) Heads of State/Government meet in the Music Room, Lancaster House

LUNCHEON
1300

(2) Foreign Ministers and Finance Ministers meet in State Drawing Room and Long Gallery

Working lunches at Lancaster House
(1) Heads of State/Government in Gold Room
(2) Foreign Ministers and Finance Ministers in State Dining Room (separate tables)

AFTERNOON
1430-1700

Plenary session in Lancaster House

EVENING
2000

Separate working dinners
(1) Heads of State/Government at National Portrait Gallery
(2) Foreign Ministers at Royal Society of Arts
(3) Finance Ministers at the Bank of England

SATURDAY 9 JUNE

MORNING
0930-1230

Continuation of discussions in Lancaster House

LUNCHEON
1300

Plenary lunch in State Dining Room at Lancaster House

AFTERNOON
1600

Joint Press Statement at Guildhall
Heads of State/Government give individual press conferences afterwards. (Mrs Thatcher will do this at the Connaught Rooms)

EVENING
2030

Banquet at Buckingham Palace

SUNDAY 10 JUNE

MORNING

Departure of bulk of Delegations

NOTE: Photocalls will be arranged at each event

27 April 1984

FROM: R G LAVELLE

DATE: 27 April 1984

- Ah 27/4*
1. MR LITTLER
 2. CHANCELLOR

cc: Sir P Middleton
 Mr Unwin
 Mr Mountfield
 Mr Bottrill
 Mr Kelly

LONDON ECONOMIC SUMMIT: MEETING ON 30 APRIL

You are meeting on Monday with the Prime Minister and Foreign Secretary to resume discussion of the Economic Summit. Mr Tebbit and Mr Ridley may also attend.

2. The focus for this discussion is likely to be your own note of 18 April. The Prime Minister has already indicated general agreement with your approach. Subject to unexpected major economic developments the themes identified in your note seem now likely to hold the field: although their relative emphasis may shift a bit.

3. There have also been circulated a revise of the 'thematic paper' and a supplementary paper on possible British initiatives commissioned at the discussion on 23 March. For convenience I deal briefly with the last two first.

The Thematic Paper

4. There seems no reason for the meeting to spend time on this background paper as such. The general economic prospect described in it is consistent with that recently considered by the Interim Committee. For the rest it seems fair to say that the approach of the paper was largely endorsed at the recent meeting of Personal Representatives. Any plums concealed in the pudding are in your paper.

Possible British initiatives

5. The Cabinet Office have put together a note on six ideas canvassed at the March meeting. One is thought to be a dud (deregulation of air transport). The others are judged likely to provide some useful potential material for discussion and the Summit communique. But it is suggested we should be wary of commissioning new work and further institutionalising the Summit.

6. That assessment seems about right. As regards the liberalisation of capital markets the main issues (Japan, developing countries) are covered in your paper. But some more general reference to this in the communique - as also to the problem of expenditure on social services - could be useful. The question of further Summit studies arises mainly in relation to liberalisation of trade in services. The bureaucratic costs here look to outweigh any likely benefit. The prospect of a fruitful outcome to a full-blooded initiative on harmonisation of standards seems similarly dubious. Export subsidies are considered under the trade head of your note below.

Your own paper

7. Some comments in the light of developments on individual items may be useful.

8. Reaffirmation of the basic strategy in the light of the recovery prospect must surely figure in the communique, as it did in the communique from the Interim Committee. These restatements are of continuing importance to the general climate.

9. As regards US policies, the Prime Minister has commented on the need to avoid criticism of President Reagan. The tactic described in paragraph 4 of your note was designed very much with this in mind. The others will not be prepared to leave the subject unmentioned. This will be the more true if current upwards pressures on US interest rates continue. So the best

answer seems likely to be to encourage the Americans themselves to propose language which is in line with what the President would be prepared to put in his own election material.

10. Structural adjustment (the Prime Minister would prefer to avoid the phrase supply side) seems likely to be an important broad theme. As the Canadian Sherpas have stressed, the concept has significant applications in developing as well as industrial countries. It is something in which all Summit participants have interests and views.

11. As regards Japanese capital markets, it will be important to build on and round whatever the US can achieve in their bilateral talks. After the latest round of US/Japan bilateral talks, Sprinkel gave a much more optimistic private account of progress made than he had given previously. He said the US felt they might have got two-thirds or so of what they could reasonably ask, including fairly satisfactory undertakings on the establishment and operation in Japan of foreign banks and agencies, some helpful moves on de-regulation of interest rates and the introduction of wider monetary instruments, although still on too slow a timing, and a few, still inadequate, moves to broaden euro-yen markets. There are to be further bilateral talks in Rome immediately following the meeting of G-10 Ministers.

12. We can probably best judge after these May meetings where it would be useful to supplement US efforts. Deregulation of interest rates is an important key to worthwhile domestic development eg on a Treasury Bill market. We will need to keep hammering away at these points. The Bank of England are working up quantitative comparisons on the degree of international penetration into domestic markets which should provide useful supporting ammunition. The theme of mutual gains from greater reciprocity over establishment issues is another one we may wish to plug.

13. Under trade, three aspects are particularly in mind. First, we look for progress at the May OECD on phase 2 of roll-back.

Mr Littler is currently in correspondence with Sir Anthony Rawlinson about the possibility amongst other things of giving a mandate to OECD in the area of non-tariff barriers where there are problems of definition as well as means of elimination. Secondly there is mixed credits. Here our objective is to freeze existing levels and phase back over the next few years. The Summit offers a way round problems of Community competence and French lack of enthusiasm. Thirdly, as touched on in para 7.8 of the thematic paper, the Summit can pave the way to a further 1985 GATT round.

14. On debt, the Prime Minister has said she is very much in agreement with the approach taken in the paper annexed to your minute to her. The FCO, at least at official level, also welcome it.

Other matters

15. It is possible that the Foreign Secretary will raise the question of an SDR allocation. You may like to say that this is not a matter on which agreement would be possible - or appropriate - at the Summit. If there were to be an allocation it would have to be as part of a deal, covering other issues such as access to Fund resources, to be struck in September.

16. Reference was made at the March meeting to consideration by the Summit of international political issues. The Foreign Secretary was to prepare a list of possible political issues, for circulation next month. It might be worth enquiring the state of play on this.



R G LAVELLE



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You will see (letter to me of 24 April) that the P.M. agrees in general terms with the proposals in your minute.

My only addition to Royce-Lavelle's brief below is on terminology: you don't like "structural adjustment"; the P.M. doesn't like "supply side". Wd. something like "making the market work", or "improving market flexibility" as an alternative?

R.P.

W.T.V.C.



FROM: D L C Peretz
DATE: 30 April 1984

Mr Towers

cc Mr Littler
Mr Bottrill
Mr Culpin
Mr Monaghan
Mr Page

LONDON ECONOMIC SUMMIT: INTERVIEWS BEFOREHAND

The Chancellor agrees with your proposal that he should give one or (at most) two interviews before the London Economic Summit. His order of priority is the Financial Times, and, if a second is needed, Reuters.

A handwritten signature in dark ink, appearing to be "D L C Peretz".

D L C Peretz



10 DOWNING STREET

From the Private Secretary

EXCHEQUER	
ALL.	30 APR 1984 ✓
NAME	MR LITTLER
NO.	EST, SIR P. MIDDLETON
	SIR T. BURNS, MR UNWIN
	MR BATTISHILL, MR LAVELLE
	MR MOUNTFIELD
	MR BOTTRILL
	MR C. KELLY
	MS CONN ✓

SIR ROBERT ARMSTRONG
CABINET OFFICE

30/4/84.

London Economic Summit

The Prime Minister held a meeting today to discuss the London Economic Summit. Present were the Foreign Secretary, the Chancellor of the Exchequer, the Secretaries of State for Trade and Industry and Transport and yourself. The meeting had before it the draft thematic paper prepared by the Personal Representatives, circulated under cover of your minute of 25 April (reference A084/1240); and a paper on possible British initiatives circulated under your minute of 26 April (reference A084/1263).

The Prime Minister was dissatisfied with the language of the thematic paper which contained too much economists' jargon. The danger was that its obscure wording would permeate the discussion and possibly even the final Communique. Even though it would not be circulated under her name, she could not allow it to go out in this form. She asked the Chancellor of the Exchequer, in conjunction with yourself, to re-write it in a more direct style. You said you would be preparing the first draft of the Communique and would ensure that it was in a style which would make it accessible to the wider public.

On the substance of the paper, the Prime Minister said she was sceptical about prolonging the life of the Working Group on Technology, Growth and Employment, which had been established at Versailles two years ago, for a further year. Its continued existence illustrated the danger of setting up bodies in the Summit framework. You said the Group had done useful work without absorbing significant time or resources. It was a useful forum for considering environmental questions and was consistent with our emphasis on establishing a proper scientific basis for decisions. It was noted that President Reagan was anxious to secure co-operation for the international space station. The attitude of the UK Government to this should be considered carefully by Departments.

The Prime Minister said it was important not to allow the Summit to become a forum for criticism of President Reagan's policies. The climate on the Federal deficit was changing and a deficit reduction package was likely to be settled soon. The tone of the Summit should not be criticism but encouragement for these developments. The Chancellor of the Exchequer said

the change of climate in the United States had come about because the Republicans themselves recognised that an uncontrolled deficit was an electoral liability. The package was still inadequate in relation to the size of the problem but this was recognised by labelling it as a down-payment, with an implied commitment to further measures later.

The discussion then turned to the political dimensions of the Summit. The Foreign Secretary asked whether there would be a political declaration and how extensive the political discussion should be. Representatives of Foreign Ministries would be meeting on 18 May to consider these points. It was noted that Williamsburg was the first time there had been a declaration on a full range of political questions; earlier Summits had issued statements in response to specific international issues. While the French were reluctant to expand the political content, Germany, Japan and the United States were in favour. Germany was seeking a full text, partly to counter the atmosphere which might be created by the anniversary of D-Day landings.

The Prime Minister thought there should be a declaration which should certainly contain an important statement on international terrorism. The other points should be responsive to current concerns and the declaration should not become a tour d'horizon, taking up subjects merely because they had featured in the discussion at earlier Summits. The Foreign Secretary should resist efforts by Germany to prepare a long text in advance, and ensure that the UK had an opportunity to make the first draft of the statement on terrorism.

The Foreign Secretary raised the question of Ministerial attendance by those countries where Ministerial responsibility for the economy was divided. While it was generally accepted that only one Economic Minister could attend plenary sessions, a problem arose for the two working dinners and the special session for Finance Ministers. This was most acute for Germany who might want both Stoltenberg and Lambsdorff to attend. Japan was not pressing its case but would certainly do so if concessions were made to Germany.

After discussion it was agreed that no attempt should be made to prevent Count Lambsdorff from attending the Summit but that the rule should be that only one Minister could attend any session or working dinner. The choice should be left to the Head of Government concerned. The Prime Minister said she would put this to Chancellor Kohl. Could you consider how this rule would operate in relation to the Palace banquet where invitations are restricted to two Ministers.

The meeting then considered the UK paper on Summit initiatives. The recommendations in your minute to pursue items 2a, b, c, e and f but not 2d were agreed. The UK should take up the question of liberalisation of Japanese capital markets as this would maintain the pressure following the US/Japanese bilaterals. On trade in services, it was agreed that the best approach was that set out in

/para 13b

para 13b i.e. the Summit Seven should seek to work through OECD rather than through GATT or by setting up their own apparatus. On shipping, the Secretary of State for Transport said our objectives should be to secure a declaration in favour of a liberalised regime. This would help to resist pressure from third world countries to allocate shipping on a bilateral basis and would strengthen the position of those in the US favouring a liberalised regime.

Work on harmonisation of international standards should be pursued though this left open the question of whether harmonisation should be secured in Europe first in order to create a stronger bargaining position for Europeans. On export subsidies, it was agreed that little progress was likely. It was important to avoid a declaration which would tie the UK more than less scrupulous competitors. The aim should be to tackle all forms of concessionary trade finance not just those labelled mixed credits.

I am copying this letter to Len Appleyard (Foreign and Commonwealth Office), David Peretz (HM Treasury), Callum McCarthy (Department of Trade and Industry) and Dinah Nichols (Department of Transport).

AT

Andrew Turnbull

30 April 1984

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1/5/84

CH/EXCHEQUER	
REC.	02 MAY 1984 ✓ 2/5
ACTION	MR WITTLER
COPIES TO	EST, SIR P. MIDDLETON
	SIR T. BURNS
	MR UNWIN, MR BATTISHILL
	MR LAVELLE

MR MOUNTFIELD
MR BOTTRILL

70 WHITEHALL, LONDON SW1A 2AS

01-233 8319

From the Secretary of the Cabinet and Head of the Home Civil Service

Sir Robert Armstrong GCB CVO

Ref. A084/1289

CHANCELLOR OF THE EXCHEQUER

London Economic Summit: Thematic Paper

After the Prime Minister's meeting yesterday morning you agreed that I should have a first go at dejargonising the draft of the Thematic Paper. I attach the result herewith.

2. The first draft of the Thematic Paper was considered at length by Personal Representatives at their last meeting, and met with a very general measure of acceptance and approval. At this stage of the preparations I am very anxious not to throw away the results of that. For this reason I hope that we can keep the form and structure of the paper very much as it is, making the drafting amendments required to make it plainer, and to eliminate the shorthand jargon phrases like "structural adjustment". But some words are, I think, bound to survive; for instance, "surveillance" has become something of a term of art in this context, and the meaning of it will be perfectly clearly understood by those who will read this paper.

3. The Thematic Paper is not of course for publication, but to define the themes of the Summit discussion. We shall have as a separate exercise to draft a declaration, and it will be very important that that should be in plain and political language. I do not propose to discuss that at the next meeting of Personal Representatives, but I should hope to be able to submit to you and other Ministers before that meeting a first draft.

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*C/the changes
are undelined
in para 1.*

*This has very
and handed
his efforts*

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4. The draft Thematic Paper is on the word processor here; to save time, therefore, I should be very happy to have your further amendments in manuscript, rather than spend time having them retyped in the Treasury. I should like to get the revised draft into the Prime Minister's box this weekend.

Robert Armstrong

1 May 1984

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LONDON ECONOMIC SUMMIT
7-9 JUNE 1984

THEMATIC PAPER

	Paragraphs
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Cabinet Office

2 May 1984

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Introduction

1. The London Summit is part of a continuing process of consultation among the major industrialised economies. Through successive recent Summits, governments have worked to bring down levels of inflation, nationally and internationally, to promote soundly-based growth in their own countries and to spread the benefits more widely, and to promote greater stability in international monetary and exchange conditions. Over the past two years, inflation has fallen and output has begun to recover, particularly in the United States. The work to sustain and spread this recovery continues. The London Summit provides a vantage-point from which to look forward to policies to guide the major industrialised economies successfully into the second half of the decade.

2. The main concerns in the years ahead are likely to be: to reinforce the basis for enduring growth, without provoking a resurgence of inflation, and to spread the benefits of that growth within and among our societies; to make sure that our economies develop flexibly and in response to market needs and technological change, so that our industries produce the goods and services that people want to buy at the best possible quality and the lowest possible cost (a process of development sometimes characterised as "structural adjustment"); to encourage flexible labour policies and to create conditions for a sustained improvement in employment, especially for the young; to strengthen and liberalise the international trading system and capital markets; to continue to manage international debt problems in ways which meet the needs of the debtor countries and protect the viability of the international financial system; to promote and encourage conditions for adequate financial flows to non-industrialised countries; and to co-operate with the wide range of those countries in their efforts to place their economies on a more secure and self-reliant basis. The Summit countries share a profound commitment to the fundamental values of political liberty and the free market system, with justice and responsibility. They are convinced that these principles alone provide a sure foundation for long term economic development.

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Macroeconomic Background

3. Over the past year the recovery in the industrialised nations, discerned at Williamsburg, has strengthened and deepened. In many respects the recovery is more soundly-based than in some previous cycles, founded as it is upon real and often painful structural changes against a background of firm efforts to reduce underlying fiscal deficits and control monetary growth in most countries. But its continuation cannot be taken for granted. In the industrialised countries, failure to sustain policies to reduce inflation and damp down inflationary expectations could put recovery at risk. Many other countries, including relatively advanced economies with substantial debt burdens as well as endemically low income countries, are still encountering severe difficulties. In considering the contribution which the Summit countries can best make to help these countries, it is essential to recognise the wide diversity of their circumstances and requirements.

4. The principal features of macroeconomic developments over the past year can be summarised as -

4.1 - growth has revived strongly in North America and Japan, and somewhat less strongly in certain European countries. The fact that the pace of recovery varies from one country to another has helped to avoid some of the pressures seen in earlier, more rapid, recoveries;

4.2 - recovery has been accompanied by improvements in productivity and has therefore had so far only a limited impact on employment. Experience on job creation has varied widely in the Summit countries, with a particularly strong rise in employment in the United States;

4.3 - significant success has been achieved in reducing inflation, although it remains high in some countries;

4.4 - underlying structural budget deficits have tended to rise in North America but good progress has been made in other countries in bringing about a reduction, reflecting both measures designed to cut planned public spending and, where necessary, a readiness to increase taxes;

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- 4.5 - there has been a perceptible revival in world trade. A marked rise in the imports of some Summit countries, notably the United States, has helped to spread the benefits of the recovery to other countries;
- 4.6 - exchange rates were dominated until the turn of the year by the strength of the dollar, although this has recently declined;
- 4.7 - nominal interest rates have risen sharply recently in the United States and real rates remain historically high in a number of countries;
- 4.8 - although monetary aggregates have been volatile in some Summit countries, overall the rate of growth has slowed after the rapid rises early last year, and is now more consistent with a prudent rise in nominal income;
- 4.9 - significant payments imbalances have emerged between Summit countries. A large and rising Japanese surplus has been more than offset by the very large United States deficit so that the group as a whole has been in deficit - in contrast to its traditional surplus;
- 4.10 - most other countries have reduced their current account deficits, benefitting from a recovery in their export markets and rising commodity prices. Nevertheless many of the debtor countries among them still face the consequences of import reductions, substantial debt servicing costs, increased political and social strains and a level of net bank lending which is low compared to the position a few years ago;
- 4.11 - the future facing the poorest countries remains daunting. Levels of official aid are constrained by budgetary pressures in donor countries and the outcome of IDA 7 so far has disappointed many governments. The prospects for the poorest countries, especially in sub-Saharan Africa, remain bleak;

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- 4.12 - the flexible strategy on debt evolved during the last few years has worked well so far. Threats of global financial crisis have been averted. World economic recovery has played an important part. An increasing number of debtor countries have accepted the necessity for often severe adjustment of their economic policies, and are seeing the resulting benefits in their economic situation and prospects. In this a key role has been played by the IMF, whose resources have been strengthened, and by substantial co-ordinated support measures by creditor governments and their central banks, other financial institutions and private banks. But there is still a long way to go and problems and risks remain;
- 4.13 - [some progress has been made in implementing the commitments on resisting and reversing protectionism made last year at the OECD Ministerial meeting and at Williamsburg. All Summit governments have agreed steps to accelerate implementation of the Tokyo Round and to ease restrictions on imports from the poorest countries;]*
- 4.14 - nevertheless, there has been no easing of protectionist pressures in the industrialised countries, reflecting high unemployment and slow recovery in some cases and a high exchange rate and growing trade deficit in the United States. There has been little movement among the newly industrialised countries and others in the course of industrialisation to dismantle their own trade barriers or to reduce internal constraints upon competition;
- 4.15 - oil prices have remained relatively stable but the market balance is still fragile, poised between the twin dangers of over-production and sharply reduced supplies due to political events. Other commodity prices have risen modestly.

* Note: depends on the outcome of the OECD Ministerial meeting on 18 May.

Prospects

5. Most forecasters expect that on present policies the recovery in activity in the Summit countries should continue over the next year or so -

5.1 - output in North America may rise more slowly after the rapid recent increases but activity in Japan and the European economies should gradually strengthen. A phased recovery of this kind can be a helpful basis for sustained growth;

5.2 - unemployment seems likely to fall further in the United States but the recovery may not be rapid enough to bring more than a slight reduction elsewhere, particularly where market rigidities persist;

5.3 - so long as the recovery in activity proceeds at a moderate pace, it should be possible to avoid an early resurgence of inflation. Prices could rise more rapidly than last year in the United States, but others may either manage to keep inflation close to present levels or achieve some further reduction;

5.4 - world trade seems likely to rise rather faster than the recovery in activity;

5.5 - current account imbalances within the Summit group seem likely to increase and the Summit countries as a whole may remain in deficit with the rest of the world;

5.6 - recovery combined with present fiscal policies should help curb budget deficits in most Summit countries. The United States Administration is giving priority to curbing public expenditure but the structural deficit may remain at a high level;

5.7 - prospects for interest rates are uncertain. In the United States, a more moderate growth of output could help to hold the rise of interest rates in check; but an increase in the rate of inflation, particularly if allied to concern about financing the budget deficit,

could work in the opposite direction. Elsewhere, further progress in curbing inflation and budget deficits may ease interest rate pressures;

- 5.8 - exchange rate prospects are also uncertain. The growing United States current deficit, particularly if coupled with faster inflation, could put further downward pressure on the dollar although a continued high rate of return on assets in the United States could be an offsetting factor. Japan's growing surplus and strong macroeconomic performance could lead to upward pressure on the yen, but capital market rigidities could limit the extent of any appreciation of the yen. The stability of EMS countries' exchange rates, both among themselves and with the rest of the world, will depend on their success in bringing their inflation rates together at a low level;
- 5.9 - rising exports, higher commodity prices and effective adjustment are likely to help many of the non-oil countries to service their debts and begin to reduce their current account deficits;
- 5.10 - the prospect of only a modest increase in energy demand should help towards achieving stable nominal oil prices, though resulting limits on the revenues of oil producers will reduce the scope for import growth in oil producing countries. Rising activity may also lead to further modest increases in other commodity prices;
- 5.11 - in the medium term, the prospects for sustained recovery depend on avoiding a resurgence of inflation, achieving lower real interest rates and a strong recovery in investment, sustaining efforts to secure flexible and responsive developments in the industrial patterns of the major economies, and maintaining the growth of world trade on which the prospects for poor countries in particular depend.

Medium Term Objectives and Policies

6. Increased confidence and economic recovery offer the opportunity to move to a period of sustained growth. If this is to be achieved, Summit countries need to set themselves a common range of medium-term objectives, and to take account of the impact of their policies on each other and on the rest of the world. Other countries and groups of countries have already expressed their concern in this respect. The objectives can be summarised as -

6.1 - to continue with, and where necessary strengthen, prudent monetary policies, supported by strict control of public expenditure and fiscal deficits, with the particular aim of still lower rates of inflation. Especially firm action will be needed in countries where inflation rates remain relatively high;

6.2 - to adopt policies which can be expected to create conditions for lower nominal and real interest rates. This mainly entails further progress to reduce inflationary expectations and resolute action to put structural budget deficits onto a prudent and sustainable basis;

6.3 - to devote greater attention to reducing obstacles to higher employment by encouraging labour mobility, more flexible labour costs and industrial adaptation, by discouraging measures which merely temporarily prop up industries which face secular decline, and by reducing and, if possible, by phasing out export subsidies and other forms of assistance which distort trade. As demand expands, it will be particularly important to ensure that wherever possible the unemployed are drawn into productive employment; this will also reduce the strains on public expenditure from social security provisions, which seem likely otherwise to rise to insupportable levels in many industrialised countries;

6.4 - to promote the development of new technologies, in traditional as well as in new industries, and to encourage international co-operation and a more rapid and widespread acceptance of technological change, recognising its importance to long-term growth;

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- 6.5 - to promote conditions conducive to productive investment and private enterprise, especially among innovative small businesses;
- 6.6 - to make renewed practical efforts to liberalise and expand trade, in services and high technology as well as in manufactures and commodities, and to consolidate the open trading system;
- 6.7 - as recovery proceeds, to complete current trade liberalisation programmes, in cooperation with other trading partners, and to explore with them the need for and possibility of a new negotiating round early in the second half of the decade;
- 6.8 - to maintain adequate flows of resources (including official development assistance) to the non-industrialised countries, taking into account the diversity of their requirements, and in particular to encourage them to develop and apply practical measures to conserve non-renewable resources for the future, enhance indigenous food and energy production, and create conditions where populations move towards stability;
- 6.9 - to find ways of increasing the flow of private investment, through the removal by all countries of impediments to capital flows generally and by encouraging countries to create a climate of confidence for investment;
- [6.10 - to adapt and improve the operation of the international financial system. This entails creating a more stable medium term financial environment by prudent and convergent policies and performance among the major countries, particularly the reserve currency countries, providing a consistent flow of funding to the international financial institutions and removing restrictions on and improving international access to capital markets in industrialised countries;]*

* Note: depends on the outcome of the April IMF and May G10 Meetings.

- 6.11 - to continue to encourage and assist debtor countries in making the necessary economic and financial adjustments, taking due account of political and social difficulties. Such adjustments are the essential condition for them to establish the basis for sound growth and of confidence on which they can once again attract new capital. Sustained world recovery, accompanied by adequate but not excessive world liquidity, will continue to be a prerequisite for success;
- 6.12 - to pursue policies, wherever possible, best designed to avoid sudden and de-stabilising movements in either direction in international oil markets;
- 6.13 - to pursue the necessary scientific research to establish the causes, effects and means of limiting pollution; in the light of such research to make greater national and international efforts to reduce pollution of air, water and ground; and to work on countermeasures to minimise the effects of pollution.

Immediate Measures

7. In order to attain these objectives within a framework of sustained recovery and growth, Summit countries can agree on the following range of immediate measures -

- 7.1 - to carry forward and develop as appropriate the procedures agreed upon at previous Summits for multilateral monitoring and surveillance of national economic and financial policies, and to make further progress in all Summit countries on prudent fiscal and monetary policies with a view to achieving reduced levels of inflation and interest rates and greater exchange rate stability;
- 7.2 - to study with the appropriate international organisations, notably the OECD, the scope for and development of "structural adjustment" policies and to adopt further measures to reduce obstacles to sustained growth, in particular by harmonising international standards, by encouraging innovation and industrial

adaptation to technological change and greater labour and capital mobility (thus maximising job creation and job training opportunities), and by increasing public understanding and acceptance of the need for advanced technical development;

7.3 - to note, with approval, the progress report of Finance Ministers on their consideration of the operations of the international monetary system and the work of G10 Ministers on exchange rates, surveillance, international liquidity and the role of the IMF and to invite Finance Ministers to take forward these studies in the appropriate organisations;

[7.4 - to confirm the basic strategy on debt and to continue to implement it flexibly on a case by case basis, recognising with satisfaction the progress made by many debtor countries and the extensive international cooperation which has helped to encourage and support them;

7.5 - to note that continued world economic recovery, reduced interest rates and trade liberalisation, all desirable general aims, are also particularly important to the resolution of international debt problems;

7.6 - to urge Finance Ministers, international institutions and the debtor countries themselves to seek and develop arrangements which could foster renewed economic progress by debtor countries. These might include:

7.6.1 - encouragement of private direct investment;

7.6.2 - closer co-operation and compatibility between the IMF (focussing on shorter-term financial and economic adjustment) and the IBRD (focussing on longer-term development needs);

7.6.3 - scope for developing the kind of IBRD operations which can help to attract long-term capital investment;

7.6.4 -further development of international cooperation for improving the supervision of lending by commercial banks, notably in their overseas operations;]*

7.7 - [to note [with approval] the decision taken at the meeting of OECD Ministers on 18 May 1984 concerning the initial phase of the OECD and Williamsburg commitments and the OECD Secretary-General's initiative]**, and to urge all trading countries to resist continuing protectionist pressures and to reduce barriers to trade;

7.8 - to promote at the GATT Contracting Parties meeting in November 1984 a successful outcome of the work programme laid down at the GATT Ministerial meeting in November 1982; and to broaden consultations with Contracting Parties and with the Director General with a view to obtaining a consensus for a high level meeting of GATT before the end of 1985 to consider launching a new GATT round on the basis of clearly defined objectives and guidelines, at the appropriate moment in the second half of the decade.

East/West Economic Relations

8. To note, with approval, the work that has been done on the economic and security implications of relations with Eastern countries and to endorse the need to continue the work in progress in the appropriate organisations.

Science and Technology

9.1 To note, with approval, the second report of the Working Group on Technology, Growth and Employment created by the Versailles Summit; to endorse the progress made in the 18 areas of co-operation; and to invite the

* Note: depends on outcome of April IMF and May G10 meetings.

** Note: depends on outcome of the OECD Ministerial meeting on 18 May.

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Group to pursue further work on technology and the environment, adaptation to technological change, the relationship between technology and trade and the sharing of major scientific facilities, and to report to the next Economic Summit.

9.2. To thank Prime Minister Nakasone for his report on the Conference on Life Sciences and Mankind, organised by the Japan Foundation in March 1984, and to welcome the intention of the French Government to host a follow-up Conference in 1985.

9.3. To welcome the invitation from the United States Administration to other Summit countries to co-operate in the development of an international manned space station; to agree that other Summit countries will actively examine the possibility of taking part in the programme, directly or collectively; and to welcome the intention of the United States to report progress on space station matters to the next Summit.

CONFIDENTIAL

Judith
Chapman
Head of Administration
15/5/84
15/5/84

B/f 8/5
B/f 15/5 (PP)

FROM: M W N TOWRS
DATE: 2 May 1984

1. MR PAGE
2. MR CULPIN

cc PPS —
Mr Littler
Mr Bottrill

Mr Monaghan
Mr Bosley
POF: LES 84(A)

LONDON ECONOMIC SUMMIT : PRESS ANNOUNCEMENT; PRESS BRIEFING

I attach a self-explanatory note from Ian Kydd of the LES Press Unit.

2. You will see that we are invited to mention the two press briefings to economic/^{and}foreign correspondents respectively. Mr Page may wish to draw the attention of COI's Foreign Financial Journalists Group to the briefing at the FPA. (Please also see below).

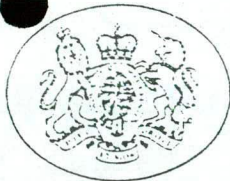
3. On the subject of pre-Summit press briefing by the Treasury, Mr Littler has indicated that such briefing should be done after the OECD Ministerial and G11 meetings which take place on 17-19 May. You may wish to consult the Chancellor before these meetings on whether the Chancellor himself wishes to do the Treasury's pre-Summit briefing or whether he is content to leave it to senior officials. I should record that the Foreign Financial Journalists Group have asked for a pre-Summit briefing with the Treasury separate from any other pre-Summit briefing given by the Treasury: we are considering how to respond to this request.

4. Looking further ahead, we need to establish with the Chancellor whether he wishes himself to brief journalists at the conclusion of the first day's proceedings of the Summit and/or at the conclusion of the second and final day's proceedings. I have provisionally suggested to the LES Press Unit that the Chancellor might well wish to avail himself of both opportunities.

MWN Towers

M W N TOWERS

Economic Summit Press Unit
Rm SG/114
Old Admiralty Building
Foreign and Commonwealth Office
London SW1A 2AH



Telephone 01- 273 5406

Miss Sheenagh Wallace
10 Downing Street
London SW1

Your reference

Our reference

Date 30 April 1984

Dear Sheenagh,

1984 LONDON ECONOMIC SUMMIT : PRESS ANNOUNCEMENT

I attach a draft Press Notice which we are planning to issue at 11.30 am on Tuesday 8 May (my minute of 30 April to Mr Roberts copied to other recipients refers).

Simultaneously with the issue of the Press Notice at 11.30 am we will be giving a Press Briefing in Room 25 FCO for British diplomatic economic and lobby correspondents. The intention is that this briefing will concentrate on the Summit programme and organisation rather than substance, but it is hoped that an FCO official able to handle general questions on substance and policy will also be present.

I should be grateful if you could draw this briefing to the attention of the lobby. I am sending copies of this to Mike Clements (FCO, News Department) and Nick Towers (Treasury) and would be grateful if they would similarly draw the briefing to the attention of diplomatic and economic correspondents respectively.

We will also be holding a separate briefing for foreign journalists at the FPA on the same day at 5.30 pm. It would be helpful if you could mention this briefing to any foreign correspondents you are in contact with.

Foreign Press Assoc

*Yours
Ian*

Ian Kydd
Economic Summit
Press Unit



THE LONDON ECONOMIC SUMMIT 1984

DRAFT / PRESS NOTICE

8 MAY 1984

The 1984 London Economic Summit will take place at Lancaster House from 7-9 June 1984. It will be hosted by the Prime Minister, The Rt Hon Margaret Thatcher FRS MP, and will be attended by the Heads of State/Government of the USA, France, Canada, The Federal Republic of Germany, Japan and Italy, accompanied by their respective Foreign and Finance Ministers. The President of the Commission of the European Communities and his Vice President responsible for finance will also participate.

Outline Programme :-

Monday 4 June

Afternoon US Delegation arrive London Heathrow Airport. Greeting by the Prime Minister at the Orangery, Kensington Gardens. Guard of Honour.

Thursday 6 June

Morning Japanese Delegation arrive London Heathrow Airport. Greeting by the Prime Minister at the Orangery, Kensington Gardens. Guard of Honour.

Afternoon Delegations (other than from the USA and Japan) arrive at Gatwick Airport in reverse protocol order at half-hour intervals. The Prime Minister greets the Delegations at the Orangery, Kensington ~~Gardens~~, at half-hour intervals in reverse protocol order. Guard of Honour.

Evening Reception at St James' Palace hosted by the Prime Minister in the presence of HRH The Duke of Kent.

Separate working dinners :-

- (i) Heads of State/Government at 10 Downing Street.
- (ii) Foreign Ministers at 1 Carlton Gardens.
- (iii) Finance Ministers at 11 Downing Street.

Friday 8 June

Morning Arrival of Delegates at Lancaster House followed by group photographs.
(i) Heads of State/Government meet in the Music Room
(ii) Foreign Ministers meet in the State Drawing Room
(iii) Finance Ministers meet in the Long Gallery

Lunchtime Separate working lunches at Lancaster House :-
(i) Heads of State/Government in the Gold Room
(ii) Foreign Ministers and Finance Ministers in the State Dining Room (separate tables)

Afternoon Plenary Session in Long Gallery

Evening Separate working dinners :-
(i) Heads of State/Government at the National Portrait Gallery
(ii) Foreign Ministers at the Royal Society of Arts
(iii) Finance Ministers at the Bank of England

Saturday 9 June

Morning Continuation of discussions in Lancaster House

Lunchtime Plenary working lunch in the State Drawing Room

Afternoon Joint Statement at Guildhall
Following the Joint Statement Heads of State/
Government may give individual press conferences
at the Press Centre.

Evening Her Majesty The Queen's Banquet at Buckingham Palace.

late evening and
Saturday 10 June Departures

CONFIDENTIAL

pyg

FROM: J.G.LITTLER

DATE: 2 MAY, 1984

CHANCELLOR

C/ The top copy of Sir Robert's minute below has his changes noted.

cc Economic Secretary
Sir Peter Middleton
Sir Terence Burns
Mr. Unwin
Mr. Battishill
Mr. Lavelle
Mr. Mountfield
Mr. Bottrill

LONDON ECONOMIC SUMMIT: THEMATIC PAPER

Sir Robert Armstrong's revision, with his minute to you of yesterday, is disappointing. I can understand his wish to avoid presenting his Sherpa colleagues with a revision which they would not recognise. I think he is probably right, in particular as far as Sections 6 and 7 are concerned. These were extensively argued over and - in Committee fashion - many bits become virtually set in stone.

2. But I think it would be possible to do more extensive revision, and particularly reduction, without doing violence to the feelings of colleagues from other countries. I attach a copy of Sir Robert's text, with manuscript amendments (which he invites you to offer, since he can have the text run through the word processor).

3. The result of my own efforts is still a fairly stuffy paper - as was also the similar paper prepared for Williamsburg. I am afraid I see no satisfactory way round this, given that the preparatory discussions among officials do not try to pre-empt discussion among Heads of Government, but rather to establish the common points of agreement, worry, etc.



(J. G. LITTLER)

Ref A084/1304

MR COLES

London Economic Summit

The time has come when we should make an announcement about the programme for the London Economic Summit. The press are beginning to ask about it, and parts of it are leaking. The proposal is that we should announce an outline programme, without detailed timings (for security reasons), on 8 May, one month before the Summit itself.

2. We have cleared our lines with all the organisations concerned (including the Palace) and with the police, who accept that some announcement of the programme is inevitable at this stage.
3. We shall give prior warning of the announcement to the other Governments concerned.
4. Mr Ingham has been consulted, and agrees with these proposals.
5. I should be glad to know that the Prime Minister is content that we should proceed accordingly.
6. I am sending copies of this minute to the Private Secretaries to the Foreign and Commonwealth Secretary and the Chancellor of the Exchequer.

ROBERT ARMSTRONG

ROBERT ARMSTRONG

2 May 1984

1118

plw

CH/EXCHEQUER	
REC.	02 MAY 1984
ACTION	MR LITTLER
COPIES TO	EST, SIR P. MIDDLETON SIR T. BURNS, MR UNWIN MR BATTISHILL, MR LAVELLE MR MOUNTFIELD, MR BOTTRILL MR C. KELLY

2/5

CONFIDENTIAL

FROM: J.G.LITTLER

DATE: 2 MAY, 1984

CHANCELLOR

Amber


cc Economic Secretary
Sir Peter Middleton
Sir Terence Burns
Mr. Unwin
Mr. Battishill
Mr. Lavelle
Mr. Mountfield
Mr. Bottrill

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(J. G. LITTLER)

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LONDON ECONOMIC SUMMIT
7-9 JUNE 1984

THEMATIC PAPER

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<u>Macroeconomic Background</u>	3 - 4
<u>Prospects</u>	5
<u>Medium Term Objectives and Policies</u>	6
<u>Immediate Measures</u>	7
<u>East/West Economic Relations</u>	8
<u>Science and Technology</u>	9

Cabinet Office

2 May 1984

CONFIDENTIAL

Introduction

1. ~~The London Summit is part of a continuing process of consultation among the major industrialised economies. Through successive recent Summits, governments have worked to bring down levels of inflation, nationally and internationally, to promote soundly-based growth in their own countries and to spread the benefits more widely, and to promote greater stability in international monetary and exchange conditions. Over the past two years, inflation has fallen and output has begun to recover, particularly in the United States. The work to sustain and spread this recovery continues. The London Summit provides a vantage point from which to look forward to policies to guide the major industrialised economies successfully into the second half of the decade.~~

2. The main concerns in the years ahead are likely to be: to reinforce the basis for enduring growth, without provoking a resurgence of inflation, ~~and to spread the benefits of that growth within and among our societies;~~ to make sure that our economies develop flexibly and in response to market needs; ~~and technological change, so that our industries produce the goods and services that people want to buy at the best possible quality and the lowest possible cost (a process of development sometimes characterised as "structural adjustment");~~ to encourage flexible labour policies and to create conditions for a sustained improvement in employment, especially for the young; to strengthen and liberalise the international trading system and capital markets; ^{and} to continue to manage international debt problems in ways which meet the needs of the debtor countries and protect the viability of the international financial system; ~~to promote and encourage conditions for adequate financial flows to non-industrialised countries; and to co-operate with the wide range of those countries in their efforts to place their economies on a more secure and self-reliant basis.~~ The Summit countries share a profound commitment to the fundamental values of political liberty and the free market system, with justice and responsibility. ~~They are convinced that~~ These principles alone provide a sure foundation for long term economic development.

Macroeconomic Background

~~2. Over the past year the recovery in the industrialised nations, discerned at Williamsburg, has strengthened and deepened. In many respects the recovery is more soundly-based than in some previous cycles, founded as it is upon real and often painful structural changes against a background of firm efforts to reduce underlying fiscal deficits and control monetary growth in most countries. But its continuation cannot be taken for granted. In the industrialised countries, failure to sustain policies to reduce inflation and damp down inflationary expectations could put recovery at risk. Many other countries, including relatively advanced economies with substantial debt burdens as well as endemically low income countries, are still encountering severe difficulties. In considering the contribution which the Summit countries can best make to help these countries, it is essential to recognise the wide diversity of their circumstances and requirements.~~

3. The ^{main} ~~principal features of macroeconomic~~ developments over the past year can be summarised as -

3.1 - growth has revived strongly in North America and Japan, and somewhat less strongly in certain European countries. The fact that the pace of recovery varies from one country to another has helped to avoid some of the pressures seen in earlier, more rapid, recoveries;

3.2 - recovery has been accompanied by improvements in productivity and has therefore had so far only a limited impact on employment. Experience on job creation has varied widely in the Summit countries, with a particularly strong rise in employment in the United States;-

3.3 - significant success has been achieved in reducing inflation, although it remains high in some countries;

3.4 - underlying structural budget deficits have tended to rise in North America but good progress has been made in other countries in bringing about a reduction, reflecting both measures designed to cut planned public spending and, where necessary, a readiness to increase taxes;

- 3.5 - there has been a perceptible revival in world trade. A marked rise in the imports of some Summit countries, notably the United States, has helped to spread the benefits of the recovery to other countries;
- 3.6 - exchange rates were dominated until the turn of the year by the strength of the dollar, although this has recently declined;
- 3.7 - nominal interest rates have risen sharply recently in the United States and real rates remain historically high in a number of countries;
- 3.8 - although monetary aggregates have been volatile in some Summit countries, overall the rate of growth has slowed after the rapid rises early last year, and is now more consistent with a prudent rise in nominal income;
- 3.9 - significant payments imbalances have emerged between Summit countries. A large and rising Japanese surplus has been more than offset by the very large United States deficit so that the group as a whole has been in deficit - in contrast to its traditional surplus;
- 3.10 - most other countries have reduced their current account deficits, benefitting from a recovery in their export markets and rising commodity prices. Nevertheless many of the debtor countries among them still face the consequences of import reductions, substantial debt servicing costs, increased political and social strains and a level of net bank lending which is low compared to the position a few years ago;
- 3.11 - the future facing the poorest countries remains daunting. Levels of official aid are constrained by budgetary pressures in donor countries and the outcome of IDA 7 so far has disappointed many governments. The prospects for the poorest countries, especially in sub-Saharan Africa, remain bleak;

3.12 - the flexible strategy on debt evolved during the last few years has worked well so far. ~~Threats of global financial crisis have been averted.~~ World economic recovery has played an important part. An increasing number of debtor countries have accepted the necessity for ~~often severe~~ adjustment of their economic policies, and are seeing the ~~resulting~~ benefits in their ~~economic situation~~ ^{improved} and prospects. ~~In this~~ A key role has been played by the IMF, whose resources have been strengthened, ~~and by substantial co-ordinated support measures by creditor governments and their central banks, other financial institutions and private banks.~~ But there is still a long way to go and problems and risks remain;

3.13 - [some progress has been made in implementing the commitments on resisting and reversing protectionism made last year at the OECD Ministerial meeting and at Williamsburg. All Summit governments have agreed steps to accelerate implementation of the Tokyo Round and to ease restrictions on imports from the poorest countries;]*

3.14 - nevertheless, there has been no easing of protectionist pressures in the industrialised countries, reflecting high unemployment and slow recovery in some cases and a high exchange rate and growing trade deficit in the United States. There has been little movement among the newly industrialised countries and others in the course of industrialisation to dismantle their own trade barriers or to reduce internal constraints upon competition;

3.15 - oil prices have remained relatively stable but the market balance is still fragile. ~~poised between the twin dangers of over-production and sharply reduced supplies due to political events.~~ Other commodity prices have risen modestly.

* Note: depends on the outcome of the OECD Ministerial meeting on 18 May.

Prospects

4. Most forecasters expect that on present policies the recovery in activity in the Summit countries should continue over the next year or so.

~~5.1~~ Output in North America may rise more slowly after the rapid recent increases but activity in Japan and the European economies should gradually strengthen. ~~A phased recovery of this kind can be a helpful basis for sustained growth;~~

~~5.2~~ Unemployment seems likely to fall further in the United States but the recovery may not be rapid enough to bring more than a slight reduction elsewhere, particularly where market rigidities persist. However,

~~5.3~~ so long as the recovery in activity proceeds at a moderate pace, it should be possible to avoid an early resurgence of inflation. ~~Prices could rise more rapidly than last year in the United States, but others may either manage to keep inflation close to present levels or achieve some further reduction;~~

~~5.4~~ world trade seems likely to rise rather faster than the recovery in activity;

~~5.5~~ current account imbalances within the Summit group seem likely to increase and the Summit countries as a whole may remain in deficit with the rest of the world;

~~5.6~~ Recovery combined with present fiscal policies should ^{also} help curb budget deficits in most Summit countries. The United States Administration is giving priority to curbing public expenditure but the structural deficit may remain at a high level.

5.7 Prospects for interest rates are uncertain. In the United States, a more moderate growth of output could help to hold the rise of interest rates in check; but an increase in the rate of inflation ^{and} particularly if allied to concern about financing the budget deficit,

← could work in the opposite direction. Elsewhere, further progress in curbing inflation and budget deficits may ease interest rate pressures.

~~5.9~~ Exchange rate prospects are also uncertain. The growing United States current deficit, ~~particularly if coupled with faster inflation~~ could put further downward pressure on the dollar although a continued high rate of return on assets in the United States could be an offsetting factor. Japan's growing surplus and strong macroeconomic performance could lead to upward pressure on the yen, but capital market rigidities could limit the extent of any appreciation of the yen. ~~The stability of EMS countries' exchange rates, both among themselves and with the rest of the world, will depend on their success in bringing their inflation rates together at a low level;~~

6. *Current account imbalances among Summit countries could increase. But*

~~5.9~~ rising exports, higher commodity prices and effective adjustment ^{will go some way} ~~are likely~~ to help many of the non-oil countries to service their debts and begin to reduce their current account deficits.

~~5.10~~ The prospect of only a modest increase in energy demand should help towards achieving stable nominal oil prices, ~~though resulting limits on the revenues of oil producers will reduce the scope for~~ import growth in oil producing countries. Rising activity may also lead to further modest increases in other commodity prices;

5.11 - in the medium term, the prospects for sustained recovery depend on avoiding a resurgence of inflation, achieving lower real interest rates and a strong recovery in investment, sustaining efforts to secure flexible and responsive developments in the industrial patterns of the major economies, and maintaining the growth of world trade on which the prospects for poor countries in ~~particular depend.~~

Medium Term Objectives and Policies

7. Increased confidence and economic recovery offer the opportunity to move to a period of sustained growth. If this is to be achieved, Summit countries need to set themselves a common range of medium-term objectives, and to take account of the impact of their policies on each other and on the rest of the world. Other countries and groups of countries have already expressed their concern in this respect. The objectives can be summarised as -

7.1 - to continue with, and where necessary strengthen, prudent monetary policies, supported by strict control of public expenditure and fiscal deficits, with the particular aim of still lower rates of inflation. Especially firm action will be needed in countries where inflation rates remain relatively high;

7.2 - to adopt policies which can be expected to create conditions for lower nominal and real interest rates. This mainly entails further progress to reduce inflationary expectations and resolute action to put structural budget deficits onto a prudent and sustainable basis;

7.3 - to devote greater attention to reducing obstacles to higher employment by encouraging labour mobility, more flexible labour costs and industrial adaptation, by discouraging measures which merely temporarily prop up industries which face secular decline, and by reducing and, if possible, by phasing out export subsidies and other forms of assistance which distort trade. As demand expands, it will be particularly important to ensure that wherever possible the unemployed are drawn into productive employment; this will also reduce the strains on public expenditure from social security provisions, which seem likely otherwise to rise to insupportable levels in many industrialised countries;

7.4 - to promote the development of new technologies, in traditional as well as in new industries, and to encourage international co-operation and a more rapid and widespread acceptance of technological change, recognising its importance to long-term growth;

- ¶.5 - to promote conditions conducive to productive investment and private enterprise, especially among innovative small businesses;
- ¶.6 - to make renewed practical efforts to liberalise and expand trade, in services and high technology as well as in manufactures and commodities, and to consolidate the open trading system;
- ¶.7 - as recovery proceeds, to complete current trade liberalisation programmes, in cooperation with other trading partners, and to explore with them the need for and possibility of a new negotiating round early in the second half of the decade;
- ¶.8 - to maintain adequate flows of resources (including official development assistance) to the non-industrialised countries, taking into account the diversity of their requirements, and in particular to encourage them to develop and apply practical measures to conserve non-renewable resources for the future, enhance indigenous food and energy production, and create conditions where populations move towards stability;
- ¶.9 - to find ways of increasing the flow of private investment, through the removal by all countries of impediments to capital flows generally and by encouraging countries to create a climate of confidence for investment;
- [¶.10 - to adapt and improve the operation of the international financial system. This entails creating a more stable medium term financial environment by prudent and convergent policies and performance among the major countries, particularly the reserve currency countries, providing a consistent flow of funding to the international financial institutions and removing restrictions on and improving international access to capital markets in industrialised countries;]*

* Note: depends on the outcome of the April IMF and May G10 Meetings.

¶.11 - to continue to encourage and assist debtor countries in making the necessary economic and financial adjustments, taking due account of political and social difficulties. Such adjustments are the essential condition for them to establish the basis for sound growth and of confidence on which they can once again attract new capital. Sustained world recovery, accompanied by adequate but not excessive world liquidity, will continue to be a prerequisite for success;

¶.12 - to pursue policies, wherever possible, best designed to avoid sudden and de-stabilising movements in either direction in international oil markets;

¶.13 - to pursue the necessary scientific research to establish the causes, effects and means of limiting pollution; in the light of such research to make greater national and international efforts to reduce pollution of air, water and ground; and to work on countermeasures to minimise the effects of pollution.

Immediate Measures

§. In order to attain these objectives within a framework of sustained recovery and growth, Summit countries can agree on the following range of immediate measures -

§.1 - to carry forward and develop as appropriate the procedures agreed upon at previous Summits for multilateral monitoring and surveillance of national economic and financial policies, and to make further progress in all Summit countries on prudent fiscal and monetary policies with a view to achieving reduced levels of inflation and interest rates and greater exchange rate stability;

§.2 - to study with the appropriate international organisations, notably the OECD, the scope for and development of "structural adjustment" policies and to adopt further measures to reduce obstacles to sustained growth, in particular by harmonising international standards, by encouraging innovation and industrial

adaptation to technological change and greater labour and capital mobility (thus maximising job creation and job training opportunities), and by increasing public understanding and acceptance of the need for advanced technical development;

¶.3 - to note, with approval, the progress report of Finance Ministers on their consideration of the operations of the international monetary system and the work of G10 Ministers on exchange rates, surveillance, international liquidity and the role of the IMF and to invite Finance Ministers to take forward these studies in the appropriate organisations;

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¶.6.2 - closer co-operation and compatibility between the IMF (focussing on shorter-term financial and economic adjustment) and the IBRD (focussing on longer-term development needs);

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7.6.4 -further development of international cooperation for improving the supervision of lending by commercial banks, notably in their overseas operations;]*

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East/West Economic Relations

8. To note, with approval, the work that has been done on the economic and security implications of relations with Eastern countries and to endorse the need to continue the work in progress in the appropriate organisations.

Science and Technology

10.1 To note, with approval, the second report of the Working Group on Technology, Growth and Employment created by the Versailles Summit; to endorse the progress made in the 18 areas of co-operation; and to invite the

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Group to pursue further work on technology and the environment, adaptation to technological change, the relationship between technology and trade and the sharing of major scientific facilities, and to report to the next Economic Summit.

10.2. To thank Prime Minister Nakasone for his report on the Conference on Life Sciences and Mankind, organised by the Japan Foundation in March 1984, and to welcome the intention of the French Government to host a follow-up Conference in 1985.

10.3. To welcome the invitation from the United States Administration to other Summit countries to co-operate in the development of an international manned space station; to agree that other Summit countries will actively examine the possibility of taking part in the programme, directly or collectively; and to welcome the intention of the United States to report progress on space station matters to the next Summit.

0698
CONFIDENTIAL

FROM: J.G.LITTLER
DATE: 3 MAY, 1984

MR. PERETZ

cc PS/Economic Secretary
Sir Peter Middleton
Sir Terence Burns
Mr. Unwin
Mr. Battishill
Mr. Lavelle
Mr. Mountfield
Mr. Bottrill
Mr. C. Kelly

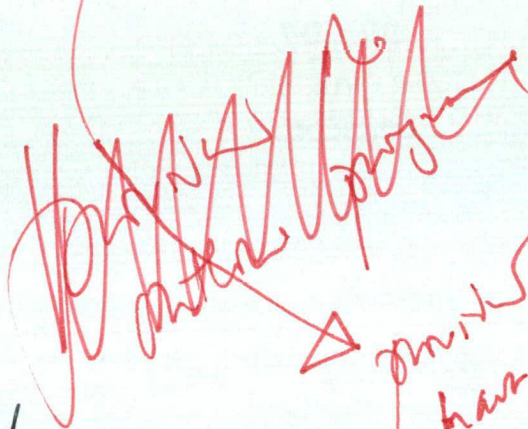
LONDON ECONOMIC SUMMIT

Sir Robert Armstrong copied to the Chancellor his short minute of yesterday to Mr. Coles about announcement of the Summit Programme.

2. What is proposed seems reasonable, and I suggest no need for the Chancellor to comment.



(J. G. LITTLER)



points to
have a (difficult) etc to
take on the Cambridge
question, we / support
from middle rank.
M.

Message passed
to Mr Littler.

MLP

RWP

PS/CHANCELLOR OF THE EXCHEQUER
TREASURY

RESTRICTED

16944 - 1

PP BONN

GRS 388

RESTRICTED

FM FCO 031030Z MAY 84

TO PRIORITY BONN

TELEGRAM NUMBER 257 OF 3 MAY

INFO WASHINGTON, OTTAWA, PARIS, ROME,

TOKYO, UKREP BRUSSELS

FROM BARRINGTON

LONDON ECONOMIC SUMMIT: ARRIVALS

1. ALL THE ARRIVAL TIMES ARE NOW FIXED, EXCEPT THAT FOR
CHANCELLOR KOHL, AS FOLLOWS:

M. THORN WILL ARRIVE AT GATWICK AT 2 P.M. AND WILL
BE RECEIVED AT THE ORANGERY AT 2.30 P.M.

SIGNOR CRAXI WILL ARRIVE AT GATWICK AT 2.30 P.M. AND
BE RECEIVED AT THE ORANGERY AT 3 P.M.

MR NAKASONE, WHO WILL HAVE ARRIVED EARLIER IN THE MORNING,
WILL HAVE HIS GREETING CEREMONY AT THE ORANGERY AT
3.30 P.M.

CHANCELLOR KOHL SHOULD, IN PROTOCOL ORDER, ARRIVAT
GATWICK AT 3.30 P.M. TO BE RECEIVED AT THE ORANGERY AT
4.00 P.M.

MR TRUDEAU WILL ARRIVE AT GATWICK AT 4 P.M., TO BE
RECEIVED AT THE ORANGERY AT 4.30 P.M.

PRESIDENT MITTERRAND HAS AGREED TO ARRIVE AT GATWICK AT
4.30 P.M., TO BE RECEIVED AT THE ORANGERY AT 5 P.M.

2. OUR ROOM FOR MANOEUVRE IS LIMITED SINCE WE CANNOT POSTPONE
THE SERIES OF ARRIVALS WITHOUT MAKING PROBLEMS FOR PRESIDENT
MITTERRAND WITH THE FIRST ENGAGEMENT: THE RECEPTION AT ST
JAMES'S PALACE. I SHOULD THEREFORE BE GRATEFUL IF YOU WOULD

RESTRICTED

16944 - 1

EXPLAIN THE SITUATION TO THE FEDERAL CHANCELLOR'S OFFICE AND ASK THEM TO CONSIDER AGAIN WHETHER HERR KOHL COULD, AFTER ALL, ARRIVE AT GATWICK AT 3.30 P.M. (THEY HAVE, OF COURSE, HAD LONG NOTICE OF THE DATES OF THE SUMMIT AND WE TOLD THE GERMAN RECONNAISSANCE TEAM AND THE EMBASSY SOME TIME AGO THAT THE ARRIVALS WOULD BE DURING THE AFTERNOON OF 7 JUNE IN REVERSE PROTOCOL ORDER.)

3. I PROPOSE TO PUT THE SAME REQUEST TO THE GERMAN EMBASSY HERE.

4. IF THE GERMANS STILL SAY THAT HERR KOHL CANNOT REACH GATWICK BEFORE 3.45 P.M. WE MIGHT INVITE THEM TO MAKE ALTERNATIVE SUGGESTIONS. WE HOPE THEY WOULD AGREE TO OUR GOING IN THEIR NAME TO THE CANADIANS AND ASKING IF THE LATTER WOULD AGREE TO GIVE UP THEIR PROTOCOL POSITION IN ORDER TO SWAP PLACES WITH THE GERMANS. IF THE PRESS (ESPECIALLY THE CANADIAN PRESS) WERE TO ASK ABOUT THE REASON FOR THE CHANGE WE SHOULD HAVE TO EXPLAIN. WE HOPE THAT ALL CONCERNED APPRECIATE THAT WE NEED TO FIX FINAL TIMINGS SOON FOR PRINTING IN THE PROGRAMME.

5. FOR TOKYO. YOU MAY WISH TO INFORM THE JAPANESE THAT THE PRIME MINISTER HAS NOW DECIDED SHE WILL GREET MR NAKASONE IN THE AFTERNOON OF 7 JUNE. WE ARE INFORMING THE JAPANESE EMBASSY HERE.

HOWE

ECONOMIC SUMMIT

LIMITED

ERD	PS
ESID	PS/LADY YOUNG
WED	PS/MR RIFKIND
FED	PS/MR WHITNEY
NAD	PS/MR RAISON
ECDs	PS/PUS
PLANNING STAFF	SIR J. BULLARD
TRED	SIR C. TICKELL
ES & SD	MR RENWICK
EED	MR J. THOMAS
SOVIET D	MR WILSON
NEWS D	
PROTOCOL D	MR ADAMS
	MR BARRINGTON
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GRS 388
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FM FCO 031030Z MAY 84
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GRS 50
RESTRICTED
FM BONN 031645Z MAY 84
TO ROUTINE FCO
TELEGRAM NUMBER 438 OF 03 MAY

YOUR TELNO 302 TO PARIS.

FOR BARRINGTON

LONDON ECONOMIC SUMMIT: BILATERAL MEETINGS

1. THE FEDERAL CHANCELLOR'S OFFICE (NEUER) TODAY CONFIRMED THAT CHANCELLOR KOHL WOULD BE HAPPY TO MEET MRS THATCHER IN THE MARGINS OF THE SUMMIT ON THE DATE AND AT THE TIME PROPOSED, 8.30 A.M. ON 9 JUNE.

MALLABY

ECONOMIC SUMMIT
LIMITED

ERD
ESID
WED
FED
NAD
ECDs
PLANNING STAFF
TRED
ES & SD
EED
SOVIET D
NEWS D
PROTOCOL D

PS
PS/LADY YOUNG
PS/MR RIFKIND
PS/MR WHITNEY
PS/MR RAISON
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SIR J BULLARD
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MR J THOMAS
MR WILSON

MR ADAMS
MR BARRINGTON
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SIR R. ARMSTRONG -
CABINET OFFICE

MR. COLVIN - NO 10.1) STREET

RESTRICTED



FROM: MISS J C SIMPSON
DATE: 3 MAY 1984

*I am coming
with James 2-5.
Re date 6, PST send drink
with M. L. M.*

CHANCELLOR

LONDON ECONOMIC SUMMIT: HOSPITALITY

I have spent some time today going over with representatives of the Foreign Office Summit Administration Unit the arrangements for the Finance Ministers' dinners during the Summit. You will remember that you agreed to host a dinner for Finance Ministers only at No 11 on the Thursday night, and that you and the Governor are together to host a dinner for Finance Ministers and their senior officials at the Bank on the Friday. A number of points arose on which I am afraid it is now necessary to seek your views.

2. Thursday evening, No 11 We have assumed that the dinner will take place in the downstairs dining room. There will be eight Finance Ministers (we are keeping our fingers collectively crossed that Count Lambsdorff will not arrive) and possibly two or three interpreters - who will not expect to be fed. The Prime Minister will be using the lower terrace over the garden for pre-drinks for her party, which is expected to take place between 8.00 and 8.30 pm. It is suggested that your guests should arrive at 8.15 and that you should probably sit down to dinner at about 8.45. This is intended to save a traffic jam in Downing Street.

3. We thought it would be nice, if it were a fine evening, for you to have pre-dinner drinks on the balcony opening off the state drawing-room upstairs. You will be a sufficiently small party to make this possible. There is also, inevitably, the question of photographs. We would suggest doing this over drinks as soon as everyone has arrived, and bundling the photographers off the premises as soon as possible. On the



question of menus, GHF very much hope that they could serve the same menu to your guests as they are doing for the Prime Minister's. We will let you see this as soon as possible, and we shall warn No 10 that there should be no avocados on it. A number of the Ministers may bring some sort of aide with them, and I imagine that you will want either David or I to be available in No 11 throughout the evening. I would suggest that Private Secretaries etc could use the small room at the top of the stairs, where some sort of sandwich meal could be made available to them. Any security officers travelling with the Finance Ministers will be accommodated along with those for the Prime Minister's guests in No 12. (We know that Mr Regan will have both a special branch officer and his own personal detective with him.)

Friday 8 June, Bank of England

4. The Governor proposes to invite Mr McMahon and Mr Leohnis to join you, the other Summit Finance Ministers and their senior officials at this dinner. The total number at the moment comes to 19. The Governor would propose to offer pre-dinner drinks in his own room on the ground floor, opening off the garden court. The omnipresent photographers would do their stuff, weather permitting, as the guests reached the garden court and would again be got out of the way as near the beginning of the proceedings as possible. Guests would be invited for 8.00 pm, and you would expect to sit down to dinner by about 8.30 pm. The Bank have undertaken to design the invitation cards, and they will also draw up some sample menus, both of which would be submitted to you for approval as soon as they are available. GHF will also vet the latter to make sure you are not getting chicken kiev five meals in succession. The dinner itself would be held in the court room on the first floor, where there is a large oblong table. It is suggested that you and the Governor should sit in the middle of each of the long sides; he would have his back to the windows and you yours to the fireplaces.



5. The Bank, being even more security conscious than us, are going to insist on some sort of personal identification of your guests, although they accept that each Finance Minister can vouch for his own party. Either Mr Littler, David or I should be able, I hope, by that stage to identify the Finance Ministers themselves! Once again, separate arrangements would be made for any private secretaries, security guards or other aides that Finance Ministers insisted on bringing with them.

Ladies Programme

6. The Japanese and Italian Prime Ministers and M Thorn are bringing their wives with them. It is not yet known whether Mrs Regan is coming. Mr Barrington was asking whether Mrs Lawson would be prepared to help host a wives luncheon on Saturday, 9 June, and also to accompany them on a trip to Leeds Castle on the Friday. On the Saturday morning, the ladies programme would consist of attending the rehearsal of The Trooping the Colour, where the Duke of Edinburgh will be taking the salute. This would then be followed by the lunch, which would be at 1 Carlton Gardens.

a1 gatter she has already agreed to this, but not as yet to anything more.

B.

Miss J C Simpson
Private Secretary

DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1+

FROM
The Prime Minister

Reference

DEPARTMENT: TEL. NO:

SECURITY CLASSIFICATION

TO:
Federal German Chancellor

Your Reference

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

Copies to:

4/5/84

PRIVACY MARKING

SUBJECT:

.....In Confidence

We discussed briefly at Chequers the question of the number of Ministers who will accompany Heads of Delegation to the London Summit in June. You said that you understood that there would be only Heads of State or Government plus two Ministers at plenary meetings and meals but that for the separate meals and meetings of Finance Ministers it should be possible to add another chair to the table.

CAVEAT.....

I hope you will forgive me for coming back to you on this point, but we want to get all the arrangements clearly sorted out before the Summit, to prevent any last minute inconvenience or embarrassment. The handling of Finance Minister meetings and meals is in the first instance something for Nigel Lawson to decide. But I feel responsible as overall host for the Summit, and I know that only you can decide the composition of the German team.

Enclosures—flag(s).....

The trouble is, I am afraid, that a number of our colleagues are very sensitive on the point that everything done at Summits should be on a basis of parity between

/national

national delegations, so that if you were to insist on having two Ministers instead of one at any event, others would follow. The Japanese have made it quite clear to us that if you decide to bring more than two Ministers with you to London their MITI Minister will also come. We would be on weak ground in limiting any additions to you and the Japanese, because other countries have divided economic responsibilities and there are many Ministers, Ministers of State and senior officials (the dividing line is sometimes thin) who would like to be included in Summit functions.

I know there is a good deal of feeling among our colleagues, though not always openly expressed, that once the rules of parity are breached there could be pressures from the more powerful countries (mentioning no names!) to obtain special favours.

If you still feel that Count Lambsdorff should come to London in June, therefore, as well as Dr Stoltenberg, [I hope you will agree that they should alternate at Nigel Lawson's first two working meals. Nigel will try to tailor the topics for discussion accordingly. The Japanese, at least, would then follow the same pattern. *The third meal,* Nigel's dinner on the second night, 8 June, will be at the Bank of England. He and the Governor intend to invite two representatives per delegation on this occasion - normally the Finance Minister accompanied by a senior official dealing with financial matters. If you wished, both German Ministers to attend instead of the senior official this would be perfectly acceptable.]

As far as the Finance Ministers meeting planned for the morning of 8 June is concerned at Lancaster House, I am

afraid that we are only able to make provision (seats, headphones etc) for once place per delegation at the table, and one seat for a senior adviser/notetaker at the side of the room.

I cannot hide from you as your colleague and friend that I should be much happier if you could find a way to bring only two Ministers with you to London, since whatever expedie^{ks}ncs we contrive there will be occasions at which your third Minister will be left out and feel uncomfortable, which would be distressing to us as hosts.

In any case please let me know what you decide soon, since the Japanese and others will have to be told.

Note Mr Barnbyton
so informed.



OK
M

C

Mr Little reminds me
there are 3 meals :-

(i) 7th Thursday Dinner
(Stollenberg)

(ii) 8th Friday Lunch
(Wd. be Lambsdorff
under the alternating procedure)

(iii) 8th Friday dinner
(Wd be both, if the Germans
go for the invite in the
last sentence of the [3]).

He was therefore happy with
the message as drafted.

But I've added one possible
addition, to avoid any possible
confusion. OK?

ALP

At my Comm-
on the FCO

Drop letter
to Kohl (for the
PM): =



You have
the record
of

Germany at the Summit.

C/

The FCO are becoming increasingly exercised over the problem of how to keep Lambsdorff out of the Summit. I gather the Prime Minister could not persuade Chancellor Kohl of the impossibility of this attending.

Mr R Armstrong and his troops have come up with a possible compromise. This would involve giving the Germans a little more choice at deploying their own troops. For example, Stoltenberg could attend your dinner on Thursday and Lambsdorff the lunch on Friday, but not both at both - On occasions where senior officials / notetakers would

Room 1/10

Old Admiralty Building

Foreign and Commonwealth Office

London SW1A 2AH



4/1 gave you a note abt. this on Tuesday. Would you be content for that a message to go?

4 May 1984

Miss Judith Simpson
APS/Chancellor of the Exchequer
HM Treasury

CH/EXCHEQUER	
REC.	04 MAY 1984 ✓ 1/5
ACTION	MR WITTLER
COPIES TO	EST, SIR P. MIDDLETON
	SIR T. BURNS, MR UNWIN
	MR BATTISHELL
	MR LAVELLE
MR MOUNTFIELD, MR BOTTILL MR C. KELLY	

1/1/84, principle

Dear Judith,

LONDON ECONOMIC SUMMIT: GERMAN THIRD MINISTER

1. We discussed yesterday the state of play on the German third Minister. Sir Robert Armstrong has asked me for a draft for the Prime Minister to send to Chancellor Kohl to follow up their brief inconclusive discussion at Chequers. The idea is that we should maintain our principles but offer some element of compromise. I attach a draft which spells out the arguments, suggests ways in which Lambsdorff could have some role at the Summit, and even hints at the possibility that he could sit in the German official's chair at the Finance Ministers' meeting at Lancaster House, though Sir Robert Armstrong thought we should not suggest this ourselves.

2. I should be grateful to know whether the Chancellor agrees with the line in the draft or has any other suggestions, so that I can submit an agreed draft to Sir Robert Armstrong on 8 May.

3. Whatever is finally decided we must tell the other participants. The Japanese have been pressing me very hard, but I have asked them to give me a week before they make their own decision about attendance of the MITI Minister.

Yours sincerely,

N J Barrington

N J Barrington

copy to: Private Secretary,
Foreign and Commonwealth Office

1/1 would prefer a single proposition: Sir Robert Armstrong at No 1st dinner (7th) but not Lambsdorff, & both @ No 2nd dinner (8th) but with a Senior German official. Pst drafts [] accordingly.

But it seems a little complex & since we are putting 2 propositions Sir Robert Armstrong & Lambsdorff are invited (are dinner table) both attend for No 2nd dinner.



10 DOWNING STREET

From the Private Secretary

CH/EXCHEQUER	
REC.	04 MAY 1984 / 4
ACTION	Mr LITTLER
COPIES TO	EST
	Sir P. Middleton
	Sir T. Burns
	Mr Battisbill

(Handwritten initials)

Mr Lawelle
Mr Mountfield
Mr Bottrell
Mr Kelly

SIR ROBERT ARMSTRONG

London Economic Summit

Thank you for your minute of 2 May. The Prime Minister is content that an outline programme, without detailed timings, should be announced on 8 May.

I am copying this minute to Roger Bone (Foreign and Commonwealth Office) and David Peretz (HM Treasury).

(Faint stamp: AU COLES)

4 May 1984

- 4 MAY 1984

CONFIDENTIAL

FROM: R CULPIN
DATE: 4 May 1984

SIR PETER MIDDLETON

SUMMIT-SPEAK

I have offered short and long versions - attached. I have discussed them briefly with the Chancellor. He has authorised Mr Peretz to send them, or something like them, to Mr Hatfield, copied to Mr Turnbull.



R CULPIN

CONFIDENTIAL

LONDON ECONOMIC SUMMIT

Background

Inflation has fallen and output is growing. But improvements in productivity mean there has been only a limited impact on employment.

2. Over the last year, there has been a revival in world trade. ^{Monetary} The growth of ~~money~~ has slowed, but real interest rates remain high. Prospects have improved in a number of debtor countries, but there is still a long way to go.

3. Most forecasters expect the recovery to continue.

Policies and Objectives

4. Our main policies and objectives are:-

(i) ^{and} to pursue ^{sound} prudent ^{and financial} monetary policies, ~~with strict control of public expenditure and budget deficits,~~ to reduce inflation further.

Firm action will be needed where inflation remains high;

CONFIDENTIAL

(ii) to create the conditions for lower interest rates, by reducing inflationary expectations and keeping Budget deficits to manageable proportions; ~~preferably by strict control of public~~ expenditures

(iii) to reduce obstacles to higher employment by encouraging labour mobility, discouraging measures to prop up declining industries, and reducing export subsidies;

(iv) to promote new technologies;

(v) to create an environment which favours investment and private enterprise; and to remove impediments to the free movement of capital;

(vi) to promote free trade, exploring the possibility of a new round of tariff reductions

(vii) to maintain adequate flows of resources to the non-industrialised countries, encouraging conservation, food and energy production, and stabilisation of population;

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(viii) to develop the existing multilateral monitoring and surveillance of national economic policies;

(ix) to help debtor countries make the necessary changes, encouraging private investment and co-operation between the IMF and IBRD, and taking account of political and social constraints;

(x) to avoid, so far as possible, shocks in oil markets;

(xi) to tackle pollution.

5. Work is continuing on:-

(a) the economic and security implications of relations with Eastern countries;

(b) technology, growth and employment;

(c) life sciences;

(d) the development of an international manned space station.

CONFIDENTIAL

Sir P. Middleton
Mr Litterer
Mr Lavelle



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

4 May 1984

Richard Hatfield Esq
Private Secretary to
Sir Robert Armstrong
Cabinet Office

Dear Richard

LONDON ECONOMIC SUMMIT: THEMATIC PAPER

The Chancellor wanted to make further changes to the redraft of this paper attached to Sir Robert Armstrong's minute of 1 May.

The Chancellor asked me to send you the two attached alternative further versions. I am afraid that in the longer of the two there were more changes than could sensibly be marked in manuscript on the 1 May draft, and we have had it retyped. The second version, as you will see, is very much shorter.

I am also sending copies to Andrew Turnbull in No 10.

*Yours ever,
David*

D L C PERETZ
Principal Private Secretary

CONFIDENTIAL

LONDON ECONOMIC SUMMIT
7-9 JUNE 1984

THEMATIC PAPER

	Paragraphs
<u>Introduction and Background</u>	1-6
<u>Prospects</u>	7-10
<u>Medium Term Objectives and Policies</u>	11
<u>Immediate Measures</u>	12
<u>East/West Economic Relations</u>	13
<u>Science and Technology</u>	14

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Introduction and Background

1. Over the past two years, inflation has fallen and output has increased, particularly in the United States. The main concern is now to reinforce the basis for growth, without provoking a resurgence of inflation.
2. The main developments over the past year have been:-
 - 2.1 Economic growth⁻ especially strong in North America and Japan, somewhat less so in certain European countries. This variation has helped to avoid some of the pressures seen in earlier, more rapid, recoveries;
 - 2.2 Improvements in productivity, meaning that recovery has so far had only a limited impact on employment. Experience has varied widely, with a particularly strong rise in employment in the United States;
 - 2.3 Significant reductions in inflation, although it remains high in some countries;
 - 2.4 Increases in budget deficits in North America but reductions elsewhere;
 - 2.5 A revival in world trade, helping to spread the benefits of the recovery;
 - 2.6 Continued strength in the dollar;
 - 2.7 Increases in nominal interest rates in the United States, with real rates remaining high in a number of countries;
 - 2.8 A reduction in the growth of the monetary aggregates, consistently with a prudent rise in nominal income;

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2.9 Significant payments imbalances between Summit countries. The Japanese surplus has been more than offset by the United States deficit so that the group as a whole has been in deficit - in contrast to its traditional surplus;

2.10 Reductions in current account deficits elsewhere, still leaving many debtor countries with substantial debt servicing costs and increased political and social strains.

3. The future facing the poorest countries remains daunting. Official aid is constrained by budgetary pressures in donor countries. The outcome of negotiations to replenish the International Development Association has so far disappointed many governments. The prospects for the poorest countries, especially in sub-Saharan Africa, remain bleak.

4. World economic recovery has helped the debtor countries. An increasing number have accepted the need to adjust their economic policies, and are seeing the benefits. A key role has been played by the IMF, whose resources have been strengthened. But there is still a long way to go.

5. [Some progress has been made in implementing the commitments to resist and reverse protectionism made last year at the OECD Ministerial meeting and at Williamsburg. All Summit governments have agreed to accelerate implementation of the Tokyo Round and to ease restrictions on imports from the poorest countries];* nevertheless, there has been no easing of protectionist pressures, reflecting high unemployment and slow recovery in some cases, and a high exchange rate and growing trade deficit in the United States. The newly industrialised countries and others in the course of industrialisation have done little to dismantle their own trade barriers or to reduce internal constraints on competition.

*Note: depends on the outcome of the OECD Ministerial meeting on 18 May.

CONFIDENTIAL

CONFIDENTIAL

6. Oil prices have remained relatively stable but the market balance is still fragile. Other commodity prices have risen modestly.

Prospects

7. Most forecasters expect that on present policies the recovery in the Summit countries should continue over the next year or so. Output in North America may rise more slowly after the rapid recent increases, but activity in Japan and the European economies should strengthen. Unemployment seems likely to fall further in the United States, but the recovery may not be rapid enough to bring more than a slight reduction elsewhere, particularly where market rigidities persist. So long as the recovery proceeds at a moderate pace, it should be possible to avoid an early resurgence of inflation. Recovery combined with present fiscal policies should help curb budget deficits in most Summit countries, but they may remain high in the United States.

8. Prospects for interest rates are uncertain. In the United States, a more moderate growth of output could help to hold the rise of interest rates in check; but an increase in the rate of inflation and concern about financing the budget deficit could work in the opposite direction. Elsewhere, further progress in curbing inflation and budget deficits may ease interest rate pressures.

9. Exchange rate prospects are also uncertain. The United States current deficit could tend to depress the dollar, but the high rate of return on assets in the United States could be an offsetting factor. Japan's growing surplus and strong macroeconomic performance could lead to upward pressure on the yen, but capital market rigidities could limit any appreciation.

10. Current account imbalances among Summit countries could increase. But rising exports and higher commodity prices will go some way to help many of the non-oil countries to service their debts and begin to reduce their current account deficits. The prospect of only a modest increase in energy demand should help towards

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achieving stable nominal oil prices.

Medium Term Objectives and Policies

11. We have the opportunity to move to a period of sustained growth. If this is to be achieved, Summit countries need to set themselves a common range of medium term objectives, and to take account of the impact of their policies on each other and on the rest of the world. The objectives are:-

- 11.1 To continue with, and where necessary strengthen, prudent monetary policies, supported by strict control of public expenditure and budget deficits, aiming at still lower rates of inflation. Especially firm action will be needed in countries where inflation remains relatively high;
- 11.2 To create the conditions for lower nominal and real interest rates, by reducing inflationary expectations and putting structural budget deficits onto a sustainable basis;
- 11.3 To reduce obstacles to higher employment by encouraging labour mobility, discouraging measures to prop up declining industries, and reducing or phasing out export subsidies and other assistance which distorts trade. As demand expands, it will be important to ensure that wherever possible the unemployed are drawn into productive employment; this will also reduce the strains on public expenditure from social security provisions, which seem likely otherwise to rise to insupportable levels in many industrialised countries;
- 11.4 To promote the development of new technologies, in

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traditional as well as in new industries, and to encourage international co-operation and a more rapid and widespread acceptance of technological change;

- 11.5 To promote conditions which favour productive investment and private enterprise, especially among innovative small businesses;
- 11.6 To liberalise and expand trade, in services and high technology as well as in manufactures and commodities;
- 11.7 To complete current trade liberalisation programmes, in co-operation with other trading partners, and to consider with them a new negotiating round early in the second half of the decade;
- 11.8 To maintain adequate flows of resources (including official development assistance) to the non-industrialised countries, to encourage practical measures to conserve resources, enhance indigenous food and energy production, and create conditions where populations move towards stability;
- 11.9 To find ways of increasing the flow of private investment, through the removal by all countries of impediments to capital flows, and by encouraging a climate of confidence for investment;
- [11.10 To adapt and improve the operation of the international financial system. This entails creating a more stable medium term financial environment by prudent and convergent policies and performance among the major countries, particularly the reserve currency countries, providing a consistent flow of funding to the international financial institutions and improving international

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access to capital markets in industrialised countries];*

- 11.11 To help debtor countries to make the necessary economic and financial changes, taking due account of political and social difficulties;
- 11.12 To pursue policies which will avoid, wherever possible, sudden and de-stabilising movements in either direction in international oil markets;
- 11.13 To pursue research into the causes, effects and means of limiting pollution; and in the light of such research, to make greater national and international efforts to reduce pollution of air, water and ground; and to adopt measures to minimise the effects of pollution.

Immediate Measures

12. In order to attain these objectives within a framework of sustained growth, Summit countries can agree on the following measures:

- 12.1 To carry forward and develop as appropriate the agreed procedures for multilateral monitoring and surveillance of national economic and financial policies, and to make further progress on prudent fiscal and monetary policies, to achieve lower inflation and interest rates and greater exchange rate stability;
- 12.2 To study with the appropriate international organisations, notably the OECD, policies to improve economic efficiency, incentives and flexibility; and to reduce obstacles to growth, in particular by harmonising international standards, encouraging innovation and adaptation, and facilitating the mobility of labour and capital;

*Note: depends on the outcome of the April IMF and May G10 meetings.

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- 12.3 To invite Finance Ministers to carry forward their consideration of the operations of the international monetary system, including exchange rates, surveillance, international liquidity and the role of the IMF;
- 12.4 To confirm the strategy on debt and to continue to implement it flexibly, welcoming the progress made by many debtor countries and the extensive international co-operation which has supported them, and recognising that continued recovery, lower interest rates and trade liberalisation will help further;
- 12.5 To develop arrangements which could foster renewed economic progress by debtor countries. These might include the encouragement of private direct investment; closer co-operation between the IMF and the IBRD; IBRD operations which can help to attract long-term capital investment; and improvements in the supervision of lending by commercial banks, notably in their overseas operations;*
- 12.6 To urge all trading countries to resist continuing protectionist pressures and to reduce barriers to trade; following the decision taken at the meeting of OECD Ministers on 18 May.
- 12.7 To promote at the GATT meeting in November 1984 a successful outcome to the agreed work programme; and to aim at a high level meeting of GATT before the end of 1985 to consider launching a new GATT round, with clearly defined objectives and guidelines.

East/West Economic Relations

13. Work continues on the economic and security implications of relations with Eastern countries.

Science and Technology

14. The Summit countries welcome the second report of the Working

Note: depends on outcome of April IMF and May G10 meetings.

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Group on Technology, Growth and Employment created by the Versailles Summit, and the progress made in the 18 areas of co-operation: the Group will pursue further work on technology and the environment, adaptation to technological change, the relationship between technology and trade, and the sharing of major scientific facilities. It will report to the next Economic Summit.

15. The countries thank Prime Minister Nakasone for his report on the Conference on Life Sciences and Mankind, organised by the Japan Foundation in March 1984, and welcome the intention of the French Government to host a follow-up Conference in 1985.

16. They also welcome the invitation from the United States Administration to co-operate in the development of an international manned space station; and the intention of the United States to report progress on space station matters to the next Summit.

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LONDON ECONOMIC SUMMIT

Background

Inflation has fallen and output is growing, particularly in the US.

2. Over the last year, there has been a revival in world trade. So far improvements in productivity have meant there has been only a limited impact on employment. Monetary growth has slowed, but real interest rates remain high. Prospects have improved in a number of debtor countries, but there is still a long way to go.

3. Most forecasters expect the recovery to continue.

Policies and Objectives

4. Our main policies and objectives are:-

(i) to reduce inflation further, by pursuing sound monetary and financial policies, with strict control of public expenditure and budget deficits. Firm action will be needed where inflation remains high;

(ii) to create the conditions for lower interest rates, by reducing inflationary expectations and keeping budget deficits to manageable proportions;

(iii) to reduce obstacles to higher employment by encouraging labour mobility, discouraging measures to prop up declining industries, and reducing export subsidies;

(iv) to promote new technologies;

(v) to create an environment which favours investment and private enterprise; and to remove impediments to the free movement of capital;

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(vi) to promote free trade, exploring the possibility of a new round of tariff reductions;

(vii) to maintain adequate flows of resources to the non-industrialised countries, encouraging conservation, food and energy production, and stabilisation of population;

(viii) to develop the existing multilateral monitoring and surveillance of national economic policies;

(ix) to help debtor countries make the necessary changes, encouraging private investment and co-operation between the IMF and IBRD, and taking account of political and social constraints;

(x) to avoid so far as possible, shocks in oil markets;

(xi) to tackle pollution.

5. Work is continuing on:-

(a) the economic and security implications of relations with Eastern countries;

(b) technology, growth and employment;

(c) life sciences;

(d) the development of an international manned space station.



If this meeting falls into 2 parts:

- impact of the budget (Mr J's letter of 3 April)

- creditworthiness of LAs.

Budget

You have seen all these papers before except Mr Hopkinson's note on public expenditure for housing associations, the Ministers' views that you requested. FST, MST & EST are sympathetic to the heritage lobby, and agree that something in the lines of Mr Marge's §9 may be the answer. Only the EST expresses a preference within those suggestions. Likewise, only he makes any reference to the idea of the extended zero-rate → 1 Sept. for work started before the budget. FST is definitely opposed. Conversely, FST is quite sympathetic to housing associations, while EST is adamantly opposed.

Creditworthiness

The new papers here are Mr J's note to the PM & Mr Watts' minute.

+ her response.

You will see Mr J. promises speedy report - back from your meeting.

fmp

8/5/84.

Ref. A084/1358

MR COLES

CH/EXCHEQUE	
REC.	09 MAY 1984/9
ACTION	MR LITTLER
COPIES TO	EST, SIR P. MIDDLETON
	SIR T. BURNS, MR UNWIN
	MR BATTISHILL MR LAVELLE
	MR HOUNTFIELD MR BOTTRILL

London Economic Summit: Thematic Paper

The Chancellor of the Exchequer's Private Secretary sent Mr Turnbull with his letter of 4 May two alternative further versions of the draft Thematic Paper, prepared for the Prime Minister's meeting on 30 April.

2. In dealing with this I hope that the Prime Minister will bear with us on the fact that the other countries concerned have already seen and commented on a first draft of the Thematic Paper, which was approved by the Prime Minister and discussed at the meeting of Personal Representatives early in April. For this reason I hope that we can concentrate at this stage on the longer of the two versions attached to the Chancellor of the Exchequer's Private Secretary's letter, which broadly follows the form and structure of the Paper as earlier circulated. The shorter version will be very useful for the purposes of preparing the draft Declaration.

3. In the revised version attached to this minute I have broadly followed the Chancellor of the Exchequer's longer version. I have, however, restored a shortened version of the three introductory paragraphs from the earlier draft: if we curtail the introductory material which the other countries have seen as drastically as the Chancellor of the Exchequer's first paragraph implies, I am afraid that we shall have a very tedious discussion at the next meeting of Personal Representatives, in which other countries will be suspicious of our motives and will seek to restore references to the main themes as they see them and in their language.

4. For the rest, I have followed the Chancellor of the Exchequer's revised version, though I have made minor alterations and additions in certain places to reflect points or wording to which importance was attached in early discussion among Personal Representatives.

5. I hope that the Prime Minister will be content that I should now circulate the revised draft to Personal Representatives. Time is getting very short before their next meeting on 20/21 May, and they will need to be given enough time to go through the draft and make comments on it.

6. I am sending a copy of this minute and of the revised draft to the Private Secretaries to the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, the Secretary of State for Trade and Industry and the Secretary of State for Transport.

Handwritten signature in black ink, appearing to read 'R.A.' or 'R.A.' with a stylized flourish.

ROBERT ARMSTRONG

8 May 1984

CONFIDENTIAL

LONDON ECONOMIC SUMMIT
7-9 JUNE 1984

THEMATIC PAPER

	Paragraphs
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<u>Prospects</u>	9-12
<u>Medium Term Objectives and Policies</u>	13
<u>Immediate Measures</u>	14
<u>East/West Economic Relations</u>	15
<u>Science and Technology</u>	16-18

Cabinet Office

8 May 1984

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Introduction and Background

1. Through successive recent Summits, governments have worked to bring down levels of inflation, nationally and internationally, to promote soundly-based growth in their own countries and to spread the benefits more widely, and to promote greater stability in international monetary and exchange conditions. Over the past two years, inflation has fallen and output has begun to recover, particularly in the United States.

2. The main concerns are now: to reinforce the basis for enduring growth, without provoking a resurgence of inflation, and to continue to spread its benefits; to make sure that the industrial economies develop flexibly and in response to market needs and technological change; to encourage flexible labour policies and to create conditions for a sustained improvement in employment, especially for the young; to strengthen and liberalise the international trading system and capital markets; to continue to manage international debt problems in ways which meet the needs of the debtor countries and protect the viability of the international financial system; to promote and encourage conditions for adequate financial flows to non-industrialised countries; and to co-operate with those countries in their efforts to place their economies on a more secure and self-reliant basis.

3. In many respects, the recovery in the industrialised nations is more soundly-based than in some previous cycles, founded as it is upon real and often painful structural changes against a background of firm efforts in most countries to reduce underlying fiscal deficits and control monetary growth. But its continuation cannot be taken for granted. In the industrialised countries, failure to sustain policies to reduce inflation and damp down inflationary expectations could put recovery at risk. Many other countries, including relatively advanced economies with substantial debt burdens as well as endemically low income countries, are still encountering severe difficulties.

4. The main developments over the past year have been -
- 4.1 - economic growth - especially strong in North America and Japan, somewhat less so in certain European countries. This variation has helped to avoid some of the pressures seen in earlier, more rapid, recoveries;
 - 4.2 - improvements in productivity, meaning that recovery has so far had only a limited impact on employment. Experience on job creation has varied widely in the Summit countries, with a particularly strong rise in employment in the United States;
 - 4.3 - significant reductions in inflation, although it remains high in some countries;
 - 4.4 - a tendency to increasing budget deficits in North America but reductions elsewhere;
 - 4.5 - a revival in world trade, with a marked rise in the imports of some Summit countries, notably the United States, helping to spread the benefits of the recovery;
 - 4.6 - continued strength of the dollar;
 - 4.7 - increases in nominal interest rates in the United States, with real rates remaining high in a number of countries;
 - 4.8 - a reduced rate of growth of monetary aggregates, consistent with a prudent rise in nominal income;
 - 4.9 - significant payments imbalances between Summit countries. The rising Japanese surplus has been more than offset by the United States deficit so that the group as a whole has been in deficit - in contrast to its traditional surplus;

4.10 - reductions in current account deficits elsewhere, still leaving many debtor countries with substantial debt servicing costs and increased political and social strains.

5. The future facing the poorest countries remains daunting. Official aid is constrained by budgetary pressures in donor countries. The outcome of negotiations to replenish the International Development Association (IDA) has so far disappointed many governments. The prospects for the poorest countries, especially in sub-Saharan Africa, remain bleak.

6. The flexible strategy on debt evolved during the last few years has worked well so far. World economic recovery has helped the debtor countries. An increasing number have accepted the need to adjust their economic policies, and are seeing the benefits. A key role has been played by the IMF, whose resources have been strengthened. But there is still a long way to go.

7. [Some progress has been made in implementing the commitments to resist and reverse protectionism made last year at the OECD Ministerial meeting and at Williamsburg. All Summit governments have agreed to accelerate implementation of the Tokyo Round and to ease restrictions on imports from the poorest countries.]* Nevertheless, there has been no easing of protectionist pressures, reflecting high unemployment and slow recovery in some cases, and a high exchange rate and growing trade deficit in the United States. The newly industrialised countries and others in the course of industrialisation have done little to dismantle their own trade barriers or to reduce internal constraints on competition.

8. Oil prices have remained relatively stable but the market balance is still fragile. Other commodity prices have risen modestly.

* Note: depends on the outcome of the OECD Ministerial meeting on 18 May.

Prospects

9. Most forecasters expect that on present policies the recovery in the Summit countries should continue over the next year or so. Output in North America may rise more slowly after the rapid recent increases, but activity in Japan and the European economies should strengthen. Unemployment seems likely to fall further in the United States, but the recovery may not be rapid enough to bring more than a slight reduction elsewhere, particularly where market rigidities persist. So long as the recovery in activity proceeds at a moderate pace, it should be possible to avoid an early resurgence of inflation. Recovery combined with present fiscal policies should help curb budget deficits in most Summit countries; they may remain high in the United States though the United States Administration is giving priority to curbing public expenditure.

10. Prospects for interest rates are uncertain. In the United States, a more moderate growth of output could help to hold the rise of interest rates in check; but an increase in the rate of inflation and concern about financing the budget deficit could work in the opposite direction. Elsewhere, further progress in curbing inflation and budget deficits may ease interest rate pressures.

11. Exchange rate prospects are also uncertain. The United States current deficit and faster inflation could tend to depress the dollar but that could be offset by the high rate of return on assets in the United States. Japan's growing surplus and strong macroeconomic performance could lead to upward pressure on the yen, but capital market rigidities could limit any appreciation. The stability of EMS countries' exchange rates, both among themselves and with the rest of the world, will depend on their success in bringing their inflation rates together at a low level.

12. Current account imbalances among Summit countries could increase. But rising exports and higher commodity prices will go some way to help many of the non-oil countries to service their debts and begin to reduce their current account deficits. The prospect of only a modest increase in energy demand should help towards achieving stable nominal oil prices.

Medium Term Objectives and Policies

13. We have the opportunity to move to a period of sustained growth. If this is to be achieved, Summit countries need to set themselves a common range of medium-term objectives, and to take account of the impact of their policies on each other and on the rest of the world. Other countries and groups of countries have already expressed their concern in this respect. The objectives are -

- 13.1 - to continue with, and where necessary strengthen, prudent monetary policies, supported by strict control of public expenditure and fiscal deficits, aiming at still lower rates of inflation. Especially firm action will be needed in countries where inflation remains relatively high;
- 13.2 - to create the conditions for lower nominal and real interest rates, by reducing inflationary expectations and putting structural budget deficits onto a sustainable basis;
- 13.3 - to reduce obstacles to higher employment by encouraging industrial adaptation and labour mobility, discouraging measures to prop up declining industries and reducing or phasing out export subsidies and other assistance which distorts trade. As demand expands, it will be important to ensure that wherever possible the unemployed are drawn into productive employment; this will also reduce the strains on public expenditure from social security provisions, which seem likely otherwise to rise to insupportable levels in many industrialised countries;
- 13.4 - to promote the development of new technologies, in traditional as well as in new industries, and to encourage international co-operation and a more rapid and widespread acceptance of technological change;
- 13.5 - to promote conditions which favour productive investment and private enterprise, especially among innovative small businesses;

- 13.6 - to make renewed efforts to liberalise and expand trade, in services and high technology as well as in manufactures and commodities;
- 13.7 - to complete current trade liberalisation programmes, in cooperation with other trading partners, and to explore with them the possibility of a new negotiating round early in the second half of the decade;
- 13.8 - to maintain adequate flows of resources (including official development assistance) to the non-industrialised countries; and to encourage practical measures to conserve resources, enhance indigenous food and energy production, and create conditions where populations move towards stability;
- 13.9 - to find ways of increasing the flow of private investment, through the removal by all countries of impediments to capital flows and by encouraging a climate of confidence for investment;
- [13.10 - to adapt and improve the operation of the international financial system. This entails creating a more stable medium term financial environment by prudent and convergent policies and performance among the major countries, particularly the reserve currency countries, providing a consistent flow of funding to the international financial institutions and removing restrictions on and improving international access to capital markets in industrialised countries;]*

* Note: depends on the outcome of the April IMF and May G10 Meetings.

- 13.11 - to help debtor countries to make the necessary economic and financial changes, taking due account of political and social difficulties; for them as for the industrialised countries, success will depend on sustained world recovery and adequate but not excessive world liquidity;
- 13.12 - to pursue policies which will avoid, wherever possible, sudden and de-stabilising movements in either direction in international oil markets;
- 13.13 - to pursue research into the causes, effects and means of limiting pollution; in the light of such research, to make greater national and international efforts to reduce pollution of air, water and ground; and to work on measures to minimise the effects of pollution.

Immediate Measures

14. In order to attain these objectives within a framework of sustained recovery and growth, Summit countries can agree on the following measures -

- 14.1 - to carry forward and develop as appropriate the agreed procedures for multilateral monitoring and surveillance of national economic and financial policies, and to make further progress on prudent fiscal and monetary policies, so as to achieve lower inflation and interest rates and greater exchange rate stability;
- 14.2 - to study with the appropriate international organisations, notably the OECD, policies to improve economic efficiency, incentives and flexibility; and to reduce obstacles to growth, in particular by harmonising international standards, encouraging innovation and adaptation, facilitating the mobility of labour and capital and increasing public understanding and acceptance of the need for technical development;

- 14.3 - to invite Finance Ministers to carry forward in the appropriate organisations their consideration of the operations of the international monetary system, including exchange rates, surveillance, international liquidity and the role of the IMF;
- [14.4 - to confirm the strategy on debt and to continue to implement it flexibly, welcoming the progress made by many debtor countries and the extensive international cooperation which has supported them, and recognising that continued recovery, lower interest rates and trade liberalisation, will help further;
- 14.5 - to develop arrangements which could foster renewed economic progress by debtor countries. These might include the encouragement of private direct investment, closer co-operation between the IMF (and the IBRD; IBRD operations which can help to attract long-term capital investment; and improvements in the supervision of lending by commercial banks, notably in their overseas operations;]*
- 14.6 - to urge all trading countries to resist continuing protectionist pressures and to reduce barriers to trade, [following the decision taken at the meeting of OECD Ministers on 18 May 1984];
- 14.7 - to promote at the GATT meeting in November 1984 a successful outcome of the work programme laid down at the meeting in 1982; and to consult with other GATT Parties and with the Director General with a view to reaching a consensus for a high level meeting of GATT before the end of 1985 to consider launching a new GATT round, with clearly defined objectives and guidelines, early in the second half of the decade.

East/West Economic Relations

15. The Summit countries note, with approval, that work continues in the appropriate organisations on the economic and security implications of relations with Eastern countries.

* Note: depends on outcome of April IMF and May G10 meetings.

Science and Technology

16. The Summit countries welcome the second report of the Working Group on Technology, Growth and Employment created by the Versailles Summit, and the progress made in the 18 areas of co-operation. They invite the Group to pursue further work on technology and the environment, adaptation to technological change, the relationship between technology and trade, and the sharing of major scientific facilities, and to report to the next Economic Summit.

17. The Summit countries thank Prime Minister Nakasone for his report on the Conference on Life Sciences and Mankind, organised by the Japan Foundation in March 1984, and welcome the intention of the French Government to host a follow-up Conference in 1985.

18. They also welcome the invitation from the United States Administration to other Summit countries to co-operate in the development of an international manned space station; to agree that other Summit countries will actively examine the possibility of taking part in the programme, directly or collectively; and the intention of the United States to report progress on space station matters to the next Summit.



C
I understood the
P.M. thought the redrafted
Thematic paper read
"beautifully". I think
this encompassed both long
& short versions; but it
looks as if the long one will
be used.

AM

✓
M

C
To be aware.
RWP



10 DOWNING STREET

CH/EXCHEQUER	
REC.	08 MAY 1984
ACTION	MR LAVELLE
COPIES TO	CST, SIR P. MIDDLETON
	MR LITTLER, MR UNWIN
	MR BOTTRILL
	MR MOUNTFIELD
	MR KELLY

From the Private Secretary

SIR ROBERT ARMSTRONG

ECONOMIC SUMMIT

The Prime Minister wishes to make maximum use of the month which remains before the Summit to ensure that it is a success. She has asked that all the departments concerned should give high priority to the necessary work.

2. The Prime Minister intends to hold a weekly meeting to review progress. Participation in the meetings will vary according to the subjects under discussion but the Prime Minister hopes that the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer and you yourself will be present at each meeting. We shall make arrangements separately but our plan is to hold these meetings on Fridays - 11, 18, 25 May and 1 June.

3. The first one or two meetings will be devoted to the principal policy issues on which we hope to make progress at the Summit. The conclusions of the Prime Minister's meeting of 30 April, set out in Mr. Turnbull's minute of 30 April to you, are relevant. The Prime Minister would like to consider inter alia at the first meeting what our objectives should be at the Summit with regard to international terrorism and a first draft of the proposed statement on democratic values.

4. I should be grateful if you could provide by 23 May the first draft of the Prime Minister's opening statement for the Summit.

5. I have agreed with your office that briefs should be available by 25 May. The final briefing meeting will take place on 1 June.

6. Could you please circulate two days before each meeting an agenda of the points to be discussed, together with such papers as are relevant.

7. I am copying this minute to Mr. Appleyard (Foreign and Commonwealth Office) and Mr. Peretz (HM Treasury).

A. J. COLES

8 May 1984

DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1+

FROM

Reference

Sir Robert Armstrong
2

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

TO:

Your Reference

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

Mr Coles
10 Downing Street

Copies to:

PRIVACY MARKING

SUBJECT:

.....In Confidence

LONDON ECONOMIC SUMMIT: GERMAN THIRD MINISTER

CAVEAT.....

1. As we agreed I enclose a draft message for the Prime Minister to send to Chancellor Kohl to follow up their discussion at Chequers.
2. The draft, as you will see, spells out the arguments, suggests some ways as a compromise in which Lambsdorff could have some role at the Summit and even hints at the possibility that he could sit in the German official's chair at the Finance Ministers' meeting at Lancaster House, though I do not think we should suggest this ourselves.
3. The Chancellor of the Exchequer agrees with the draft. I hope the message can go fairly soon. I have recently had another message from my German opposite number and it is clear that the Germans, like us, want decisions to be made as soon as possible.

Enclosures—flag(s).....

DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1+

FROM

Reference

The Prime Minister

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

TO:

Your Reference

Top Secret

Secret

Confidential

Restricted

Unclassified

Federal German Chancellor

Copies to:

PRIVACY MARKING

SUBJECT:

.....In Confidence

CAVEAT.....

We discussed briefly at Chequers the question of the number of Ministers who will accompany Heads of Delegation to the London Summit in June. You said that you understood that there would be only Heads of State or Government plus two Ministers at plenary meetings and meals, but that for the separate meals and meetings of Finance Ministers it should be possible to add another chair to the table.

I hope you will forgive me for coming back to you on this point, but we want to get all the arrangements clearly sorted out before the Summit, to prevent any last minute inconvenience or embarrassment. The handling of Finance Minister meetings and meals is in the first instance something for Nigel Lawson to decide. But I feel responsible as overall host for the Summit, and I know that only you can decide the composition of the German team.

The trouble is, I am afraid, that a number of our colleagues are very sensitive on the point that everything done at Summits should be on a basis of parity between national delegations, so that if you were to insist on

/having

Enclosures—flag(s).....

having two Ministers instead of one at any event, others would follow. The Japanese have made it quite clear to us that if you decide to bring more than two Ministers with you to London their MITI Minister will also come. We would be on weak ground in limiting any additions to you and the Japanese, because other countries have divided economic responsibilities and there are many Ministers, Ministers of State and senior officials (the dividing line is sometimes thin) who would like to be included in Summit functions.

I know there is a good deal of feeling among our colleagues, though not always openly expressed, that once the rules of parity are breached there could be pressures from the more powerful countries (mentioning no names!) to obtain special favours.

If you still feel that Count Lambsdorff should come to London in June, therefore, as well as Dr Stoltenberg, I hope you will agree that they should alternate at Nigel Lawson's first two working meals. Nigel will try to tailor the topics for discussion accordingly. The Japanese, at least, would then follow the same pattern. The third meal, Nigel's dinner on the second night, 8 June, will be at the Bank of England. He and the Governor intend to invite two representatives per delegation on this occasion - normally the Finance Minister accompanied by a senior official dealing with financial matters. If you wished both German Ministers to attend instead of the senior official this would be perfectly acceptable.

As far as the Finance Ministers' meeting planned for the morning of 8 June is concerned at Lancaster House, I am

/afraid

afraid that we are only able to make provision (seats, headphones etc) for one place per delegation at the table, and one seat for a senior adviser/notetaker at the side of the room.

I cannot hide from you as your colleague and friend that I should be much happier if you could find a way to bring only two Ministers with you to London, since whatever expedients we contrive there will be occasions at which your third Minister will be left out and feel uncomfortable, which would be distressing to us as hosts.

In any case please let me know what you decide soon, since the Japanese and others will have to be told.

2/5/84.



PM/84/74

PRIME MINISTER

CH/EXCHEQUER	
REC.	09 MAY 1984
AC	MR LITTLE
CC:	EST. SIR P MIDDLETON
TU	SIR T. BUANS, MR UNWIN
	MR BATTISHILL
	MR LAVELLE
	MR MOUNTFIELD
	MR BUTTRILL

London Summit: Possible British Initiative on the Environment

1. We have already discussed possible British initiatives designed to give a distinctive character to the London Summit. Unfortunately, the ideas which have been floated so far have not aroused great interest from the Permanent Representatives of the other Summit participants. Although we agreed at our meeting on 30 April to pursue some of them, we still, in my view, need an extra element if we are to make a public impact. I believe that the right kind of initiative in the environmental field would not only make such an impact but would be well worth pursuing for its own sake.
2. The relationship between industry and the environment is of great concern in all the Summit countries. Indeed this concern was reflected in our 1983 Election Manifesto where we re-affirmed our intention to remove lead from petrol, to reduce the lead content in paint, food and drinking water, as well as to reduce river pollution and to increase controls over waste disposal. We also acknowledged the need to reduce further the levels of smoke and sulphur dioxide in some areas. Despite all this we still have a largely undeserved reputation (particularly in the FRG and Canada) as one of the least forthcoming countries on environmental issues. A Summit initiative in this field would be an excellent opportunity to correct this impression and could do much to ease popular environmental pressures, rather on the pattern of the CDU's initiative in the Federal Republic.
3. You have of course already expressed concern that the government's public stance on environmental pollution appears to be defensive and reactive. In view of this, Ministers are currently reviewing our policy on environmental pollution. We held a first meeting on 5 April, and will meet again on 17 May.



10 DOWNING STREET

*From the Private Secretary*SIR ROBERT ARMSTRONGLONDON ECONOMIC SUMMIT:
THEMATIC PAPER

The Prime Minister has seen the redrafted paper enclosed with Mr. Peretz's letter of 4 May to Mr. Hatfield,

Mrs. Thatcher thought that the redraft (the longer version) was excellent and you are free to proceed with this unless you wish to make further comments.

I am copying this minute to Mr. Peretz (HM Treasury) and Mr. Bone (Foreign and Commonwealth Office).

8 May 1984CONFIDENTIAL

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	SIR T. BURNS, MR UNWIN
	MR BATTISHILL
	MR LAVELLE
	MR MOUNTFIELD MR BOTTRILL



We have already agreed that it would be desirable to publish a statement on the government's achievements and aims relating to environmental pollution before the Summit.

4. This is certainly not the time to incur heavy extra industrial costs or do anything which could reduce the margin of our competitiveness. I believe, however, that our domestic and international reputation would be considerably enhanced if we stressed that we supported international scientific research in order to establish an agreed understanding of the causes of environmental pollution and would welcome industrial collaboration to develop cost-effective technology to reduce the damage. Despite the insistence of countries like Germany and Canada on percentage targets for the decrease in pollution, there is a growing realisation that the causes of acid rain and other phenomenon are by no means as clear as the propagandists claim. I also believe that a carefully conducted international research strategy would in the long run make economic sense.

5. The inter-action between industry and the environment is a recurring theme in the work of the Versailles Group, though not central to it. The Group has identified five environmental protection issues requiring urgent attention, namely:

- (i) the processes involved in acid deposition, and how these relate to perceptible environmental damage;
- (ii) the safe storage and disposal of radio-active waste;
- (iii) the protection of the marine environment;
- (iv) world climate and climatic change (for example the impact of increasing levels of carbon dioxide in the atmosphere);
- (v) the development and introduction of more efficient energy generating technologies compatible with reduction in harmful emissions.

6. My suggestion is that we should propose a new Working Group, to be called the London Group on Industry and the Environment, whose job would be to:



- (i) identify specific areas for research where existing knowledge is inadequate and bring together what has been done so far;
- (ii) identify possible projects for industrial cooperation to develop cost-effective techniques to reduce environmental damage;
- (iii) report to the 1985 Summit, taking into account international discussion on these issues in the meantime. (This would be a one off report unlike the work of the Versailles Group which reports from Summit to Summit. The London Group would effectively take over the urgent environmental protection issues from the latter).

7. Arguments against an initiative might be advanced as follows:

- (i) that sufficient work was already being done elsewhere, and that a new Group would simply duplicate it. But most subjects taken at the Summit are under consideration elsewhere: the Summit provides a unique means for giving work new impetus and bringing out its positive aspects;
- (ii) that this was a British delaying device to hold up remedial action already necessary. The counter argument are obvious;
- (iii) that the idea would not appeal to the Americans and perhaps one or two others who stand accused of severe environmental pollution. This is largely a question of presentation. The Americans are spending more than anyone else on remedial research already;
- (iv) that it would prove expensive. But at least (see paragraph 4 above) we should be able to make decisions on the basis of the best knowledge available. It should also be borne in mind that remedial action could well become more expensive as time goes on.

8. The arguments for an initiative may be briefly summarised:

- (1) it would publicise the need for solid scientific research and for establishment of the right scientific



basis before taking action to cope with environmental pollution;

- (ii) it would bring together work on the subject in the seven most important industrial countries in the world and the European Community;
- (iii) it would help meet popular pressure for action to cope with real and potential damage to the environment, and thereby help defuse demands for what might otherwise be precipitate or inappropriate action;
- (iv) it could mark out the London Summit as a turning point in the way industrial societies cope with the problems they have created with their own environment.

9. I am copying this minute to Patrick Jenkin, Nigel Lawson, Peter Walker, Norman Tebbit, Tom King, George Younger, Nicholas Ridley, Michael Jopling, William Waldegrave and Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to be 'G. Howe', is written over the typed name.

GEOFFREY HOWE

Foreign and Commonwealth Office

8 May 1984

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Sir Robert Armstrong GCB CVO
Secretary to the Cabinet
70 Whitehall
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DEPARTMENT Secretary's

May 9 1984

Dear Sir Robert

As background to our talk in your office next Wednesday May 16 at 12 15 pm I am enclosing a copy of the memorandum which we will be presenting to the Prime Minister on May 31. This has now been adopted by the Trade Union Advisory Committee to the OECD.

I wonder whether we could perhaps assess which of the themes in the memorandum would have a degree of resonance with the Heads of Government, so that we can present the views in such a way as secure a response which is seen by our side as helpful.

Yours sincerely

D E Lea
Assistant General Secretary

cc- ~~Mr Holloway~~
Mr Colvin

} Any comments
by Tuesday 15/5
please

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TUAC

Statement to the OECD's Ministerial Council and the London Summit

Adopted by the 72nd Plenary Session of TUAC, 26 - 27 April, 1984

INTRODUCTION AND SUMMARY

1. Despite some recent encouraging signs of an upturn, unemployment remains very high throughout the OECD area and continues to grow in many countries. Economic growth - let alone a recovery - is by no means guaranteed, and on present policies, the forecast is for growth slowing down and not spreading. The prospects of structural change have come to mean additional insecurity of present and future employment and income for an ever growing number of people. Such growth as has taken place has not been equitably distributed. Differences between groups in our societies, and between countries, have been growing and this has increased tensions both within and between countries, developed and developing alike.
2. Problems caused by unbalanced growth, continued high unemployment and uncertainties due to structural change are seriously aggravated by the International monetary chaos, world debt problems, and austerity programmes which are imposed on a growing number of countries. Joint deflationary policies have strongly contributed to the recession in the OECD area. When the same kind of policies are prescribed for developing countries, the effect is nothing short of devastating. The oil price shocks and the recession have hit harder most of the developing countries than the OECD area. The least developed countries are in an especially dramatic situation, and many of them need emergency food and other aid simply to assure the survival of their populations.
3. The poverty and the need for real economic and social development of hundreds of millions of people in the developing countries can - and must - be attacked by policies which also provide for accelerated economic and employment growth in the industrialised countries. The world economy has become so interdependent that there will be no durable solution to economic and employment problems in the OECD area unless the issues of underdevelopment and poverty in the whole world are tackled.

Policies for economic and employment growth and for world development, have to be coordinated as much as possible, in order to maximise their positive effects. The more there is delay and hesitation, the greater is the risk that even the best individual countries' policies yield only little or partial results. Growth which amounts to a recovery has to be the outcome of policies negotiated and implemented jointly by all countries.

4. The world economy will not be pulled out of the recession by simple exhortations or by a "trickling down" of growth from North America. Recovery will not be achieved by passive government policies and interventions which are based on the belief that market forces have to be "liberated" from regulations and institutions which have evolved throughout modern history - and which have contributed to social progress and economic efficiency as well. The governments have the responsibility to provide a framework for economic and employment growth, and the most realistic way to achieve this is through cooperation which involves the trade unions and the business community. The first step should be for the governments to clearly demonstrate their political will to seek solutions together, and use and develop national and international economic policy tools for a robust recovery.
5. Real adaptation and desirable change in the OECD countries will not be promoted through intensified competition, deregulation and privatisation, accompanied by a weakening of social safeguards, or if wage levels are depressed and problems of low pay and poverty continue to spread. It is imperative to avoid a development towards a dual society, with an escalating polarisation between the better off and those who lose out from structural change. Sustainable growth can not be fostered through measures which in reality make it a divisive factor in our societies. The cost of change must not be borne by those who lose from it. Governments have the duty to devise their policies so that the benefits of economic growth and structural change will be shared by all.
6. To cope with structural change, opportunities are needed on a large scale. There is no room for adaptation without a better growth path. Opportunities are not

provided by an incentives-based policy which increase inequalities between groups and individuals. Real adaptation will not be sustainable unless there is active consent and willing participation of all groups in society. The automatic solutions offered up to now to the OECD countries and the world economy have not worked. Falling inflation did not by itself lead into a recovery and more jobs. Cuts in social expenditure have further weakened the social fabric and have not generated private investment. It is equally misleading to assume that now recovery can be conjured by increasing wage and labour market flexibility; this will only create further obstacles to a healthy recovery which would be fair for all.

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7. A number of elements are indispensable in order to ensure that there will be economic and employment growth in the OECD area and the whole world economy, in a way which does not lead into an upsurge of inflation. The OECD's Ministerial Council and the London Summit should discuss, and agree upon, a growth strategy based on the following items :

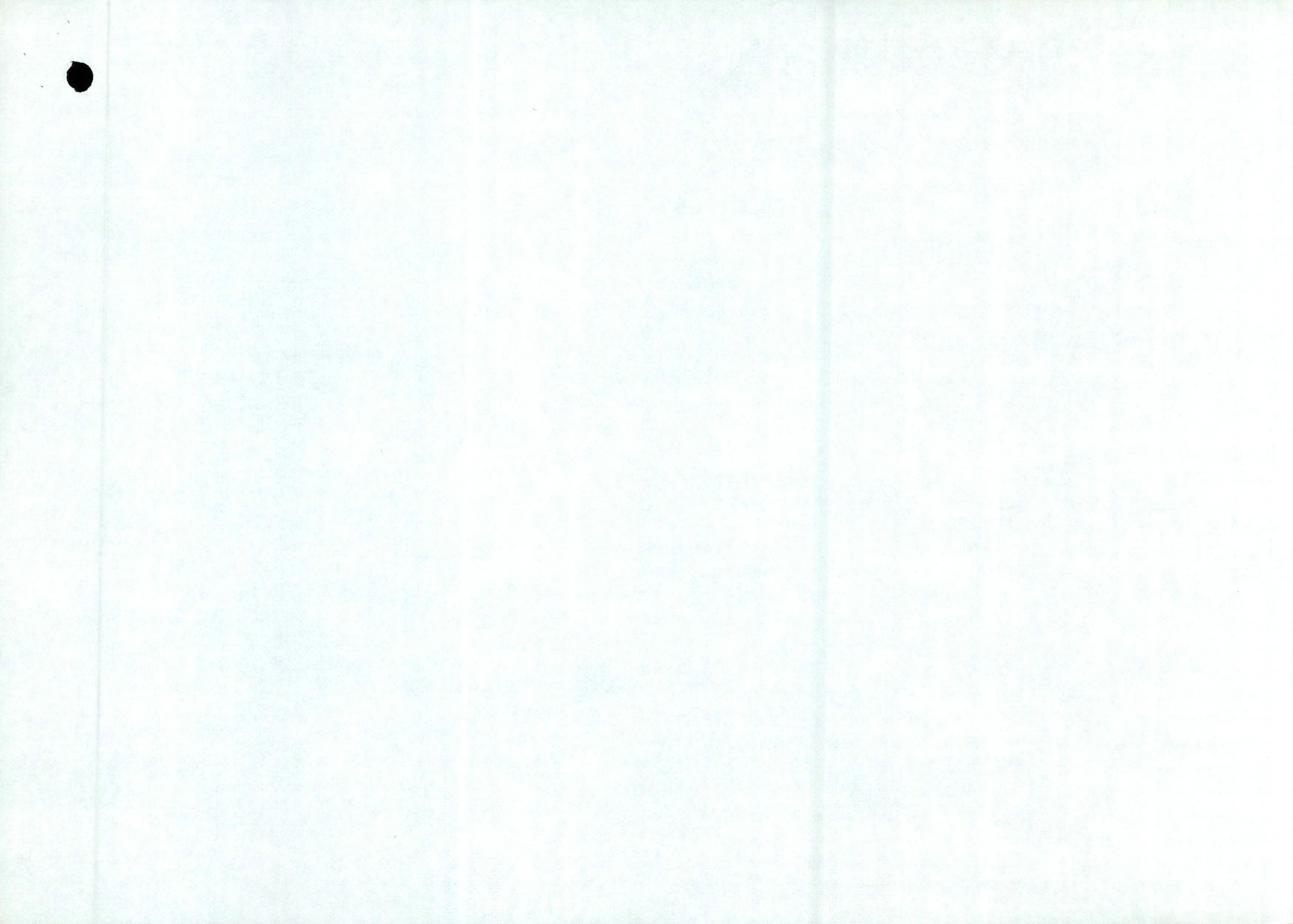
- (i) Jointly negotiated and coordinated monetary and fiscal policies, to back up the stuttering growth which has taken place and to ensure it is spread throughout the OECD area and the world economy. Given the international economic linkages, the coordination of measures individual governments take to stimulate growth will serve to maximise the joint positive impact of these measures on economic growth and employment creation.
- (ii) An underpinning of an OECD-wide recovery programme by fair and workable policies in each of the countries, which aim at increasing productive and job-generating investment. Such policies must be devised and implemented by governments in consultation and through negotiations with trade unions and the business community.
- (iii) A significant increase of both public and private infrastructure investments. There is broad agreement between trade unions and employers on the need for such investments. When they are carried out in an internationally coordinated way, the effect on employment and investment will be optimised without detrimental results on government expenditure and trade balances.

- (iv) government policies to facilitate structural change by creating opportunities and promoting a situation in which collective bargaining between trade unions and employers can have an important constructive role, so that change can take place with a reasonable degree of security of employment and income.
- (v) A shortening of working time, through negotiations between trade unions and employers which also aim at making full use of the employment creation potential of this measure. Governments should facilitate and certainly not hinder the climate in which such negotiations are conducted.
- (vi) Balanced growth in world trade, which is possible only hand in hand with economic and employment growth in all countries and the expansion of domestic markets. Policies which restrict domestic demand distort trade flows and increase trade conflicts, and make any "roll back" of protectionism more difficult.
- (vii) Measures to counteract the international monetary chaos, to increase stability of the exchange rate markets, to reduce real interest rates world wide, and to solve the world debt problem in ways which do not undermine but support the democratic process and strengthen the economic and social potential of indebted nations.
- (viii) A review of the conditionality framework of the International Monetary Fund, so that the conditions for countries in difficulty do not mean a halt to growth and development but are constructive and promote the necessary structural adjustments.
- (ix) An increase in resources for development, in particular Official Development Assistance, and the adoption of policy measures targeting these resources to attack blatant inequalities and to help to create and strengthen viable economy and society in each recipient country.

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8. The decade of recession and mounting uncertainty must be overcome. Change is inevitable, due to technological progress, shifts in world trade patterns, and the growing interdependence between different parts of the world. But this change has to be managed. Mechanisms for building a workable understanding on the management of change have to be developed and used. This requires an atmosphere of mutual respect and confidence within the societies

that a search for solutions to our common problems will be serious and constructive. The key issue for the OECD's Ministerial Council and the London Summit is to create the framework in which people can meet change with reasonable security, and in which the policies pursued both in the OECD area and the developing countries are fair for all.



I - THE FRAMEWORK FOR ECONOMIC AND EMPLOYMENT GROWTH

1. Growth and unemployment

9. Confidence in the effectiveness and the fairness of the OECD government's policies is seriously eroded by continued high and rising unemployment. Already now one fifth of the young cannot find an entrance into working life. Lower inflation, from 12.8% in 1980 to 5.8% today, did not automatically bring about the increase in economic activity and job-generating investment which it was supposed to. Unemployment in some of the low-inflation countries is among the highest in the OECD area. In the United States, where unemployment has fallen from 10.3% in 1982 to 7.8% now, the upturn did not start in 1982/83 by itself but was brought about by increasing domestic demand and consumption through a relaxation of monetary and fiscal policies. It should by now be clear that the recent North American growth will not be automatically carried over to other OECD countries and the rest of the world by the market mechanism without governments taking measures to spread and sustain it. Instead, there are rapidly growing worries over the sustainability of growth in the United States and the ability of the still high unemployment there to fall any further.
10. Economic growth so far is only a rebound from the deep recession and it is weaker than in previous upswings. Industrial production has only now reached the 1979 level. The prospects, based on present policies, are for a continuation of growth at levels between 2-3% which are too low to even start reducing unemployment. The OECD Conference on Employment Growth in the Context of Structural Change, in February, 1984, did conclude that the principal battle against unemployment must be fought at the macro-economic level. It requested that the subsequent Conference of Finance Ministers would assign a high priority to employment creation, in "ensuring virile but sustainable economic growth". Judging by all accounts, this appeal was not heard by the Finance Ministers, who did not adequately recognize that there must be sufficient domestic demand growth in all OECD countries in order to achieve a better functioning of the economy and tackle structural problems.
11. A basic constraint faced by governments, by the industry, and trade unions, is the instability and volatility of the present economic situation. The insecurity of the international economic environment cannot justify the OECD government's being

frightened into inaction or confining joint decisions to negative, deflationary measures alone. Those who no longer believe in the possibility of internationally agreed policies for recovery are fatally attracted by beggar-thy-neighbour policies. In an extremely unstable environment, even the best of national policies, based on broadest possible agreement, will face severe difficulties and may well not succeed. It is distressing that the recession has increased economic nationalism. The economic linkages between OECD countries are often seen only as constraints on national policies; in fact they offer an opportunity for joint action to overcome the recession.

12. A more secure framework will be created if all governments negotiate and adopt coordinated growth and employment policies consisting of diversified measures adapted to the specific problems in each country, and taking advantage of whatever multiplier effects can be obtained by coordination. Expansionary measures, when coordinated and targeted, will build inflation out of the system in a more lasting way than trying to squeeze it out with depressed expectations. The hitherto prevailing hesitant attitude towards spreading economic growth has to be overcome. Growth, albeit still very unbalanced, could not be sustained if monetary and fiscal policies were to be further tightened. Yet this danger is clearly implied wherever the efforts to contain and cut budget deficits concentrate mainly upon cuts in public expenditure. Nor is there evidence that a reduction of public expenditure would induce the market forces to make use of the room for growth they may thus be offered; they, too, need a clear public policy, a policy which among other things involves public expenditure.

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13. The hoped-for automatic ways of achieving employment-generating growth have not worked. Unemployment has not been reduced by simply bringing inflation down, and now the benefits of lower inflation are being eroded by continued recessionary policies. The incentives to growth which have resulted from falling inflation, from a change in the proportion of income consumed or saved, from restocking and from exports to North America cannot be repeated. Investments are still unlikely to lead a

to early

strong recovery because of high real interest rates, uncertain demand prospects and capacity which remains unutilised. Those investments which are taking place are not primarily of a job creating type.

14. More recently, there has been a growing emphasis on reducing unemployment through lower wages, greater wage differentials, cuts in social benefits, and various devices to weaken the bargaining power of trade unions. All this may have marginal effects on the profitability of enterprises, but it will have no effect on their job creation performance. The fortunes of enterprises depend on several other and usually more important elements, such as lower interest rates, reasonably balanced and regular international trade, a more stable monetary system, management expertise, technological innovation, taxation and sufficient levels of domestic demand. The magnitude of the unemployment problem in the OECD countries is such that without vigorous job-creating investments, no amount of tampering with wages/profits shares will provide a solution.
15. Governments have to work out a proper industrial and trade policy framework for economic and employment growth. New jobs will have to be created in activities which offer a sufficiently secure perspective for the future. They must be viable jobs in the sense that they contribute to an improvement of working and living conditions throughout the economy. The context in which they are created has to be one of confidence. The workers must have the confidence which can only be brought about by security of future employment and income. Employers also need a confidence in future prospects, if they are to proceed with the kind of investments which will make their labour force grow and not diminish. Investments have to be promoted by policies whose basic criterion is their employment effect. The way to achieve the necessary confidence is through discussions and negotiations involving all the parties concerned.

2. Infrastructure investments

16. Investment in physical infrastructure is a logical avenue for increasing economic activity and employ-

ment. It is needed to rehabilitate and upgrade existing facilities which have been neglected over a long period of time, and to construct new ones in areas where economic expansion and the development of new industries is to take place. The weakness of infrastructure must not become a constraint on recovery. Measures have to be taken now, as substantial investment programmes demand time for implementation, and in particular as on present policies, growth is foreseen to slacken towards the middle of 1985. In addition to the direct investment and employment advantages, such investment has a substantial multiplier effect due to backward and forward linkages throughout the economy. This helps to spread any growth that may be achieved in leading sectors of the economy towards a more broadly-based recovery.

17. This type of investment can be achieved through a combination of public and private expenditure and initiative, but the governments have a pivotal role to play. At a time when the problem for our economies is how to generate productive investments to sustain recovery and create new jobs, there needs to be a framework of policies to bring together all available resources. Public investment in the infrastructure also induces large amounts of private investment. Indeed, no sharp distinction can be drawn between "public" and "private" investment: activities such as construction for new housing, or urban renewal, or the strengthening of transport facilities, typically involve both public and private resources.

18. The financing of these investments does not have to be the problem it is often presented to be. Firstly the increase in employment, both direct and indirect, reduces the expenditures on subsidising unemployment. Secondly, the increased economic activity which such investments stimulate increases government revenues. Thirdly, innovative funding schemes which inject private capital at various stages without impairing public accountability can ensure that there is an adequate rate of return. All of these benefits will be magnified if the expenditure on infrastructure of each country are made as part of a coordinated programme which makes positive use of the interdependence of the OECD

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economies. Studies by the OECD on international economic linkages show that the government budget consequences of such investments will be positive within a few years.

19. Trade unions in a number of OECD countries have made, and participated in, studies which look into the type of infrastructure investments and forms of financing which would strengthen the economy and create jobs. For example, a joint study by a high-level group of trade unionists and industry leaders in the United States has recently proposed investments in highways, bridges, urban water supply systems, and wastewater treatment facilities, involving both increased user fees and greater access to capital markets. A study by the Nordic and German trade unions has indicated how a common investment initiative by all OECD countries would have a beneficial international multiplier effect, induce private investment, and reduce unemployment. Proposals from business and industry circles for solving the present crisis also include increased investment in infrastructure such as transport and communications, with the participation of private capital.

20. Infrastructure investments are more than a starter for recovery by stimulating private investment. They also have an important role in improving the efficiency of our economies and their capability to carry out structural change. A well functioning and modern infrastructure enhances the productivity of the economies. Thus, infrastructure investments can and should be targeted to the most pressing constraints. Some areas where investments can be undertaken by governments, and where public policies to stimulate investments can be promoted, are :

- Communications and transport facilities, such as railways, roads, bridges and ports, and the information technology network which is necessary for their functioning ; due to its nature, much of this investment requires intergovernmental cooperation ;
- The renewal of both urban and rural housing and other facilities where they have fallen into decay ; in many of the urban conglomerates in the OECD countries this has to amount to an extensive rehabilitation of inner cities and/or urban areas ;

- New housing and the construction of educational, health, child and old-age facilities ;
- Waste disposal and treatment, including the possibilities for recycling and the use of waste for energy generation ;
- Investments in a more efficient use of energy and energy conservation (in households, by the community, and by industry) ; and
- Protection of the environment, for instance through sufficiently large-scale investments in equipment and facilities which reduce the threat to the environment.

21. The aim of public policy should also be improved social infrastructural services in a number of vital areas. These include the provision of health care, which is made all the more important by demographic developments. Child care facilities have to be expanded, in particular where a lack of them creates an unwarranted obstacle to the full participation of both parents in economic life. Much investment is needed in education, starting with basic education and continuing with vocational education and training, including adult and recurrent education, to cope with technological developments and structural change. Any comprehensive plan for restoring economic growth must have as an integral part an effective and well financed system of public education. These activities are far from being passive from the viewpoint of a national economy. They improve the ability of the economy to create employment and contribute to its productive potential. These are activities which by nature should be in the public field, and where the private sector is involved in them, it has to accept the necessary discipline (equal access to social services) and to maintain high standards of employment.

3. Negotiating structural change

22. The fear of change can be removed only through bonafide discussions and negotiations with, and within, the existing institutions to ensure that the needed safeguards are in place and that all opportunities are made use of. High and rising unemployment,

insecurity over conditions of work and incomes, and the lack of meaningful vocational education and training and retraining facilities are heavy constraints to necessary adaptation ; these constraints cannot be removed without coherent and effective government policies. Negotiations on how to manage structural change have to be carried out at different levels. They call for decisions by governments on industrial, technological, investment, regional and labour market policy. Discussions between governments, trade unions and employers are essential for ensuring that the cost of change will be borne equitably and not only by those who are worst hit by it.

23. Confidence is not increased if the governments' message is that there will be more closures and dislocation of work and less social provision. Redistributive taxation, public programmes and the social wage system are partial compensations within an economy, from the groups which gain from technology and trade-induced change to those who lose out from it ; as such, they should be developed further. The provision of vocational education, training and retraining is an indispensable element ; there is much scope for cooperation between governments, trade unions and the employers in this field. Information to, and consultation with, the workers by enterprises, and particularly multinational enterprises, on future prospects and planned changes allows for a whole series of workable procedures to cope with, or offset, negative effects of restructuring decisions. In the final analysis, the effectiveness of the measures taken either by governments or enterprises to manage the effects of technology and trade depends on vigorous employment growth and the creation of new opportunities. Without this, income support or training arrangements for an unemployed worker do not amount to much more than first aid.

24. Insecurity can be substantially reduced through negotiations between trade unions and management over changes at the workplace. This will help in moving towards "industries of the future" in a manner which is socially desirable. Technology agreements (either directly between trade unions and employers or tripartite framework agreements) are designed to ensure that the process of change at the workplace is achieved in a way which is

recognized to be fair and equitable. This is particularly necessary when changes are fundamental due to a new generation of production and communications technology.

25. The increasing complexity of company structures and management systems diminishes the transparency of ownership and control of enterprises, while decentralisation assisted by new technology leads into geographical dispersion of activities and breaks up existing employment structures. It is increasingly difficult for the employees of a given entity to be aware of the way in which the company as a whole is faring. Industrial relations systems and practices must be such as to ensure that in these circumstances, too, meaningful negotiations on wages and working conditions will cover all workplaces, irrespective of their size and location. There has to be (by agreement, or by legislation if need be) information to, and consultation with, the employees on planned changes in the activities of the enterprises. This is important because restructuring on a world-wide scale can lead into substantial change for reasons which are directly attributable to the performance of a specific enterprise or the economic position of the host country.

26. Real adaptation to economic change has to take place through negotiations and agreement. It cannot be achieved by a policy based on incentives which increase inequalities between groups and individuals and which do not guarantee a place in society for all. Cuts in social expenditure, shifts towards indirect taxation, and the widening of income differentials weaken the social fabric and make it more difficult for society to adapt to economic change. The recession has undermined the workers' confidence in future access to secure incomes and thus generated fear of change. The governments have up to now offered solutions which have failed one after the other. Disinflation did not produce jobs. Cutting public expenditure has not brought forth private investment. The latest vogue panacea, "wage flexibility", could turn out to be counterproductive to real adaptation.

4. Wage and labour market flexibility

27. Flexibility of wages, and of the labour market more generally, cannot be unilaterally imposed by the governments' policies. The concept of flexibility has to be properly defined before it

can be used as a key element in the OECD's economic strategy. It must not be forgotten that wage levels and differentials have a social basis, and changes in them can only be brought in the collective bargaining process. This process does allow for real adaptation without the negative effects that fragmentation of the labour market produces. This is why it is dangerous to make political assumptions for instance on the basis of a superficial reading of trends in growth and employment creation in different parts of the OECD area.

28. Mass unemployment is by far the biggest obstacle to flexibility, especially regarding occupational mobility and the achievement of structural change. The most efficient way to achieve change is to make sure that opportunities are created and that the necessary adaptations take place through negotiations and a strengthening of confidence between all parties, and without demolishing labour legislation and social protection. In so different economies as the United States, Belgium and Japan, neither declining real wages nor higher profits have engendered employment-creating investment. Increased demand has been crucial to recent growth where it has taken place. Attempts to reduce demand by depressing over-all income levels will not solve the problem of 35 million unemployed in the OECD area; they will make it worse. Every single OECD country already has a low-wage problem, a problem of segmentation of the labour force where women are frequently locked into low-paid and involuntary part-time jobs, and most of them have a new problem of poverty.
29. A downward pressure on wages in all countries, for reasons of competition, will only serve to add to these problems, instead of promoting investment in better equipment. A high-productivity and high-employment society with decent wages will not be achieved by flexibility which entails low-paid and insecure jobs in informal sectors with insufficient social safeguards. Artificially low wages increase pressures on social security and welfare benefits which have to be provided by society. They can also become an unwarranted subsidy to ailing firms, thus prolonging their life well beyond a time when efficient measures for restructuring could and should have been taken. Finally, the remedies proposed for unemployment should in no circumstances promote a situation where groups and individuals compete with each other to have a place in the labour market.

30. Reducing social protection, in the name of flexibility, only increases the incentive to seek protection against change and not through change. Making redundancies easier without providing for new opportunities will shift costs from the private sector to the whole of society. As economies are confronted by large-scale change, the notion of flexibility must not amount to revising the foundations on which economic growth and social progress in the period following World War II have been built. Social expenditure and the existence of a social wage are by no means charity: they must continue to be a central means of achieving adaptation, transferring compensation from those who gain from change to those who lose from it. If this comprehensive system which is based on universality of access is undermined, the scope for social cohesion could irremediably be damaged. Workers will be prevented from accepting, and involving themselves in, change and adjustment if their standards of living and work are being attacked. Productivity improvements will not be seen as desirable, if they increase unemployment and inequality in the societies.

31. Free collective bargaining is by nature a flexible system which had developed, and also undergone change, in the light of changing economic and social conditions. Governments should once and for all discard the notion that certain forms of wage bargaining are inherently inflationary or hamper job creation. Differences in the ways in which wage levels are set among OECD countries do not correspond to differences in economic performance or the inflation rates. Instead of prescribing interference with collective bargaining structures and practices, governments should join in exploring the possibilities free collective bargaining offers for looking for real ways to bring about and sustain a recovery.

5. Working time

32. A variety of negotiations between trade unions and employers on the shortening of working time are going on in different countries. Growth alone - even with considerably higher rates than now forecast - will not provide work for all those who need it. Consequently, it is imperative to maximise whatever employment potential there is in a negotia-

ted shortening of working time (a 35-hours week, a shorter working year, paid educational leave, reduced life-long working time etc.). Even though the main way of implementing a shortening of working time is through negotiations between trade unions and the employers, governments can and should, both individually and collectively, promote the environment in which this take place and they should certainly not hamper this process. Legislation and administrative measures may be needed and governments are also directly involved through education, training, pension provision and other social security measures; and they are employers themselves.

33. Reduced working time should not be conceived as only "sharing unemployment". It must be recognised to be a benefit for the employees and a benefit for society as well. It should not be seen as simply a cost to the employer or the society. This "cost" is a social benefit, directly insofar as it increases per hour productivity and employment, and indirectly as it greatly improves the quality of life for people who no longer have to work long hours to earn a decent wage.
34. The reduction of working time must not be separated from the issue of overtime, or else there may be little or no effect on actual working time or employment. A worker should be able to make a living without overtime pay being a necessary supplement to an inadequate basic wage. Special corrective measures will be necessary in those industries and enterprises where strong reliance on overtime pay has become part of the wage pattern. The recession has aggravated the practice of combining compulsory overtime with short-time working. Flexible working time arrangements and overtime should not be methods for employers to keep employment levels down. All working time arrangements should be voluntary and negotiated, and not at the employers' discretion. They should not become a daily feature of working life which increases uncertainty of income.
35. Governments should recognise and deal with the distorting effects of maintaining or increasing differences in labour standards between countries which have achieved a comparable level of economic development and strength. Competitive advantages should

not be forced by a refusal to translate productivity gains into improved working and living conditions. Sustained and targeted measures should be taken to reduce and harmonise working hours, which can differ by as much as 20% between countries of similar economic development and strength, as well as to improve the standards of social security, health and safety, and the working environment between these countries. The governments have increasingly discussed the shortening of working time in the OECD. It is a forum which governments can use for international cooperation on these issues, drawing as appropriate on the specialised knowledge and facilities of the ILO and the GATT.

II - TRADE, MONETARY POLICIES AND DEVELOPMENT

1. Trade policies

36. Trade is not an engine of growth because all countries are pursuing policies which aim at increasing exports and restricting imports. No healthy industrial policy can be built upon this basis either. Successful development of export industries needs an increase in domestic activity and demand, and employment growth. Instead the search for competitive advantage has deteriorated into cut-throat competition between countries for one another's markets. Such competition can occur not only when markets are shrinking but also when they are growing at different, unbalanced rates. In looking for ways to further liberalise international trade, and "roll back" protectionism, governments should realise that policies which restrict domestic demand are themselves protectionist because they distort trade flows and increase trade conflicts.
37. For years now, the benefits of trade have been argued in terms of exports only. The assumption on the beneficial effects of imports have always presupposed the existence of full employment, a situation which does not exist today. Under present conditions, in the absence of balanced economic growth among the trading partners, trade tends to threaten entire sectors of national economies and the jobs in them, as import penetration surges destroy otherwise competitive enterprises. Since the collapse of the Bretton Woods system, trade flows have been excessively affected by erratic exchange rate movements rather than by real comparative advantage, and through the ebb and flow of capital transactions based on interest rate differentials, expectations, uncertainties and sheer speculation. Competitive trade itself is diminishing because countertrade is expanding, and because a significant and growing share of trade takes place within and through multinational enterprises. The volume and direction of intra-firm trade changes without warning, as multinational enterprises carry out their restructuring world-wide.
38. Each country needs a sufficiently diversified and solid economic structure. These structures have already been badly shaken by upheavals which the economy has been undergoing over the past decade. With extraordinarily rapid change it is in danger

of disintegrating further without the actors involved, and the decision makers, even fully realising the gravity of the process, let alone devising consistent policies to counteract it. Over-adjustment, or panic adjustment, to temporary pressures should be avoided. Moreover, the survival of a viable economic structure requires the maintenance and modernisation of essential industries and services which may not appear to be internationally competitive. There are also social pressures to maintain industries which no longer are internationally competitive and which should be assisted in returning to competitiveness or in restructuring into other product lines. These pressures can be overcome only if there is an economic and industrial policy creating new opportunities for enterprises and workers, and if there are social and employment policies which are designed to cope with trade adjustment needs.

39. Persistent instability of the trading system requires anticipatory and built-in adjustment provisions. Their scope must be broad enough to underpin any liberalisation agreements which would further expose the service sector, where most new jobs have been created, to international competition. There has to be confidence in the governments' will and capacity to manage the effects of trade, both nationally and through international cooperation. The workers' ability to adapt to change also depends on the effectiveness and coverage of social guarantees in different OECD countries, as well as on the timing, speed and methods of industrial restructuring. In particular the various forms of subsidies, which are necessary to cushion the effects of change or to promote change, must be clearly identified and subject to international agreement. Such international agreement is needed on the temporary use of these and other measures, such as voluntary export restraints. If and when trade interventions and subsidies to ailing industries are discontinued, governments must take anticipatory measures so that change is manageable and constructive rather than simply disruptive.

40. The Havana Charter of 1948, which made the link between trade and employment, recognised that low labour standards in one country can erode labour standards in its trading partners. Operative conclusions were not drawn because the projected International Trade Organisation was not established. Trade tensions and unfair trade arise out of

situations where the working population is deprived of trade union rights and, more generally, prevented from receiving its share of the benefits accruing from exports. Social clauses, such as fair labour standards clauses included in some existing commodity arrangements, should be negotiated in trade agreements, and implemented. This will remove the distortions caused by violations of internationally agreed minimum labour standards and will in no way jeopardise the economic progress of countries concerned. On the contrary, it will foster more balanced economic and social development, and it will also ensure that in countries which have achieved higher labour standards, trade adjustment is not forced by exploitation of workers elsewhere.

41. Differences in labour standards among increasingly interdependent countries at a comparable level of economic development and strength distort trade. Large differences in working time, wages, pensions, eligibility and levels of unemployment and other benefits (with consequences for non-wage labour costs) and in the level of social provision exist among the main trading groups within the OECD area. This jeopardises the open trading system in two different but complementary ways; the maintenance of such differences is a powerful, though concealed, protectionist device; at the same time, it is a hidden export subsidy because it makes workers assume a disproportionate cost of making exports competitive. The failure to translate past productivity gains into improved labour standards, enhanced social progress and higher living standards boosts unfairly the competitive position of countries. For the sake of stability in the international trading system, growth must rely upon the expansion of both export and domestic demand. A harmonisation which leads into an overall improvement of labour standards among these countries would facilitate the expansion of trade in both directions.

2. International monetary issues

42. The existing international monetary chaos constitutes one of the major obstacles to general, sustained and non-inflationary recovery and orderly structural change. The links between the value of currency and the state of the country's economy

have been largely severed, wild fluctuations have become the general rule of exchange rate behaviour, the influence of interest rates on the direction and scope of international flows of capital has become excessive, and international indebtedness has reached very dangerous proportions. The debt crisis of the past two years is far from being over, especially if monetary policies remain tight, and in the foreseeable future, even some of the major industrial countries may experience difficulties in meeting their international debt service obligations. Due to the declining inflows of money in the developing countries and to their increasing debt service, the net transfer of resources has been reversed: the developing countries are now exporting more capital to the industrial countries than they are receiving from them.

43. This chaos cannot easily be overcome: it has proved difficult even to reach agreement on the minimum objectives of necessary reform. There should at least be general recognition that it is necessary to ensure a greater stability of exchange rates; to keep the interest rates under control; to limit the amount and impact of the so-called hot money, which makes foreign currency speculation more profitable than productive investment; to counteract major overvaluations or undervaluations of single currencies which seriously affect the pattern of international trade; and to prevent speculative devaluations and other methods of exchange rate warfare from being used as strategic weapons of trade warfare. There is a tremendous need for greater stability in the exchange rate markets, and initiatives to broaden monetary stability should be pursued.
44. To cope with the disruptive effects of excessive debts, governments must both individually and collectively go well beyond mere crisis management. Governments and central banks must fully resume their responsibility for surveillance and control of international lending and cooperate among themselves, and with the International Monetary Fund, to ensure the surveillance of the exchange rates and of the conditions in the exchange rate markets. The banks, after having been rescued by the emergency measures adopted by the governments and the IMF to keep the global financial system afloat, must be brought to go beyond the rescheduling process which increases the interest payments of the

countries in difficulty and merely increases the burden of repayment in the future. Rather than getting increased profits out of the publicly financed rescue measures, banks must accept reasonable losses in the years to come, and thus recycle to the debtor countries part of the profits drawn from irresponsible lending.

45. The conditions attached to IMF assistance should be based in each specific case on a comprehensive analysis of the economy and social realities of the country in difficulty, to define the constructive policy changes which could help to develop viable economic and social structures. The tendency of the IMF to prescribe drastic remedies for balance of payments and budgetary deficits can jeopardise social development and the democratic process, and it must not be allowed to prevail. The developing countries continued access to international liquidities is clearly inadequate, pushing them to function at levels far below their optimum and to resort to the most expensive forms of private lending. OECD governments cannot afford to deny the International Development Association the resources it needs, in view of the vital role of the World Bank and the IDA in furthering the development process and in shielding the developing countries from the instability and devastating effects of private lending.
46. A major endeavour to restore the function of the international financial institutions can be initiated without waiting until agreement about a comprehensive and more orderly monetary system is reached. Governments and central banks should give greater consideration to the likely or actual effects their domestic monetary policies have on exchange rates. They should cooperate to bring about a coordinated reduction of real interest rates. Governments should also agree to discuss with the IMF, and within it, as well as with and within the OECD, the aspects of their individual economic policy choices (whether international or domestic) which have or can have an adverse impact on other countries. The dividing line between domestic and international economic issues is blurred. For instance, insufficient domestic demand in surplus countries is not a purely internal affair inasmuch as it produces strains on other economies. Actual knowledge and understanding of the interrelationships between balance of payments deficits, budgetary

policies, interest rates and exchange rates remains inadequate. Therefore, IMF action and the joint action of the member governments has to be based on discussions and agreement rather than on questionable theories.

47. Beyond the initial steps, the discussions on international monetary reform should aim at resolving a number of fundamental problems. These are, in particular, the existing asymmetry in the treatment of deficit and surplus countries, development assistance as part of the international financial system, and the respective roles of the IMF, the World Bank, the Bank for International Settlements and the OECD in handling the balance of payments crises.
48. Although the IMF has the authority to make its assistance to countries in balance of payments deficit conditional on their accepting certain policy recommendations, the Bretton Woods system failed to provide any mechanism whereby countries in persistent surplus would be induced to bring their balance of payments into, or closer to, equilibrium. This paralyzing asymmetry has contributed a great deal to the stringency of the IMF conditionality.
49. Development assistance has arisen only after the adoption of the Bretton Woods agreements, and it has never been fully integrated in the international monetary and financial system. Consequently, its size and modalities are largely exempt from generally accepted and binding rules. Development assistance provided by single donor countries is measured solely on the basis of a uniform target set in terms of the GNP and has so far been treated mainly as a matter of generosity. Additional incentives for governments to ensure the regular flow of resources to developing countries are needed. For example, the external position (balance of payments, balance of trade etc.) of a country exerts a considerable influence on the ability to provide assistance, especially where the surplus is of a persistent nature. Furthermore, development assistance creates export markets for the industrial countries' manufactures (especially investment goods), yet the assistance performance of single donor countries is not being assessed in relation to the balance of their trade in manufactures with developing countries.

52. The situation of some countries has become so bad that it is imperative for the OECD countries to immediately step up food and other emergency aid. People in a growing number of the least developed countries, especially in Africa, are facing starvation. An immediate increase in basic aid is a concrete matter on which the OECD's Ministerial Council and the London Summit should agree upon. Emergency measures should be followed up by assistance to develop the rural sector, in order to reverse the trend which has made many previously self-sufficient producers into net food importers. This sector must be helped so that it can be revived and properly organised, to decisively improve its productivity.

53. The economic interdependence of today's world has meant unprecedented hardships for the non-oil producing developing countries which have been hard hit by escalation of energy prices to levels which are prohibitive to them, and by the continuation of deflationary policies in the OECD area. Continuing high interest rates and energy prices, and stagnating credits, loans, assistance and direct investment have forced developing countries to restrict their imports and put their development efforts into reverse. Commodity prices, though rising, are still depressed, and the markets for most other exports of these countries remain largely stagnant. Growth in the industrialised countries is indispensable for the future of the developing countries. But the concomitant expansion of markets has to be accompanied by policies which ensure that the benefits will fuel genuine development. In particular, the benefits must be shared by the entire population of the developing countries instead of being reserved to the privileged few who have been faring well throughout the recession while poverty has been growing.

54. There can be no real economic progress on the global scale unless it goes hand in hand with the improvement of the social conditions of the working people everywhere. The poverty of hundreds of millions of people in the developing countries can, and must, be attacked by policies which at the same time help to reduce unemployment in the industrialised world. The long-term economic and employment problems in the industrialised countries can

only be solved if the issues of underdevelopment and poverty in the world are tackled. The interdependence is illustrated for instance by a recent study carried out by the Nordic and German trade unions, showing that the coordinated fulfilment of the United Nations' target of 0.7 per cent of GNP for development assistance would create a considerable number of new jobs in the OECD countries within a few years.

55. Private investment is no substitute to Official Development Assistance. Official Development Assistance must be considerably increased, and much better targeted and monitored than in the past. This assistance is vital for the development of a sound economic structure and a viable society (which includes the existence of wage structures, orderly industrial relations, social security, health and safety regulations, unemployment benefits, pensions schemes and so on). Indeed, an improvement in the economic and social structure of the developing countries will also facilitate private investment flows, and minimise their often disruptive side-effects. Any encouragement of private investment flows to developing countries should go hand in hand with greater compliance with the ILO Declaration on Multinational Enterprises and Social Policy, in which the special responsibilities of these enterprises for employment and job security have been recognised.
56. While the development process requires a much bigger quantity and variety of imports by the developing countries they have been forced, especially by the IMF austerity programmes, to drastically limit them, even imports of goods which are essential for their basic needs and their export industries. This IMF-administered cure has led into a further drop in living standards, higher food prices, power shortages, disruptions in public transport, and the postponement of development projects. Austerity programmes, quickly and rigidly imposed upon a debtor countries by the IMF, even undermine the necessary structural adjustment, and are thus self-defeating. The suspension of financial flows delays new investments, and when austerity programmes are imposed on many debtor countries at the same time, there is a cumulative downward effect on markets for goods exported by both industrialised and other developing countries.

Some of the countries facing rigid austerity programmes may have come late to the IMF, but this only demonstrates the gap between long-term development policies and the short-term need to survive. It also illustrates the speed with which the recession in the industrialised countries spread its effects to the developing part of the world and the inadequacy of the existing financial arrangements and institutions. Given that major rescue operations cannot be undertaken unconditionally, the conditions involved must be constructive. They must not put a stop to growth. It is wrong to call for cost-cutting and for the concentration of the limited resources available on one or two export sectors only; considerably more emphasis must be put on agriculture, energy, an efficient public sector, sanitation and health, tax reform, basic and adult education, and vocational education and training. It is evident that there is now a strong case for reviewing the conditionality framework of the IMF.

PERMITS OFFICE
 ACTION
 MR BOTTRILL

CONFIDENTIAL

Judith
pluo

Cabinet Office
 70 Whitehall
 London SW1A 2AS

9 May 1984

cc PPS
 PS/ECONOMIC SEC
 SIR T BURNS
 MR LITTLE
 MR UNWIN
 MR SATTISHILL
 MR LAVELLE
 MR SEDENICK
 MR BOTTRILL

MR FITCHEM
 MR MOUNTFIELD
 MR C ALLAN
 MRS CASE

MS CONN
 MR KELLY
 MR ROBERTSON
 MR WILSON

PS(84) 9

Dear Private Secretary,

London Economic Summit: 7-9 June 1984

This letter sets out the briefing arrangements for the London Economic Summit on 7-9 June 1984.

The list of briefs to be prepared, with an indication of Departmental responsibility, is at Annex A. This list may need to be amended in the light of events nearer to the Summit. Instructions on format are at Annexes B and C. Those preparing briefs should note carefully the details on the format of briefs set out in Annex B. The Steering Brief will need to cover British objectives at the Summit and attitudes and objectives of the other nations involved.

70 copies of each brief should be sent to the Cabinet Office as soon as they are ready. In any event they should reach the Cabinet Office by 12.00 noon on Thursday 24 May and be addressed to Mrs M C Wagner in Committee Section, who should be consulted (tel no 233 7343) about any technical points arising.

I am sending copies of this letter to the Private Secretaries to Sir Antony Acland, Sir Peter Middleton, Sir Anthony Rawlinson, Sir Kenneth Stowe, Sir George Moseley, Sir Brian Hayes, Sir Clive Whitmore, Sir Brian Cubbon, Sir Kenneth Couzens, Sir Michael Franklin, Mr M E Quinlan, Mr R J Andrew and Dr Robin Nicholson, and to John Coles at No 10.

Yours sincerely

(Signed) LINDSAY WILKINSON (Miss)

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LIST OF BRIEFS FOR LONDON ECONOMIC SUMMIT
7-9 JUNE 1984

<u>FMV(84)</u>	<u>Subject</u>	<u>Lead Department</u>	<u>In consultation with</u>
1.	Steering Brief	Cabinet Office	FCO
<u>Economic Subjects</u>			
2.	Thematic Paper	Cabinet Office	FCO
3.	British Initiatives	Cabinet Office	FCO
4.	World Economy: Economic and Monetary Policies	<u>Treasury</u>	FCO DTI
5.	International Monetary Matters	<u>Treasury</u>	FCO DTI
6.	Trade	DTI	FCO Transport <u>Treasury</u>
7.	Developing Country Issues	FCO	<u>Treasury</u> DTI ODA
8.	Energy	Energy	FCO
9.	East/West Economic Relations	FCO	as appropriate
10.	Impact of Technology	Cabinet Office	DTI Treasury
<u>Political Subjects</u>			
11.	East/West (including Afghanistan)	FCO	as appropriate
12.	Arms Control (including non-proliferation)	FCO	as appropriate
13.	Regional Crises:		
	(a) Central America	FCO	as appropriate
	(b) Iran/Iraq	FCO	as appropriate
	(c) Southern Africa	FCO	as appropriate
	(d) Lebanon	FCO	as appropriate
	(e) Arab/Israel	FCO	as appropriate
	(f) South East Asia	FCO	as appropriate

<u>FMV(84)</u>	<u>Subject</u>	<u>Lead Department</u>	<u>In consultation with</u>
14.	Terrorism	FCO	as appropriate
15.	Other Issues:		
	(a) Acid Rain	DOE	-
	(b) Life Sciences	Cabinct Office	-
	(c) United States Manned Space Station	FCO	as appropriate
	(d) Hong Kong	FCO	as appropriate
	(e) Falklands/ Argentina	FCO	as appropriate
	(f) Gibraltar	FCO	as appropriate
<u>Others</u>			
16.	1985 Summit (including participation)	FCO	as appropriate
17.	Bilaterals (excluding United States/Japan)	FCO	as appropriate
18.	Statistics	<u>Treasury</u>	-
19.	Personality Notes	FCO	-

THE FOLLOWING INSTRUCTIONS ABOUT FORMAT SHOULD BE FOLLOWED CAREFULLY

All briefs should be laid out in the same way with a top page in accordance with the specimen layout at Annex C. Those preparing briefs should pay particular attention to ensuring that the following instructions are fully observed:

Content

- (a) Briefs should be concise. Each brief should whenever possible be no more than two sides long.
- (b) The main body of each brief should comprise three sections: a very brief statement of the United Kingdom Objective (normally no more than a couple of lines); a concise list of Points to Make; and a factual Background section which distinguishes clearly between information which can be freely used and information which should not be disclosed.
- (c) Briefs should be complete and self-contained with all the information required on that particular subject.

Layout

- (d) Briefs should be typed in double spacing, using both sides of the paper. Pages should be numbered at the foot of each page.
- (e) As shown in the specimen at Annex C, the top page only of each brief should contain the following details: the symbol and number of the brief in the top left-hand corner (eg FMV(84) 10) with the date of circulation below; a copy number in red at the top right-hand corner; the visit heading; the title of the brief (in capitals) and the name of the Department responsible.
- (f) At the foot of the last page and on the left-hand side, briefs should bear the name of the originating Government Department and the date of origin.

Reproduction

- (g) Briefs should be reproduced throughout on plain white paper, with each page bearing a security classification at top and bottom (as in Annex C). Care should be taken that the reproduction method employed results in clear readable copies.
- (h) It is important that, on arrival at the Cabinet Office, briefs should be complete in all detail - collated, stapled and copy numbered and ready for immediate circulation.

Updating

- (i) If late developments require a brief to be amended or updated, a revise should be prepared. It should be set out in the form described at (e) above, with the brief number amended to show that it is a revise (eg FMV(84) 10 (Revise)). Subsequent revises should be numbered (eg FMV(84) 10 (Revise 2); etc). If it is a question of adding material to the brief rather than revising its existing contents, an addendum may be prepared, in the form described at (e) above with the brief number (eg FMV(84) 10 Addendum) and title to which it relates at the top of the front page. The Private Secretary to the Secretary of the Cabinet should be informed when a revise or an addendum is in preparation and also about corrigenda to briefs.

- (j) Additions to the list of briefs in Annex A require the authorisation of the Private Secretary to the Secretary of the Cabinet.

[CLASSIFICATION]

ANNEX C

THIS DOCUMENT IS THE PROPERTY OF HER BRITANNIC MAJESTY'S GOVERNMENT

[Leave
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margin] FMV(84) [Serial No as specified in Annex A] COPY NO [in red]
[Date]

LONDON ECONOMIC SUMMIT
7-9 JUNE 1984

[SUBJECT] [Insert subject in capitals]

Brief by [name of originating Department, eg Foreign and
Commonwealth Office]

[At foot of last page on left-hand side:-]

[Originating Government Department, eg Foreign and Commonwealth
Office or Department of Energy, not a subordinate section or
division]

[Date of origin]

[CLASSIFICATION]

mp

Ref.A084/1383

MR COLES

CH/EXCHEQUER	
REC.	10 MAY 1984
ACTION	MR LITTLER ✓
COPIES TO	SIR P. MIDDLETON
	SIR T. BURNS, MR UNWIN
	MR BATTISHILL
	MR LAVELLE, MR MOUNTFIELD MR BOTTELL

London Economic Summit: Post-Summit Briefing

I attach at Annex A proposals for the post-Summit briefing of non-participants for discussion at tomorrow's meeting with the Prime Minister.

2. The proposals are modelled on the briefing given of the United States after Williamsburg (described at Annex B) but with more emphasis on the Commonwealth. Although this produces a fairly long list, I believe that it is important that we should not be seen to be doing less than the Americans and the exercise will, of course, need to take into account our own interests. In addition, we will need to brief our missions overseas fairly fully, particularly in countries for which we are not making individual briefing arrangements.

3. I am sending copies of this minute and attachments to Mr Appleyard and Mr Peretz.

Re
Approved by
ROBERT ARMSTRONG
and signed in his absence

9 May 1984

Post-Summit Briefing1. OECD

Sir Robert Armstrong to brief OECD Council in Paris (13 June?). Although Mr Wallis also briefed OECD Heads of Mission in Washington, this seems unnecessary duplication but if there is pressure for such a briefing, it could be carried out by Sir Crispin Tickell.

2. Non-Summit NATO Countries

If there is a political declaration, it would be appropriate to follow the Williamsburg precedent and arrange briefing for Ambassadors of non-Summit NATO countries in London. This might be done by Sir Julian Bullard and/or Sir Crispin Tickell.

3. ASEAN

Sir Crispin Tickell might brief ASEAN Ambassadors in London.

4. United Nations

Following United States precedent we should write to the Secretary General with the Summit texts and ask him to make them available at the United Nations.

5. Commonwealth

We should write a similar letter to Sir Shridath Ramphal for the Commonwealth and brief Commonwealth High Commissioners in London. Formal briefing at Ministerial level could be given at the Commonwealth Finance Ministers' Meeting in Toronto on 19-20 September.

6. Australia and India

Last year the United States sent a special emissary to Australia after the Summit. It is particularly important that we should repeat this after the London Summit in view of the sensitivity of Australian feelings following their unsuccessful efforts for inclusion in the Summit. The Indians may also feel that they deserve some special consideration as chairmen of the

Non-Aligned Movement and they were also hosts for the last Commonwealth Heads of Government Meeting which established the Commonwealth Consultative Group whose work overlaps in some respects with that of the Summit. Mrs Gandhi is said to be preparing a pre-Summit message to Western leaders. Delhi and Canberra could be combined in the same visit and Sir Crispin Tickell would be able to do this after the European Council on 25/26 June.

7. British Missions

For some countries, which have shown a particular interest in the Summit (for example Mexico and New Zealand), it might be appropriate for the Prime Minister to send a personal message to the Head of State or Government for our Head of Mission to deliver. In addition a full report should be circulated to British Missions to allow them to respond to requests for briefing from host Governments, particularly in Latin America.



US BRIEFING ACTIVITIES AFTER WILLIAMSBURG

1. Mr Allen Wallis (President Reagan's Personal Representative) briefed:

- (a) The OECD Council in Paris
- (b) The Australian Government in Canberra
- (c) The New Zealand Government in Washington
- (d) ASEAN Ambassadors in Washington.

2. Mr Richard Burt briefed Non-Summit NATO Ambassadors in Washington.

3. Mrs Kirkpatrick passed a copy of the Williamsburg Declaration to the UN Secretary-General for circulation to members.

4. US missions were given full guidance to enable them to brief or respond to requests for briefing.



CH/EXCHEQUE	
REC.	10 MAY 1984
ACTION	MR LITTLER
COPIES TO	EST, SIR P. MIDDLETON
	SIR T. BURNS, MR UNWIN
	MR BATTISHILL
	MR LAVELLE
	MR MOUNTFIELD MR BOTTEILL

9/5/84

Ref. A084/1384

MR COLES

London Economic Summit: Thematic Paper

Thank you for your minute of 9 May.

2. The references to the United States have already been toned down from earlier versions, and I think that it would be difficult and unrealistic (given the size of the United States economy and its impact on the rest of the world) not to include some references to the levels of the budget deficit and of interest rates in the United States: matters on which the Chancellor of the Exchequer suggested (in his minute of 18 April) we needed to focus from the point of view of British interests.

3. To meet the Prime Minister's point I make the following suggestions:

*c/f Littler
Comments:-
Drop
leave in
leave in
leave in*

- (1) in paragraph 4.4, no change (the reference is in any case to "North America");
- (2) in paragraph 4.5, delete "notably the United States";
- (3) in paragraph 4.7, no change (it is a statement of fact);
- (4) in paragraph 9, last sentence to be amended to read: "Recovery combined with present fiscal policies should help to limit budget deficits in most countries; in the United States the Administration is giving priority to curbing public expenditure";
- (5) in paragraph 11, second sentence to read: "The influence on the United States dollar of the level of the current United States balance of payments deficit and fears of rising inflation could be offset by the high rate of return on assets in the United States".



4. 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 Trade and Industry and the Secretary of State for Transport.

RA

ROBERT ARMSTRONG

9 May 1984

CONFIDENTIAL

FROM: J.G.LITTLER
DATE: 9 MAY, 1984

CHANCELLOR

cc Chief Secretary
Sir Peter Middleton
Mr. Anson
Mr. Unwin
Mr. Lavelle
Mr. Battishill
Mr. Bottrill
Mr. Allan (LG)
Mr. Pike (LG)

LONDON SUMMIT: POSSIBLE BRITISH INITIATIVE ON THE ENVIRONMENT

The minute by the Foreign Secretary to the Prime Minister of 8 May offers the idea that a British initiative for the Summit, largely to pre-empt possible pressure from Germany and Canada, might be to propose the setting up of a new Working Group to identify areas for research, possible projects and cost-effective techniques and report to the 1985 Summit.

2. After consulting Mr. Allan and Mr. Pike of L.G. Division, it seems to me that this proposal ought to be considered by Ministers collectively at the meeting on 17 May mentioned by the Foreign Secretary, which is in any case due to review our policy on aspects of environmental pollution (Prime Minister in the Chair and Chief Secretary attending for the Treasury). I have drawn the attention of Mr. Gregson of the Cabinet Office, who is in charge of preparations for the 17 May meeting, to the Foreign Secretary's minute. He will consult one or two other departments involved (the Foreign Secretary has copied his minute widely), and probably suggest adding this to the agenda for the 17 May meeting.

3. Without great knowledge of the subject, I am ^a little sceptical about handling it at the Summit in the way the Foreign Secretary proposes. The kind of Working Group he has in mind could prove to be relatively harmless - even helpful - but it could also lead us into some unwelcome commitments. It would also make unavoidable a further round of discussion of environmental pollution at the next Summit (under German Chairmanship) which might be unwelcome to us. In general, I think it is a mistake for the Summit to make a practice of setting up special committees and projects which then develop a life of their own on future Summit agendas.

4. You may like to have Mr. Peretz send a note to Private Secretaries concerned, suggesting that the subject be taken at the 17 May meeting and reserving substantive comment for the Chief Secretary to make at

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that meeting, for which Mr. Anson and L.G. Division could perhaps provide briefing for him.

A handwritten signature in blue ink, appearing to be 'J. G. Littler', written in a cursive style.

(J. G. LITTLER)

DRAFT LETTER: Mr. J. Coles, No.10 Downing Street, SW1.
cc Mr.L.Appleyard, FCO
and (Private Secretaries to other Ministers listed
in the Foreign Secretary's minute)

LONDON SUMMIT: POSSIBLE BRITISH INITIATIVE ON THE ENVIRONMENT

The Chancellor has seen the Foreign Secretary's minute of yesterday to the Prime Minister on this subject. It seems to him that it would be sensible for the various Ministers directly and indirectly concerned to look at this proposal at the meeting which the Prime Minister will in any case be holding on 17 May to review aspects of our policy on environmental pollution.

I am copying this letter to Len Appleyard and Private Secretaries of the other Ministers to whom the Foreign Secretary copied his minute.

(D.L.C. PERETZ)

FROM: J.G.LITTLER
DATE: 9 MAY, 1984

MR. PERETZ

cc PS/Chief Secretary
Sir Peter Middleton
Mr. Unwin
Mr. Lavelle
Mr. Mountfield
Mr. Bottrill
Mr. Kelly
Mr. Battishill

ECONOMIC SUMMIT

You had a copy of yesterday's minute from Mr. Coles to Sir Robert Armstrong about progress meetings which the Prime Minister wishes to hold between now and the Summit.

2. We had some discussion of this at a small meeting I attended with Sir Robert Armstrong yesterday evening. I imagine he will be sending round a further note, but what emerged, still subject in some particulars to confirmation, was that there are likely to be three meetings, not four, and as follows:

- 10 May (tomorrow): the subjects will be: international terrorism; and a first draft of the proposed statement on democratic values (FCO are preparing papers, but I fear they may not arrive until a fairly short time before the meeting)
- 21 or 22 May (at my suggestion, after the Chancellor has returned from Paris, and in place of the two meetings of 18 and 25 May which had been suggested) to take note of relevant developments at the OECD and other meetings and look at a draft of a "key note" speech for the Prime Minister to open the proceedings, on which I am having a shot at a first draft;
- 1 or 5 June, presumably a final round-up meeting.


(J. G. LITTLER)

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FROM: J.G.LITTLER
DATE: 9 MAY, 1984

MR. PERETZ

cc PS/Economic Secretary
Sir Peter Middleton
Sir Terence Burns
Mr.Unwin
Mr.Battishill
Mr.Mountfield
Mr.Lavelle
Mr.Bottrill

LONDON ECONOMIC SUMMIT: THEMATIC PAPER

The minute sent round last night by Sir Robert Armstrong to Mr.Coles, ~~contains~~, apart from the substantial restoration of the first page, also restores a scatter of phrases which the Chancellor had omitted, and in one or two cases goes back to earlier wording. On the attached version (with top copy of this minute only), I have highlighted the changes after the first page.

2. The reason why Sir Robert Armstrong has offered these further amendments to the Chancellor's draft is that he is anxious to avoid possible argument from other countries whose representatives attached special importance to particular forms of words which were discussed at the last preparatory meeting of officials. In some cases this is tactful, as in paragraph 9 (US wishes) and paragraph 14.7 (repeating a precise form of words negotiated in the Community and OECD). I do not think the Chancellor need object to any of these changes at this stage.

3. I therefore recommend the Chancellor to accept this latest revised version. If he agrees, you might simply telephone the No.10 Private Secretaries.



(J. G. LITTLER)

CONFIDENTIAL



10 DOWNING STREET

From the Private Secretary

Sir Robert Armstrong

CH/EXCHEQUER	
REC.	09 MAY 1984 ✓
ACTION	MR KITTLER
COPIES TO	EST, SIR P. MIDDLETON
	MR UNWIN, SIRT. BURNS
	MR BATTISHILL
	MR LAVELLE, MR MOUNTFIELD MR BOTTICILL.

London Economic Summit: Thematic Paper

Thank you for your minute of 8 May. The Prime Minister has considered the slightly amended version of the Thematic Paper which you enclosed. Her only comment is to ask whether it is really necessary to hit the United States so hard. She has in mind paragraphs 4.4, 4.5, 4.7, 9 (last sentence), and 11 (second sentence). Mrs. Thatcher believes that we could be less specific in our references to the United States.

I should be grateful for your comments.

I am sending copies of this minute to Roger Bone (Foreign and Commonwealth Office), David Peretz (HM Treasury), Callum McCarthy (Department of Trade and Industry), and Dinah Nichols (Department of Transport).

A. J. COLES

9 May, 1984.

CONFIDENTIAL

Ref. A084/1375

MR COLES

Unkang taxation

Pre-Summit Meeting: 10 May 1984

The first of the Prime Minister's pre-Summit meetings is to be held this Thursday. You have already said that the Prime Minister will wish to discuss our objectives on international terrorism and a first draft on the proposed statement on democratic values. The Foreign and Commonwealth Office have these matters in hand, and will report direct.

2. In addition, this first meeting could usefully:
 - (a) take note of the revised Thematic Paper;
 - (b) consider how we wish the Summit to reflect the British initiatives that were agreed at the Prime Minister's meeting on 30 April;
 - (c) have a preliminary discussion on the Foreign and Commonwealth Secretary's suggestion in his minute of 8 May for an initiative on the environment;
 - (d) consider what we plan to do in the way of post-Summit briefings for non-participants. I will submit a note on this in advance of the meeting.
3. It would be useful if Sir Julian Bullard, Mr Littler and Sir Crispin Tickell could be invited to the meeting.
4. I am sending copies of this minute to Mr Appleyard and Mr Peretz.

CWEYCWHEQU	
REC.	09 MAY 1984/9
ACTION	MR LITTLER
COPIES TO	PS/CS7 Sir P. Middleton
9 May 1984	Mr Hawin
	Mr Lavelle

ROBERT ARMSTRONG

ROBERT ARMSTRONG

Mr Mountfield
Mr Boothill
Mr C Kelly

Mr Ba Hishill.

mp



FROM: MISS M O'MARA

DATE: 9 May 1984

cc Mr Lavelle
Mr Bottrill

MR LITTLER

LONDON ECONOMIC SUMMIT

The Prime Minister will be holding meetings on the London Summit on the following days:-

- 10 May
- 16 May
- 23 May
- 1 June
- 5 June

2. I should be grateful if you could arrange for briefing to reach the Chancellor by close of play on the working day preceding each of these dates.

M.O.

mp MISS M O'MARA

~~Margaret~~

Margaret
For Minutes
Only

Economic Summit by
mtgs at No 10 as
follows.

10th May (Poss')

16 May

23 May

1st June

5th June

~~Diana~~

~~Could you do a note to Brian~~

~~Diana~~

Can you find out which official is gov. (if gov)

Re: m.

Alouani Semina

5-6.30.

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C.C.M. Peretz

FROM: J.G.LITTLER

DATE: 9 MAY, 1984

CHANCELLOR

cc Chief Secretary
Sir Peter Middleton
Mr. Anson
Mr. Unwin
Mr. Lavelle
Mr. Battishill
Mr. Bottrill
Mr. Allan (LG)
Mr. Pike (LG)

LONDON SUMMIT: POSSIBLE BRITISH INITIATIVE ON THE ENVIRONMENT

The minute by the Foreign Secretary to the Prime Minister of 8 May offers the idea that a British initiative for the Summit, largely to pre-empt possible pressure from Germany and Canada, might be to propose the setting up of a new Working Group to identify areas for research, possible projects and cost-effective techniques and report to the 1985 Summit.

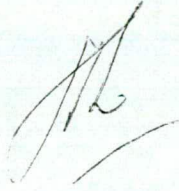
2. After consulting Mr. Allan and Mr. Pike of L.G. Division, it seems to me that this proposal ought to be considered by Ministers collectively at the meeting on 17 May mentioned by the Foreign Secretary, which is in any case due to review our policy on aspects of environmental pollution (Prime Minister in the Chair and Chief Secretary attending for the Treasury). I have drawn the attention of Mr. Gregson of the Cabinet Office, who is in charge of preparations for the 17 May meeting, to the Foreign Secretary's minute. He will consult one or two other departments involved (the Foreign Secretary has copied his minute widely), and probably suggest adding this to the agenda for the 17 May meeting.

3. Without great knowledge of the subject, I am^a little sceptical about handling it at the Summit in the way the Foreign Secretary proposes. The kind of Working Group he has in mind could prove to be relatively harmless - even helpful - but it could also lead us into some unwelcome commitments. It would also make unavoidable a further round of discussion of environmental pollution at the next Summit (under German Chairmanship) which might be unwelcome to us. In general, I think it is a mistake for the Summit to make a practice of setting up special committees and projects which then develop a life of their own on future Summit agendas.

4. You may like to have Mr. Peretz send a note to Private Secretaries concerned, suggesting that the subject be taken at the 17 May meeting and reserving substantive comment for the Chief Secretary to make at

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That meeting, for which Mr. Anson and L.G. Division could perhaps provide briefing for him.

A handwritten signature in dark ink, appearing to be 'J. G. Littler', written in a cursive style.

(J. G. LITTLER)

DRAFT LETTER: Mr. J. Coles, No.10 Downing Street, SW1.
cc Mr.L.Appleyard, FCO
and (Private Secretaries to other Ministers listed
in the Foreign Secretary's minute)

LONDON SUMMIT: POSSIBLE BRITISH INITIATIVE ON THE ENVIRONMENT

The Chancellor has seen the Foreign Secretary's minute of yesterday to the Prime Minister on this subject. It seems to him that it would be sensible for the various Ministers directly and indirectly concerned to look at this proposal at the meeting which the Prime Minister will in any case be holding on 17 May to review aspects of our policy on environmental pollution.

I am copying this letter to Len Appleyard and Private Secretaries of the other Ministers to whom the Foreign Secretary copied his minute.

(D.L.C. PERETZ)



Foreign and Commonwealth Office

London SW1A 2AH

9 May 1984

Sir Robert Armstrong GCB CVO
Cabinet Office
70 Whitehall
SW1

Dear Robert,

LONDON ECONOMIC SUMMIT: POST-SUMMIT BRIEFING

1. At your meeting yesterday I promised to let you have our proposals for the post-Summit briefing.
2. The US briefing exercise after Williamsburg, of which I attach an outline, provides a useful general guide. The following proposals are in effect the US list with more emphasis on the Commonwealth. I think we, like the Americans, should also brief our missions fairly fully, particularly in those countries for which we are not making individual briefing arrangements.

(a) OECD

You have agreed to brief the OECD Council in Paris. I understand that 13 June would be a good date for the OECD and that your diary is free. Although Wallis also briefed OECD heads of mission in Washington, I do not think you need duplicate the Paris visit in this way. If there were pressure for such a briefing here, subject to your views, I could do it myself.

(b) Non-Summit NATO Countries

On the assumption that there will be a political declaration at the Summit, we should follow the Williamsburg precedent. Julian Bullard and/or I could brief Ambassadors of non-Summit NATO countries in London.

(c) ASEAN Ambassadors

I could brief ASEAN Ambassadors in London.

(d) UN

Following US precedent we should write to the Secretary-General with the Summit texts and asking him to make them available at the UN. We should also write to Ramphal for the Commonwealth.

/(e)

(e) Commonwealth

We should brief Commonwealth High Commissioners in London. Formal briefing at Ministerial level should be given at the Commonwealth Finance Ministers' Meeting in Toronto on 19-20 September.

(f) Australia and India

Following the US precedent, a special emissary should visit Canberra. The Australians, already disgruntled at the failure of their efforts to gain entrance to the Summit itself, would clearly expect us to do at least as much as the Americans for them. The Indians may also feel that they deserve some special consideration as Chairmen of the Non-Aligned Movement. Delhi was the seat of the last Commonwealth Prime Ministers' Conference, which gave birth to the Commonwealth Consultative Group, whose work overlaps in some respects with that of the Summit. Mrs Gandhi is said to be preparing a pre-Summit message to Western leaders. Obviously Delhi and Canberra could be combined in the same visit. As neither you nor Geoff Littler can take it on, I would be prepared to do so. The problem is one of timing. I do not think I could get away between the Summit and the European Council on 25-26 June but I could make the visit soon thereafter.

(g) British Missions

For some countries, which have shown a particular interest in the Summit (for example Mexico and New Zealand), it might be appropriate for the Prime Minister to send a personal message to the Head of State or Government for our Head of Mission to deliver. In addition a full report should be circulated to British Missions to allow them to respond to requests for briefing from host governments. Here I have mainly Latin American countries in mind.

3. In the case of non-Summit members of the Community, briefing should be given to COREPER in Brussels by the Personal Representative of the Head of State or Government of the country holding the Presidency (in this case France) together with the Personal Representative of the President of the European Commission. I do not know whether your colleague, Jacques Attali, will be minded to fulfil this obligation with Jean Durieux, but if not we should, I think, remind him.

4. All this makes up a long list. But I do not think we could afford to do worse than the Americans, and we have anyway our own friends to think about. It will represent a considerable burden.

Yours ever

cc J G Littler Esq CB
 HM Treasury

Crispin Tickell



ANNEX

US BRIEFING ACTIVITIES AFTER WILLIAMSBURG

1. Mr Allen Wallis (President Reagan's Personal Representative) briefed:
 - (a) The OECD Council in Paris
 - (b) The Australian Government in Canberra
 - (c) The New Zealand Government in Washington
 - (d) ASEAN Ambassadors in Washington.
2. Mr Richard Burt briefed Non-Summit NATO Ambassadors in Washington.
3. Mrs Kirkpatrick passed a copy of the Williamsburg Declaration to the UN Secretary-General for circulation to members.
4. US missions were given full guidance to enable them to brief or respond to requests for briefing.