

PO-CH/NL/0858  
PART A



Clear  
Lawson

PART A

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PO -CH /NI./0130  
0858



PART A

CHANCELLOR'S 1986 PAPERS  
ON THE COMMONWEALTH  
ORGANISATIONS

PO -CH /NI./0130  
0858

PART A

Begin: 28/1/86

DD: 25 years

Ends: 10/10/86

*[Signature]* 5/9/95



512

THE DEPUTY GOVERNOR

BANK OF ENGLAND  
LONDON  
EC2R 8AH

28 January 1986

Sir Peter Middleton KCB  
H M Treasury  
Parliament Street  
London  
SW1P 3AG

*cc* Sir J. H. Little  
Mr Lavelle  
Mr Mountfield  
Mr P. H. Davis  
Mr Lunn.

*C/ To note - minor privatisation effort by the Bank.*

Dear Peter

R029/

COMMONWEALTH DEVELOPMENT FINANCE COMPANY LIMITED (CDFC)

Kit McMahon wrote to you last September about our desire to dispose of our holding in CDFC.

I am pleased to be able to tell you that the Company has successfully negotiated a take-over by Ensign Trust, a subsidiary of the Merchant Navy Officers' Pension Fund, which is being announced to-day. The offer is being recommended to shareholders by the Board of CDFC; our merchant bank advisers consider that the price is fair and reasonable; and we have accordingly indicated that we intend to accept it.

Yours ever





*H. K. ...*

*Plse ask Sir G. for input on whether I shd advise or not*

C

COMMONWEALTH FINANCE <sup>that</sup>  
MINISTERS' MEETING <sub>m.</sub>

This will take place in St. Lucia on 23-25 September

If you plan to attend I shall have NEDC rearranged and be Michael Shersby speaking engagement (on 23 + 24 Sept. respectively)

If you attend all the 'international' engagements the diary will be.

19-21 Sept: Informal Ecfin, Gleneagles

23-25 Sept: CFM St Lucia

26 Sept - 3 Oct: Washington  
G5/G10/IMF/IBED etc.

shall I plan on the basis that you will attend all (this probably)



means travelling from St  
Lucia direct to Washington)?

0  
17/4





From: MRS D C LESTER  
Date: 21 April 1986

**SIR GEOFFREY LITTLER**

**COMMONWEALTH FINANCE MINISTERS MEETING : 23-25 SEPTEMBER**

The Chancellor understands that the Commonwealth Finance Ministers' meeting will take place in St Lucia on 23-25 September. The Chancellor already has a number of engagements on those dates.

2. He would be grateful for urgent advice please on whether he should attend the CFM meeting.

*Debbie Lester*

MRS D C LESTER





BE 25/4  
to DL

From: MRS D C LESTER  
Date: 21 April 1986

SIR GEOFFREY LITTLER

COMMONWEALTH FINANCE MINISTERS MEETING : 23-25 SEPTEMBER

The Chancellor understands that the Commonwealth Finance Ministers' meeting will take place in St Lucia on 23-25 September. The Chancellor already has a number of engagements on those dates.

2. He would be grateful for urgent advice please on whether he should attend the CFM meeting.

*Debbie Lester*

MRS D C LESTER



C  
Seems to be no real need for you to attend. Do you wish to pull out now or defer a decision?

From: Sir G. Littler

Date: 22 April 1986

MRS LESTER

I agree with Sir G L's advice. <sup>D</sup> 23/4

COMMONWEALTH FINANCE MINISTERS' MEETING: 23-25 SEPTEMBER

It is not quite true to say that these meetings are valueless. But it very nearly is, and we have tried to ease into alternate years - so far without success. Given that they take place, we can sometimes use them to help promote understanding with a large block of less developed countries just ahead of IMF/IBRD Meetings; but more usually the U.K. (with help from Australia and Canada) finds itself having to hear and fend off demands for more aid and other forms of support, with no gain except alleged goodwill.

2. I can see nothing on the agenda this September (either CFM itself or preparation for the IMF/IBRD) of either positive value or threat of damage to the U.K. It will be a routine Commonwealth jolly - the surroundings at Club Med St Lucia will fit!

3. The only argument I can see for the Chancellor's attendance is that absence for two years running will make it fairly clear that he does not give high priority to the CFM, and this might cause some ruffled feathers in the Commonwealth. I cannot see that this really matters. I am sure my FCO colleagues would say that it does, so I shall not consult them. If the Chancellor has any worry on this score, he might mention the point to the Foreign Secretary personally.

4. Otherwise I recommend that the Chancellor could decide now not to attend; and I think it would be adequate, as last year, for me to substitute for him as the natural link through to the IMF



Meetings. (I had to work hard on the Communique last year, partly because Australia and Canada were also without Ministers and some developing countries thought they had a chance to push through some unacceptable ideas, but the substitutes coped with that!).

5. I suggest no early "announcement", but for courtesy I think the Chancellor should inform the St Lucia host not later than, say, early July, unless he wants to make it a last-minute decision.



(Geoffrey Littler)



BF 7/7



FROM: MRS D C LESTER

DATE: 24 April 1986

SIR G LITTLER

**COMMONWEALTH FINANCE MINISTERS' MEETING: 23-25 SEPTEMBER**

The Chancellor has seen your minute of 22 April and agrees with your advice.

2. I should be grateful if you would provide a draft letter for the Chancellor to send to the St Lucia host early in July please.

*Debbie Lester*

MRS D C LESTER



Typists - please  
prepare letter at A  
for me to send

FROM: MRS EM WISEMAN  
4 JUNE 1986

CR 6/6

- AB 5/6
1. MS BOYS
  2. MR WYNN OWEN

cc Mr Watson  
Mr Wellard

**COMMONWEALTH PARLIAMENTARY ASSOCIATION: ANNUAL ACCOUNTS**

The Chancellor is a Joint Honorary Treasurer of the CPA, and his signature has been requested for the attached 3 accounts for 1985.

2. Following our intervention last year the format of these accounts has improved. The accounts are now more in line with modern accounting practices, and we recommend that the Chancellor sign them.

3. There are two further improvements which we would like to see included in the next accounts, namely

clarification of the ownership of the premises occupied by the CPA and, if appropriate, inclusion of either rental, lease or depreciation in the accounts; and

a note to the accounts on the cash balance held. In 1985 the cash balance level was high in relation to the total CPA budget, mainly because of the need to draw down cash for the 32nd Commonwealth Parliamentary Conference.

4. If the Chancellor is content you may like to send the attached draft letter to the Secretary of the CPA with the signed accounts.

EM Wiseman

MRS E M WISEMAN

C/ Please sign at flags A, B + C.  
Content for PS letter to issue?

CR 5/6

!  
OK

9/6



~~DRAFT~~ LETTER FROM PS/CHANCELLOR TO:

Mr Peter Cobb  
Secretary  
Commonwealth Parliamentary Association  
UK Branch  
Westminster Hall  
Houses of Parliament  
London SW1A 0AA

Thank you for sending the copies of the Commonwealth Parliamentary Association Annual Accounts for 1985, which the Chancellor has now signed. The signed copies are attached.

He was pleased to see the improvements in the format of these accounts, following our exchanges last year. There are two small further improvements which we would like to take up with you for the 1986 Accounts, on the ownership of CPA premises and on noting the cash balances, and officials will be writing to you shortly on this.

I am sending a copy of this letter to Mr Guy Barnett MP.

CATHY RYDING,





cc Mrs Wiseman  
Ms. Boys  
Mr Wynn Owen  
Mr Watson  
Mr Wellard

P.W.P.

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

Mr Peter Cobb  
Secretary  
Commonwealth Parliamentary Association  
UK Branch  
Westminster Hall  
Houses of Parliament  
London SW1A 0AA

6 June 1986

Dear Mr Cobb,

Thank you for sending the copies of the Commonwealth Parliamentary Association Annual Accounts for 1985, which the Chancellor has now signed. The signed copies are attached.

He was pleased to see the improvements in the format of these accounts, following our exchanges last year. There are two small further improvements which we would like to take up with you for the 1986 Accounts, on the ownership of CPA premises and on noting the cash balances, and officials will be writing to you shortly on this.

I am sending a copy of this letter to Mr Guy Barnett MP.

Yours sincerely,  
Cathy Ryding

CATHY RYDING



*put*

Telegrams: "EMPARLASSO, LONDON-SW1"  
Telephone: 01-219 5373  
Telex: 925042



WESTMINSTER HALL  
HOUSES OF PARLIAMENT  
LONDON SW1A 0AA

UNITED KINGDOM BRANCH

ACCOUNTS/11

CH/EXCHEQUER	
REC.	10 JUN 1986
ACTION	Mrs LISEMAN
COPIES TO	Ms BOYS
	MR WYNN OWEN
	MR WATSON
	MR HOLLARD

*10/6*

9th June 1986

*Dear Ms Ryding,*

I am writing to acknowledge your letter dated 6th June 1986 and to thank you for sending the CPA Accounts signed by the Chancellor of the Exchequer.

I note that officials will be writing to me about further improvements which you would like to see in the 1986 Accounts. I look forward to hearing about these requirements in due course.

Yours sincerely

(PETER COBB)  
Secretary

Ms Cathy Ryding,  
Treasury Chambers,  
Parliament Street,  
LONDON SW1P 3AG.





FROM: A W KUCZYS  
DATE: 30 JUNE 1986

**SIR G LITTLER**

cc Mrs Lester

**INTERNATIONAL MEETINGS: SEPTEMBER**

You may like to note that the Governor's office has provisionally booked him on the following flights:

Out: Saturday 27 September: BA189 (1.00 pm Concorde).

Back: Friday 3 October: 1.00 pm Concorde.

2. The Governor's Private Secretary asked me about the likely time for a G7. I was non-committal, because I am not clear whether the Bank Governors are to be invited!

A W KUCZYS

*R. Kuczys.*

*Thank you.*

*X/ is correct - we hope without Gos.*

*On 4/ I have examined the Gov's Secretary myself that he may need to be there earlier.*



11.19



FROM: MRS D C LESTER

DATE: 2 July 1986

417

(Chase  
Peter Mountfield)  
(x7091)

MR KUCZYS  
CHANCELLOR

*Chalk*  
*3/7*

## INTERNATIONAL MEETINGS IN THE AUTUMN

You asked about the travel arrangements for the various international meetings this autumn, taking account of the possibility of the Chancellor attending the meeting of Commonwealth Finance Ministers.

Informal ECOFIN: Friday 19 to Sunday 21 September (Gleneagles)

CFM: Tuesday 23 to Thursday 25 September (St Lucia)

IMF/IBRD - Friday 26 September to Friday 3 October  
(Washington)

### Gleneagles to St Lucia

2. One problem would be in getting to St Lucia from Gleneagles/London. There are only 2 direct flights per week on Wednesdays and Sundays. The Sunday flight departs Heathrow at 12.45 and arrives at 19.35 on the same day. This would mean that the Chancellor would miss the second full day of ECOFIN.

3. There are four further flights each week where one has to change planes - two on Tuesdays and two on Saturdays. Assuming a Tuesday flight the possibilities are:

Either Depart Heathrow at 13.15

Arrive Antigua at 16.25

Depart Antigua at 17.55

Arrive St Lucia at 18.40





Or Depart Heathrow at 13.15  
Arrive Barbados at 18.20  
Depart Barbados at 20.20  
Arrive St Lucia at 21.15

4. If the Chancellor caught the first of these two flights he would see ECOFIN through, miss the first day of CFM but arrive just about in time for dinner that evening.

#### St Lucia to Washington

5. The second problem would be in getting from St Lucia to Washington. There are three flights each week on Mondays Wednesdays and Fridays as follows:

Depart St Lucia 07.25  
Arrive Miami 11.50  
Depart Miami 13.40  
Arrive Washington DC 15.59

6. Assuming that the Chancellor would stay until the end of the CFM, he may miss the G7 meeting which has been pencilled in for Friday 26 September in Washington.

7. As regards diary commitments, there is a NEDC meeting at 2.30 on Tuesday 23 September and a speaking engagement (Michael Shersby MP) in Uxbridge at lunchtime on Wednesday 24 September.


8. In total the Chancellor would be out of the office from Friday 19 September until Friday 3 October (with the possible exception of Monday 22 September when he would be travelling from Gleneagles to London) before departing for the Party Conference at Bournemouth from 7 to 10 October.

9. I understand that Sir G Littler has not yet made any arrangements for these meetings. Perhaps we should discuss this with him on his return on Monday.

*Debbie*  
DEBBIE LESTER

*Both  
wd have  
to go  
Ask*





FROM: P G F DAVIS  
DATE: 8 JULY 1986

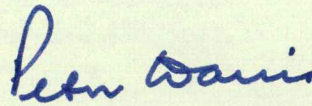
1. SIR G LITTLER
2. CHANCELLOR

cc Chief Secretary  
Financial Secretary  
Minister of State  
Economic Secretary  
Mr Lavelle  
Mr Evans  
Mr Mountfield  
Mr Denison  
Mrs Lester

**COMMONWEALTH FINANCE MINISTERS MEETING, 23-28 SEPTEMBER**

The Prime Minister of Saint Lucia's letter of 18 June invites you personally to attend the CFM meeting and includes an offer of hospitality. I attach a draft reply declining the invitation.

2. You might wish, as a matter of courtesy, also to inform the Commonwealth Secretary General that you will be unable to go. A draft is attached for this purpose too.



P G F DAVIS



PC Hon... PC  
is surely  
tautologous?

DRAFT LETTER FROM THE CHANCELLOR TO:

The Right Honourable John G M Compton PC  
Prime Minister and Minister of Finance  
Government Buildings  
Castries  
Saint Lucia  
WEST INDIES

no: then  
but it's a  
not relevant.

*Strongly Committed*

Thank you for your invitation to the meeting of Commonwealth Finance Ministers and your generous offer of hospitality.

*or don not look as if I shall*

I very much regret ~~to say~~ that I shall not be able to attend ~~in person~~ this year. The ~~EEC~~ <sup>UK'S</sup> Presidency, with an ~~ECOFIN~~ <sup>of the European Community</sup> meeting of ~~Finance Ministers~~ <sup>falling</sup> also in the latter part of September, has added to the usual pressures ~~on my time~~ <sup>at that time of year.</sup>

*What means  
that I am  
only to host  
a*

I shall of course send a full delegation of officials from the Treasury and other departments here, led by Sir Geoffrey Littler. As is customary our delegation will also include representatives from some of our Dependent Territories.

There will, as you say, be important issues to discuss in Saint Lucia, and I am sorry that I shall not be able to make a personal contribution. I wish ~~the meeting~~ <sup>you every</sup> success, <sup>with the meeting.</sup>

n — l —



## DRAFT LETTER FROM THE CHANCELLOR TO:

Sir Shridath S Ramphal  
Commonwealth Secretary General  
Marlborough House  
Pall Mall  
LONDON SW1Y 5HX

*regrettably, or James will  
look as if*

I am writing to let you know that ~~unfortunately~~ I shall ~~not~~ be able ~~personally~~ to attend the Commonwealth Finance Ministers meeting this year. I shall, of course, send a full delegation from the Treasury and other departments here, led by Sir Geoffrey Littler. As usual, the delegation will include representatives from some UK Dependent Territories.

I have written separately to the Prime Minister of Saint Lucia.

N — L —



Pl type 2  
letters (below) ✓  
for Ch's sig

Ch  
2 letters to issue?

CHANCELLOR

From: Sir G. Littler  
Date: 9 July 1986

- c.c. Chief Secretary
- Financial Secretary
- Minister of State
- Economic Secretary
- Mr Lavelle
- Mr Evans
- Mr Mountfield
- Mr Davis
- Mr Denison
- Mrs Lester

*Handwritten notes:*  
Very early ~~draft~~ 9/7  
draft. 1 hour  
AWK


**COMMONWEALTH FINANCE MINISTERS MEETING: 23-25 SEPTEMBER**

We discussed this earlier today. The Foreign and Commonwealth Secretary has urged that you should attend because of South Africa. If there is great political argument after the August meeting, I would expect it to be at Heads of Government level, not among Finance Ministers. To the extent that discussion of South Africa at the CFM is a threat, your presence might encourage it and your absence enable us to keep a low profile.

2. You concluded that you would stick to your earlier decision not to go, leaving me to lead the otherwise normal delegation. (The only other Treasury member of the party will be Huw Evans, but there will also be ODA, FCO and "Colony" representatives).

3. We shall however hold until a late stage two extra bookings on the flight from London to St Lucia on Tuesday 23 September, in case later developments prompt you to decide to attend after all.

4. I think it would be appropriate for you to reply now to the invitation from the Prime Minister of St Lucia, and also to write to the Commonwealth Secretary-General, on the lines of the two drafts attached to Mr Davis's minute below.

  
(Geoffrey Littler)



FROM: MISS J LONG  
DATE: 18 August 1986

18/8  
1. MR P G F DAVIS  
2. CHANCELLOR 14/2

cc: Sir G Littler  
Mr H P Evans  
Mr mountfield

**COMMONWEALTH FINANCE MINISTERS MEETING**

At the Commonwealth Finance Ministers Meeting it is traditional for you to distribute UK coin sets as small gifts to the Commonwealth Secretary General and the Head of other Delegations and the UK Dependent Territories and (more modest sets) to your own support staff at the Conference.

2. As you will not be attending this year's meeting, Sir G Littler could distribute the coin sets on your behalf. For this we need your authority to obtain the coin sets from the Royal Mint. In your capacity as Master of the Royal Mint you will also need to sign in advance the compliment slips which are given with the coin sets. These will be taken to St Lucia by the Delegation.

3. If you are content your Private Secretary might write to the Royal Mint along the lines of the attached draft.

*OK ✓*

*Julie Long*

MISS J LONG

**EXTERNAL RECIPIENTS**

- MR T L RICHARDSON (ERD/FCO)
- MR FROST (ODA)
- MISS NOBLE (PROTOCOL/FCO)

*ch*  
*OK for Alex to write as below?*  
*AK*  
*19/8*



DRAFT LETTER TO:

A R W Lotherington Esq  
Royal Mint  
7 Grosvenor Gardens  
LONDON  
SW1W 0BH

Please type for

Alex to send

**COMMONWEALTH FINANCE MINISTERS MEETING**

I understand that your secretary has already spoken to Julie Long here about the arrangements for providing coin sets for the Chancellor's representative to distribute as gifts at the Commonwealth Finance Ministers Meeting to be held this year in St Lucia from 23 - 25 September.

2. We will need 53 proof sets for presentation to the Commonwealth Secretary General, Head of Delegations and representatives of the UK Dependent Territories. Could you also please provide 7 uncirculated sets for presentation to the Delegation support staff.

3. I would be grateful if you could arrange for dispatch direct to St Lucia to:

D L Littlefield Esq  
Office of the British High Commission  
Columbia Square  
P O Box 227  
Castries  
St Lucia

Please let us have details of dispatch so that we can alert Mr Littlefield to make arrangements to receive them.

ACSA \_\_\_\_\_





cc Sir G Littler  
Mr H P Evans  
Mr Mountfield  
Mr P G F Davis  
Miss Long

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

26 August 1986

*BF 8/9*

A R W Lotherington Esq  
Royal Mint  
7 Grosvenor Gardens  
LONDON  
SW1W 0BH

*Dear Mr. Lotherington,*

**COMMONWEALTH FINANCE MINISTERS MEETING**

I understand that your Secretary has already spoken to Julie Long here about the arrangements for providing coin sets for the Chancellor's representative to distribute as gifts at the Commonwealth Finance Ministers Meeting to be held this year in St Lucia from 23 - 25 September.

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Office of the British High Commission  
Columbia Square  
P O Box 227  
Castries  
St Lucia

Please let us have details of dispatch so that we can alert Mr Littlefield to make arrangements to receive them.

*Yours sincerely  
Alec Allan*

A C S ALLAN  
Principal Private Secretary



5512

Y

86-08-29 16:39  
007  
DB065 16.41\*  
262405 TRSY G  
KEY+3986314+BB406WJ001  
6314 UKREPSLC LC  
MSGE.NO 1675 86-08-29 16:40

262405 TRSY G

DATE 29 AUGUST 1986

FROM: PRINCIPLE PRIVATE SECRETARY TO THE CHANCELLOR OF THE EXCHEQUER

TO: D L LITTLEFIELD ESQ  
OFFICE OF THE BRITISH HIGH COMMISSION  
COLUMBUS SQUARE  
PO BOX 227  
CASTRIES  
ST LUCIA

SUBJECT: UK COIN SETS FOR COMMONWEALTH FINANCE MINISTERS MEETING

DEAR MR LITTLEFIELD

PLEASE NOTE THAT THE UK COIN SETS FOR DISTRIBUTION AT THE COMMONWEALTH FINANCE MINISTERS MEETING WILL BE ON FLIGHT BA 257 ON SUNDAY 31 AUGUST. THE ESTIMATED TIME OF ARRIVAL AT ST LUCIA IS 1935 HOURS.  
THE AIRWAY BILL NUMBER IS: 125 1899 6294

YOURS SINCERELY

ACS ALLAN  
CHANCELLORS OFFICE

262405 TRSY G  
HM TREASURY LONDON

262405 TRSY G  
6314 UKREPSLC LC

IS THERE ANY MORE TO COME?###



Ch  
We shall certainly be under  
pressure to host in 1988 but I should  
have thought we can reasonably argue  
for simply saying no to  
1987 & without commitment  
to 1988. AA 5/9

~~Walter [unclear]~~  
~~on [unclear]~~

From: Sir G. Littler  
Date: 4 September 1986

MR ALEX ALLAN

c.c. Mr Huw Evans  
Mr J M G Taylor

**1987 MEETING OF COMMONWEALTH FINANCE MINISTERS**

Would the Chancellor like to host next year's meeting? - a "num"  
question if ever I put one! But I have two reasons for raising  
this.

2. First, the question may be raised in St Lucia. There was  
difficulty in getting a venue for last year's meeting (eventually  
rescued by the unlikely offer from the Maldives), and we may have  
the same problem again. It is six years since the last meeting  
in London; and we now have a brand new conference centre to offer!  
And I can imagine Ramphal manoeuvring for London to ensure the  
Chancellor's attendance.

✓  
see  
statistics  
attached  
(10 yr  
cycle?)

3. I would recommend against. Given the number of countries,  
a six-year gap since the last one in London is by no means long.  
We are not enthusiastic about these meetings and have before now  
unsuccessfully suggested alternate years. And there is the 1988  
problem mentioned below.

4. In 1988 the IMF/IBRD meetings will be in Berlin. The CFM  
is normally planned with an eye to geographical proximity to the  
IMF/IBRD venue (a hollow laugh this year!) and I would expect  
pressure for London to act as host in 1988.

5. I hope we shall not be asked for 1987. Our options if the  
matter is raised at St Lucia seem to be:



- agree to host in 1987 (which I assume the Chancellor will not want);
- refuse to host in 1987 on the ground that we may have to host in 1988 (this is tantamount to a 1988 commitment);
- argue for omitting a 1987 meeting and on that condition offer to host in 1988;
- simply refuse to offer 1987 without reference to 1988 and without elaborate reasons (incidentally would it be embarrassing - if speaking privately with Ramphal and under pressure to offer 1987 - for me to draw attention to possible problems of election timing? - which would in fact provide a very good excuse!)

I have of course put these in the reverse order of my own preference and recommendation, although the penultimate one could be worth considering.



(Geoffrey Littler)

SFF below



MR. FRAY ✓

Alex ✓

FROM: MISS J. LONG  
DATE: 5 SEPTEMBER 1986

cc Sir G Hittler  
Mr Evans  
Mr Walsh  
Mr Shenden

COMMONWEALTH FINANCE MINISTERS MEETINGS: LOCATION.

You asked me to provide a list giving the locations of past CPM's and IMF/IBRD Annual Meetings. They are attached.

Julie Long.

1987 regretted out of  
quarrels because of  
political clash with GB.  
But had to proceed to  
London for purpose of  
1988. n  
Symposium



## LOCATIONS OF COMMONWEALTH FINANCE MINISTERS MEETINGS.

IMF	Year	Location
Wash.	1971	Bahamas
Wash	1972	London
Nairobi	1973	Dar es Salaam
W	1974	Ottawa
W	1975	Georgetown
Manila	1976	Hong Kong
W	1977	Barbados
W	1978	Montreal
Belgrade	1979	Malta
W	1980	Bermuda
W	1981	Bahamas
Toronto	1982	London
W	1983	Port of Spain
W	1984	Toronto
Seoul	1985	Maldives
W	1986	St Lucia.
W	1987	
Berlin	1988	

Nothing in Africa  
since 1973.



DATES OF ANNUAL MEETINGS - 1967-87

Rio de Janeiro	1967	September 25 - September 29, 1967
Washington, D.C.	1968	September 30 - October 4, 1968
Washington, D.C.	1969	September 29 - October 3, 1969
Copenhagen	1970	September 21 - September 25, 1970
Washington, D.C.	1971	September 27 - October 1, 1971
Washington, D.C.	1972	September 25 - September 29, 1972
Nairobi	1973	September 24 - September 28, 1973
Washington, D.C.	1974	September 30 - October 4, 1974
Washington, D.C.	1975	September 1 - September 5, 1975
Manila	1976	October 4 - October 8, 1976
Washington, D.C.	1977	September 26 - September 30, 1977
Washington, D.C.	1978	September 25 - September 28, 1978
Belgradé	1979	October 2 - October 5, 1979
Washington, D.C.	1980	September 30 - October 3, 1980
Washington, D.C.	1981	September 29 - October 2, 1981
Toronto	1982	September 6 - September 9, 1982
Washington, D.C.	1983	September 27 - September 30, 1983
Washington, D.C.	1984	September 25 - September 28, 1984

PROPOSED

Seoul	1985
Washington, D.C.	1986
Washington, D.C.	1987
Berlin	1988

PROPOSED

October 8 - October 11, 1985
September 30 - October 3, 1986
September 29 - October 2, 1987



Ch  
Background info on Geoff's  
reporting work for G5. Will have  
opportunity to discuss approach at  
briefing meeting later, unless  
points you want to raise now  
(looks predictable stuff to me)

CONFIDENTIAL

MR ALEX ALLAN

AA

Thanks.  
I am very concerned at  
some of the OK 1987 figs  
in the talks @ the sack.  
We won't have to press  
hard to hand new  
stuff.

From: Sir G. Littler  
Date: 8 September 1986

PS. Psa  
how are the  
you Jap 3 kinds  
package. Is it  
game extra spur,  
a mark by  
found? What is  
No expect  
effect - no  
deficit?

c.c. Sir P. Middleton  
Sir T. Burns  
Mr Cassell  
Mr Lavelle  
Mr Huw Evans  
Mr Mathews

I will discuss  
with Sir TB  
@ 3 pm. 1 82  
also like,  
independently, Sir  
POM's views on  
a matter  
of urgency.  
A game  
slowdown  
in 1987 (cf  
1986) looks  
probable  
perhaps.

MEETING OF G5 MINISTERS

We shall be preparing a brief for the "surveillance" discussion  
at the G5 meeting in Washington on 25 September. There was on  
Friday a meeting of G5 Deputies, with Andrew Crockett of the IMF  
for part of the time, and what follows is an account of the main  
features and results of our discussion.

FACTUAL MATERIAL: INDICATORS

2. The IMF had circulated to us all in advance sets of tables  
covering all the agreed "indicators": they covered calendar years  
1985, 1986, 1987, and Q4-on-Q4 for the same three year-ends; there  
were complete figures prepared by the IMF and alongside them some  
very incomplete figures provided by each authority for its own  
economy (largely confined to published or non-sensitive figures).

3. No need to record the detailed discussion of the figures:  
the outcome was:

- no significant dissent from the IMF figures: at several points where divergence was found, Crockett either said that the IMF were already considering adjusting their figures or readily undertook to re-examine them;
- revised IMF figures used for this exercise will be the same as those used in the definitive version of the



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published "World Economic Outlook" (I was not alone in wanting to avoid a different set of figures);

- it was eventually agreed that, in order to avoid the clumsy and confusing presentation of two sets of numbers with minor variations, we would simply present the IMF figures: there could be a few foot-notes if any country wanted to express disagreement (although when at the end we reviewed this it seemed that nobody would be likely to want any foot-notes).

4. I should record three worries expressed about the figures:

- Crockett rightly pointed out that for some purposes it was a pity to stop at the end of 1987: this leaves a particular problem on this occasion - does an apparent dip in German growth during 1987 represent an incipient down-turn or simply the statistical result of very high growth at the end of 1986?
- Mulford still hankers after country figures to which the individual countries would be committed as targets (again I was not alone in saying that we do not and will not regard these figures as targets, whoever provides them);
- Crockett drew attention to a possible problem over IMF figures: they aim for consistency; therefore if policies of individual countries are "incompatible" ex ante, this will disappear or be reconciled in the final IMF figures by appropriate changes in growth, trade, etc; thus some basic incompatibilities, if they exist, may get masked.

*a month  
No task*



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5. The attached document includes the unrevised IMF figures which we had before us in Paris. Revised figures should be sent to us around 19 September.

**MAJOR FEATURES**

6. First I draw attention to some important assumptions. In the main, the figures assume continuation of present strategies by all the five countries, and no discontinuities elsewhere. Special points are:

- no further major exchange rate changes are assumed;
- no dramatic interest rate changes are assumed;
- the oil-price is assumed to stay about where it is; = \$15?
- in the US it is assumed that Gramm-Rudman reductions of the fiscal deficit will be achieved;
- in Japan it is assumed that there will be imminently a set of fiscal measures giving a 3 trillion Yen increase in public sector net outlays (Gyohten was content and told us announcement is foreseen for 19 September, even though the package has not yet been finally agreed).

*But? bringing forward or genuine actn*

*What effect on Japan?*

7. There are no surprises in the outlook portrayed by the IMF figures. The main features for the G5 countries are:

- inflation outlook good, for all countries, with the US deteriorating slightly but not yet alarmingly;
- overall fiscal stance of the G5 in aggregate becomes a little tighter, with the US improvement critical;
- monetary developments fairly stable;
- overall growth of G5 domestic demand in real terms about 3.5% in 1986 and 1987, while GNP growth is nearer 3%;



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- a slight but welcome shift as between US (domestic demand falls below GNP) and Germany, Japan and others (GNP grows less than domestic demand), with a doubt raised whether this pattern is changing during 1987;
- in dollar terms, the US external current deficit stops rising and even begins to fall back, while the surpluses of Germany and Japan also peak; in SDR or own currency terms their shift is of course more marked.

**APPRAISAL**

8. It is possible to draw some reasonably sanguine conclusions from this picture. In terms of the impact of G5 performance on the rest of the world we have low inflation, sustained growth of real demand, a helpful expansion of domestic demand beyond GNP growth, continued low interest rates in nominal terms and even a small decline in real terms. There are even some hopeful signs that the major imbalances within and between G5 countries are beginning to recover from their peaks, although slowly and not by the end of 1987 yet on a wholly convincing trend.

9. The real problem is exactly what we have all along foreseen: the US authorities are deeply unhappy about the outlook for their economy and the continued very high dollar external current deficit. Mulford was insistent that the attack on the US fiscal deficit would be maintained and would be successful, but he interspersed this with remarks that the process must not be allowed to create a world recession, and that therefore it was vital and urgent that Germany and Japan should act.



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10. The analytical basis of the US view remains far from clear on Mulford's arguments. He waxed eloquent on the threat of Congress taking protectionist action, and the damage that could precipitate for world trade and activity, and we all agreed. But he also - in response to my direct question - maintained that even without such new developments the failure of Germany and Japan to take on the responsibility of sustaining world growth over the next year threatens a world-wide recession. He repeatedly said that we faced a crisis situation and that substantial action was urgent, but I do not think he convinced any of us - except perhaps on the threat of protectionist action by Congress.

11. Up to a point Mulford accepted that the figures showed a peak and some beginnings of the correction of imbalances, and that one should allow in external accounts for J-curve effects. But when Tietmeyer pointed out that the forecasts of external current accounts for Germany and Japan looked different in dollar and non-dollar terms Mulford was unable to understand that this could mean anything at all. Throughout our discussion, moreover, his concern was with GNP growth in real terms, focussing on what he saw as poor German and Japanese performance by comparison with that of the US. When I tried (helped by all the others) to explain to him that - in his own terms - for Germany and Japan to have high domestic demand growth and low GNP growth was actually good for the US, he again failed to grasp the point; he quickly gave up arguing on merits and simply said the American public saw things differently and was concerned only with relative GNP growth - and that this was what mattered.



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**POSSIBLE ACTION**

12. We did not - deliberately - try to anticipate discussion by Ministers of possible action; but there was some gossip during an interval before supper. A few impressions:

- I judge that the latest and more buoyant German figures for July have made it less likely that Germany will lower interest rates this week;
- but the Germans are very worried about the risk of some substantial further dollar depreciation - and fairly sure that the next stopping-point below 2 DM will be down around 1.75 DM or even lower; Tietmeyer briefly talked about the possibility of a new exchange rate statement calling for stability, but when I suggested that defending such a statement could mean willingness to intervene on a massive scale he immediately ruled that out;
- Japan will sit on the proposed 3 trillion Yen measures as the only action needed (while verbally recognising the need to implement the Maekawa Report over time);
- Baker will make a great deal of the threat of action on trade by Congress, in the attempt to put pressure on Germany in particular (and Germany, rather than Japan, will be his target); he will press for both interest rate and fiscal action;
- the US are very worried about competition from Canada, and also and rightly worried about Taiwan, Korea and some others who have broadly matched the dollar depreciation.

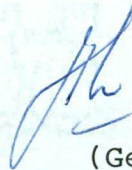


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**QUESTIONS FOR DISCUSSION**

13. As planned, we worked up a series of questions on which we thought it would be helpful for Ministers to concentrate their attention during the Washington G5 meeting. I am afraid that the lay-out reflects some of the US concentration on real GNP growth, but it would not have been sensible to refuse to incorporate some questions in the way in which Mulford (and according to him also Baker personally) wants to pose them.

14. The attached draft paper comments on procedure, then has a few brief remarks on the prospects, with extracts from the appended IMF tables, and then sets out the suggested agenda for discussion by Ministers.



(Geoffrey Littler)

c.c. Governor (B/E)  
Mr Loehnis (B/E)



ANNEX

(NOTE: The paper by Deputies, being put together by Lebeque as host of the meeting, has not yet arrived. It contains some notes on our procedure and figures; a brief summary of the outlook; and a suggested list of questions. The questions are summarised below from my own scribbled notes at the time)

1. How do we see the overall impact of G5 prospects on the world economy and the rest of the world?

2. Given that Deputies did not agree on general appraisal of the progress in dealing with G5 imbalances, some specific points on which to focus:

- do we see the evolution of individual country economies as being compatible? *layout clearly reflects US position - invites answer*  
No
- is there need and scope for faster growth outside the United States, particularly through measures to increase domestic demand in Germany and Japan? Yes
- would a slowing-down of US growth be an appropriate response in current circumstances? No
- is a reduction of the US fiscal deficit bound to lead to an equivalent reduction in US growth? Yes
- does the present environment of low inflation and high real interest rates provide an opportunity to ease monetary conditions further in some of our countries? Yes

3. The projections suggest only a modest improvement in the large trade and current account imbalances between G5 countries by the end of 1987:

- are these imbalances politically and economically sustainable?
- are further exchange rate changes necessary and desirable to facilitate further external adjustment? *or*
- are there direct trade measures which could help to promote import propensity in Japan, etc?
- can and should any action be suggested in relation to the competitive positions of Canada, and of Taiwan, Korea, etc?

4. Procedural questions for the future, including country/IMF projections, and specific areas for future monitoring.

*rate oblique  
was of asking  
whether low  
US fiscal deficit  
could be good  
thing*



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**A. GROWTH OF DEMAND AND OUTPUT**  
(%)

	Year-on-Year			Q4-on-Q4		
	1985	1986	1987	1984/5	1985/6	1986/7

**GNP IN NOMINAL TERMS:**

U.S.	6.2	5.6	6.8	6.3	5.6	7.1
Japan	6.3	3.7	4.0	5.7	2.8	4.3
Germany	4.6	6.1	4.8	4.9	6.4	3.6
France	7.3	6.6	5.4	8.3	5.9	5.5
U.K.	9.5	6.4	6.6	10.2	4.1	8.2
<b>TOTAL</b>	<b>6.4</b>	<b>5.4</b>	<b>5.9</b>	<b>6.5</b>	<b>5.1</b>	<b>6.1</b>

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**DOMESTIC DEMAND IN NOMINAL TERMS:**

U.S.	6.6	6.2	6.4	7.2	5.5	6.7
Japan	5.3	3.2	5.2	5.4	3.2	5.0
Germany	3.5	4.2	5.4	4.7	4.2	5.1
France	7.2	5.4	5.2	7.9	5.4	5.9
U.K.	8.1	7.1	7.4	9.1	7.9	6.8
<b>TOTAL</b>	<b>6.2</b>	<b>5.4</b>	<b>6.0</b>	<b>6.8</b>	<b>5.1</b>	<b>6.1</b>

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**GNP IN REAL TERMS:**

U.S.	2.7	2.9	3.5	2.9	3.2	3.4
Japan	4.5	2.7	2.7	3.2	2.2	2.4
Germany	2.4	3.0	3.2	2.4	3.9	1.8
France	1.3	2.2	2.2	2.0	2.3	2.2
U.K.	3.3	2.5	2.4	2.8	2.7	2.2
<b>TOTAL</b>	<b>3.0</b>	<b>2.8</b>	<b>3.1</b>	<b>3.0</b>	<b>3.0</b>	<b>2.9</b>

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**DOMESTIC DEMAND IN REAL TERMS:**

U.S.	3.4	3.5	3.1	3.9	3.0	3.1
Japan	3.6	4.1	4.7	3.9	4.5	4.2
Germany	1.4	4.1	4.7	3.0	4.9	2.4
France	2.0	3.0	2.7	2.9	2.7	2.8
U.K.	2.2	3.0	3.0	2.1	2.8	3.0
<b>TOTAL</b>	<b>3.0</b>	<b>3.6</b>	<b>3.5</b>	<b>3.6</b>	<b>3.4</b>	<b>3.3</b>

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**B. INFLATION AND UNEMPLOYMENT**  
(%)

	Year-on-Year			Q4-on-Q4		
	1985	1986	1987	1984/5	1985/6	1986/7
<b>GNP/GDP DEFLATOR:</b>						
U.S.	3.4	2.6	3.2	3.3	2.4	3.5
Japan	1.7	1.0	1.3	1.7	0.5	1.8
Germany	2.1	3.0	1.4	2.4	2.4	1.8
France	5.9	4.3	3.2	6.2	3.5	3.2
U.K.	6.0	3.8	4.1	7.2	1.4	6.0
TOTAL	3.3	2.5	2.7	3.4	2.0	3.1
<b>CONSUMER PRICES:</b>						
U.S.	3.5	1.8	3.3	3.5	1.2	4.0
Japan	2.1	0.4	0.5	1.9	-0.4	1.3
Germany	2.1	-0.2	0.9	1.8	-0.7	1.8
France	5.8	2.7	2.7	4.8	2.6	3.0
U.K.	6.1	3.4	4.0	5.5	3.3	4.6
TOTAL	3.5	1.5	2.5	3.3	1.0	3.2
<b>UNIT LABOUR COSTS:</b>						
U.S.	0.6	0.9	1.4	0.5	0.9	2.0
Japan	0.5	3.5	1.9	3.8	2.6	2.7
Germany	0.1	1.8	1.2	1.9	0.5	2.0
France	2.2	0.7	0.2	0.6	1.6	0.1
U.K.	6.0	6.1	4.5	6.1	2.8	7.0
TOTAL	1.1	1.8	1.6	1.7	1.4	2.3
<b>UNEMPLOYMENT RATE:</b>						
U.S.	7.2	7.1	6.7	7.0	6.9	6.6
Japan	2.6	2.8	3.0	2.8	2.9	2.9
Germany	8.2	7.9	7.5	8.1	7.6	7.4
France	10.4	10.7	10.7	10.5	10.7	10.6
U.K.	11.3	11.6	11.5	11.3	11.6	11.4
TOTAL	6.8	6.8	6.6	6.8	6.8	6.6
<b>GROWTH OF EMPLOYMENT:</b>						
U.S.	2.0	2.2	2.3	1.9	2.3	2.3
Japan	0.7	0.8	0.6	0.1	0.9	0.9
Germany	0.8	1.3	1.0	1.5	1.5	0.8
France	-0.3	0.2	0.5	-0.6	0.6	0.8
U.K.	1.3	0.4	0.4	0.4	0.1	0.1
TOTAL	1.3	1.4	1.4	1.0	1.5	1.4



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**C. FISCAL BALANCES: MONETARY GROWTH**

	Year-on-Year			Q4-on-Q4		
	1985	1986	1987	1984/5	1985/6	1986/7

**CENTRAL (FEDERAL) GOVT BALANCE - % OF GNP/GDP:**

U.S.	-5.0	-4.8	-3.2			
Japan	-4.4	-4.5	-4.7			
Germany	-0.6	-0.3	-0.2			
France	-3.3	-2.9	-2.6			
U.K.	-2.9	-2.5	-2.3			
<b>TOTAL</b>	<b>-4.1</b>	<b>-4.0</b>	<b>-3.1</b>			

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**GENERAL GOVERNMENT BALANCE - % OF GNP/GDP:**

U.S.	-3.4	-3.4	-2.0			
Japan	-1.6	-1.7	-2.0			
Germany	-1.1	-0.8	-0.7			
France	-2.6	-2.5	-2.5			
U.K.	-3.1	-2.8	-3.0			
<b>TOTAL</b>	<b>-2.7</b>	<b>-2.7</b>	<b>-2.0</b>			

- - - - -

**MONETARY GROWTH RATES:**

U.S.						
(M2)	9.1	7.0	6.9	8.7	7.0	6.8
Japan						
(M2+CD)	8.4	8.2	7.0	9.0	7.5	7.0
Germany						
(CBM)	4.5	5.4	4.3	4.2	5.5	5.0
France						
(M3-1985M2R)	8.4	5.3	5.0	6.9	5.0	5.0
U.K.						
(M0)	4.6	3.5	3.0	5.0	3.7	2.5

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**D. INTEREST RATES**  
(%)

	1985	<u>Nominal</u> 1986	1987	1985	<u>Real</u> 1986	1987
<b>SHORT-TERM RATES:</b>						
U.S.	7.5	6.3	6.7	4.1	3.7	3.5
Japan	5.7	4.5	4.5	5.0	4.7	3.6
Germany	5.4	4.6	4.6	3.2	3.0	3.1
France	10.1	7.4	7.0	4.4	3.9	4.1
U.K.	12.2	10.0	9.0	6.0	5.9	4.6

**LONG-TERM RATES:**

U.S.	10.6	7.8	8.2	7.2	5.2	5.0
Japan	5.3	5.0	5.0	4.6	4.9	4.1
Germany	6.9	5.8	5.7	4.7	4.2	4.2
France	10.9	8.1	7.8	5.2	4.6	4.9
U.K.	10.6	9.0	8.5	4.5	4.9	4.1



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**E. SAVINGS AND INVESTMENT RATIOS**  
(% of GNP/GDP)

	1985	1986	1987
<b>SAVINGS:</b>			
U.S.	17.2	17.7	17.7
Japan	27.3	27.4	27.3
Germany	19.7	20.9	20.8
France	17.9	19.0	19.6
U.K.	19.9	20.0	20.0
TOTAL	19.6	20.1	20.3
-----			
<b>INVESTMENT:</b>			
U.S.	16.5	17.1	17.8
Japan	26.2	27.8	28.5
Germany	19.6	19.2	19.7
France	14.7	14.5	14.8
U.K.	14.4	14.4	14.7
TOTAL	18.7	19.0	19.8
-----			



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F. BALANCE OF TRADE

	1985	1986	1987
<b>MERCHANDISE EXPORTS(FOB) - Value in \$ billion:</b>			
U.S.	214.4	223.9	261.2
Japan	174.0	201.0	193.0
Germany	175.0	228.1	248.2
France	96.0	117.0	129.3
U.K.	101.2	107.9	112.9
TOTAL	760.6	878.0	944.5

-----

**MERCHANDISE IMPORTS(FOB) - Value in \$ billion:**

U.S.	338.9	388.1	388.0
Japan	118.0	113.0	119.0
Germany	145.7	174.8	191.4
France	101.5	117.3	128.3
U.K.	103.9	116.1	125.0
TOTAL	808.0	881.3	951.6

-----

**MERCHANDISE EXPORTS(FOB) - % Volume Change:**

U.S.	0.8	4.2	10.5
Japan	4.4	-3.8	-9.7
Germany	6.4	2.3	2.9
France	1.7	2.5	3.4
U.K.	5.4	1.5	2.5
TOTAL	3.6	1.5	2.1

-----

**MERCHANDISE IMPORTS(FOB) - % Volume Change:**

U.S.	4.5	8.5	3.7
Japan	0.4	6.4	8.1
Germany	4.5	7.6	5.2
France	4.8	6.2	6.1
U.K.	3.1	3.9	5.1
TOTAL	3.7	7.1	5.1

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F. BALANCE OF TRADE

	1985	1986	1987
<b>TRADE BALANCE(FOB) - Value in \$ billion:</b>			
U.S.	-124.4	-136.2	-126.7
Japan	56.0	88.0	74.0
Germany	29.2	53.4	56.8
France	-5.4	-0.3	1.0
U.K.	-2.7	-8.2	-12.1
TOTAL	-48.0	-3.3	-7.1

CURRENT ACCOUNT - in \$ billion:

U.S.	-117.7	-120.3	-113.0
Japan	49.2	82.0	70.0
Germany	13.1	29.8	25.8
France	-0.1	0.1	7.6
U.K.	4.9	2.3	-2.2
TOTAL	-51.1	-0.1	-12.4

CAPITAL ACCOUNT - in \$ billion:

U.S.	102.7
Japan	-64.5
Germany	-16.1
France	2.2
U.K.	-3.9
TOTAL	20.8

CHANGE IN GROSS OFFICIAL RESERVES - in \$ billion:

U.S.	3.9
Japan	0.2
Germany	1.1
France	6.3
U.K.	-2.0
TOTAL	9.5



86-09-17 06:37

262405 TRSY G  
USTREAS 64131  
MSG MCC155  
FROM SECRETARY BAKER  
DEPARTMENT OF TREASURY  
WASHINGTON D.C.

✓  
12/7

CH/EXCHEQUER	
REC.	17 SEP 1986
ACTION	SIR G. LITTLE
COPIES TO	SIR T. BURNS
	MR LAVEUE
	MR H. EVANS
	MR CULPIN

TO THE HONORABLE EDOUARD BALLADUR  
MINISTER OF ECONOMY AND FINANCE  
FRANCE

THE HONORABLE GERHARD STOLTENBERG  
MINISTER OF FINANCE  
FEDERAL REPUBLIC OF GERMANY

HIS EXCELLENCY KIICHI MIYAZAWA  
MINISTER OF FINANCE  
JAPAN

THE RIGHT HONORABLE NIGEL LAWSON, MP  
CHANCELLOR OF THE EXCHEQUER  
UNITED KINGDOM

✓

DEAR COLLEAGUE:

I AM PLEASED TO CONFIRM ARRANGEMENTS FOR THE SEPTEMBER 26 MEETING OF OUR SMALL GROUP. THE MEETING WILL TAKE PLACE AT THE TREASURY DEPARTMENT (ROOM 3315), BEGINNING AT NOON, CONTINUING THROUGH A WORKING LUNCH AND CONCLUDING AT ABOUT 6:00 P.M.

I PROPOSE THE FOLLOWING AGENDA FOR OUR MEETING:

1. DISCUSSION OF KEY ISSUES IN ECONOMIC POLICY COORDINATION
2. ISSUES RELATED TO ESTABLISHMENT OF A GROUP OF SEVEN
3. OTHER ISSUES (TIME PERMITTING)
  - A. EXPANSION AND ROLE OF G-10
  - B. INTERIM COMMITTEE ISSUES
    - ACCESS TO IMF RESOURCES
    - LDC DEBT

THE MANAGING DIRECTOR OF THE IMF WILL JOIN US AT THE BEGINNING OF THE MEETING AND PARTICIPATE IN OUR DISCUSSION AT LUNCH ON THE FIRST AGENDA ITEM. A PAPER FOR THE MEETING PREPARED BY OUR DEPUTIES AND UPDATED IMF DATA ON INDICATORS WILL BE CIRCULATED SEPARATELY.

PLEASE PROVIDE THIS INFORMATION TO YOUR CENTRAL BANK GOVERNOR.

SINCERELY,  
JAMES A. BAKER, III

19/2690/RMC

USTREAS 64131

262405 TRSY G.....  
RESPOND TO USTREAS64131  
MAKE 1 CALL FOR ALL USA TRAFFIC  
INFO CALL USA 62200 CODE 121



## CONFIDENTIAL AND COMMERCIAL IN CONFIDENCE

FROM: K J PIKE

DATE: 17 September 1986

1. MR INSTONE  
2. CHIEF SECRETARY

cc MST  
Sir P Middleton  
Mr F E R Butler  
Sir G Littler  
Mr Anson  
Mr Jameson  
Mr Judd  
Miss Peirson  
Mr Mountfield  
Mr Scholar  
Mr Turnbull  
Mr M Williams  
Mr Cropper  
Mr Tyrie

*ch*  
You shd be aware of this exchange between Mr Rifkind & the EST (not previously copied to us) just in case Mr Rifkind mentions it.

## COMMONWEALTH GAMES: FINANCES

Mr Rifkind's further letter to you of 12 September asks you and the Prime Minister to reconsider the rejection of financial support for the organisers of the Edinburgh Games. (No 10's letter of 19 August and the Minister of State's of 27 August refer).

2. Miss Rutter's minute of 2 September records your view that we must stand firm on any request to underwrite any losses on the Commonwealth Games. Mr Rifkind's letter adds nothing to the case. He argues that other benefactors need the encouragement of a conditional Government contribution, but the suggestion that the offer could be withdrawn in the absence of firm commitments from other donors seems untenable; and in any event an offer would be repercussive.

3. As Mr Instone explained in his submission of 20 August, there are several objections to the proposed guarantee:-

(a) the Government have no particular interest in trying to save the company, especially since the Games have already taken place;

(b) conceding the principle of assistance could put us on a slippery slope and make it harder to resist further requests;



(c) it would be seen as a major climb-down and reversal of Government policy and could seriously call into question the Government's commitment to market forces over a wide area;

(d) it would seriously dilute the Government's message that the proposed Birmingham Olympics must be financed privately. In particular it would be likely to discourage the Birmingham organisers from doing all that is necessary to ensure that the Birmingham Games were run as efficiently as possible, because they would feel that, in the light of the Commonwealth Games reversal, the Government would be likely to support them if they subsequently got into difficulties.

(e) it would be against the spirit of the Government's attitude towards guarantees and contingent liabilities, which is that they should be avoided or met from the relevant departmental programme (rather than a claim on the Reserve as is the case here).

4. The No 10 letter of 19 August states that in view of the implications for Birmingham's bid, the Prime Minister would need to be convinced that there was no alternative before agreeing to a Government payment. Mr Rifkind's response is unconvincing and we recommend that you continue to reject Mr Rifkind's proposals. There is not a great deal that you can add to the Minister of State's letter of rejection of 27 August. The attached draft letter draws heavily on the parallel with the Birmingham Olympic bid.

K J PIKE

K J PIKE



DRAFT LETTER TO

The Rt Hon Malcolm Rifkind QC MP  
Secretary of State  
Scottish Office  
New St Andrew's House  
St James Centre  
Edinburgh  
EH1 35X

**COMMONWEALTH GAMES: FINANCES**

Thank you for your further letter of 12 September.

I strongly support the line taken by Peter Brooke in his letter to you of 27 August. I do not think your letter takes us any further forward. I see no reason why a Government contribution should help to encourage private sector contributions. Any concession to the organisers of the Edinburgh Games would put us on the slippery slope; and in my view once an offer had been made it would be very difficult for the Government to avoid paying even if the conditions were not met.

All along the Scottish Office have made it clear to the organisers that there would be no Government support. The organisers were not obliged to host the Games and should have been mindful of the risk of some sort of boycott.

I note what you say about "Doomsday" having arrived for Edinburgh, but it should not be difficult to deal with any misguided suggestions that Edinburgh is being less favourably treated than Birmingham. As you know, the proposed identity for Birmingham will only apply if the Games are cancelled and, in such an event if net losses are in excess of £100m. Birmingham would get no



help with an operating deficit if the Games were held, even if it was in excess of £100m.

Edinburgh would have no claim had they obtained an indemnity along the lines proposed for Birmingham. Colleagues agreed a tough policy on Birmingham's Olympic bid and I see no reason to soften our approach in relation to Edinburgh. And to do so would seriously weaken our policy on Birmingham's bid and be repercussive in other areas.

I am copying this letter to the Prime Minister, Geoffrey Howe, Nicholas Ridley and Sir Robert Armstrong.

JOHN MACGREGOR





CONFIDENTIAL AND COMMERCIAL IN CONFIDENCE

Rt Hon John MacGregor MP  
Chief Secretary  
HM Treasury  
Whitehall  
LONDON  
SW1A 2AA

SECRETARY	
12	SEP 1986
Mr Instone	
MST Sir Peter Middleton	
Mr Butler Sir Geoffrey Little	
Mr Jameson Mr Todd	
Mr Mansfield Miss Pearson	

12 September 1986

Mr Scholar Mr Turnbull  
Mr M Williams  
Mr Pike Mr Cropper  
Mr Tyrie

Dear Chief Secretary,

COMMONWEALTH GAMES: FINANCES

I wrote to you about this matter on 15 August. In your absence, Peter Brooke replied on 27 August and the Prime Minister's views were conveyed in her Private Secretary's letter of 19 August.

The Prime Minister is entirely justified in being puzzled by the apparent contradiction between Mr Maxwell's optimistic public statements and the financial reality. The hard fact of the matter is that there is an expected deficit of some £4m after paying in full those creditors owed up to £5,000 and 35% of the amounts owed to other creditors. The Board of Directors decided at its meeting on 8 September to continue its fund raising efforts to the end of the month. Despite the optimistic noises made from time to time neither Mr Maxwell nor Mr Sasakawa has to my knowledge made any commitment and the boycotting nations have not replied to (or have rejected) the bills totalling some £2.5m sent to them by Mr Maxwell. There has been a small but welcome additional income from creditor donations; it has however been more than offset by additional expenditure items coming to light and reductions in future income expectations from such things as book sales and licences which were hit by the boycott. It is to my mind unrealistic to expect that Mr Maxwell and Mr Sasakawa will on their own put up enough money to meet the amount outstanding of £4m; they and any other benefactors will require to be encouraged and such encouragement can now be provided only by a Government contribution.

I willingly concede Peter's point that any Government concession should not put us on a slippery slope producing further concessions. We ensure this by making our offer on the conditions set out in my letter of 15 August ie the commitment is withdrawn if by a date chosen by us the Company has not received firm commitments from other donors which when taken with our contribution will satisfy the creditors. I much



prefer this to a commitment on say some £ for £ basis up to a maximum contribution which could mean a substantial contribution from us while still leaving the Company in deficit.

The Prime Minister and Peter have both mentioned the significance for the organisers of the Birmingham Olympics of a contribution to the Games' deficit. The relevance of Birmingham in the present context lies in the public perception of the Government's attitude; the fact that the proposed Birmingham guarantee is confined to a "Doomsday" situation is not widely understood by the general public. As they see it, "Doomsday" has already arrived for Edinburgh, with the sure prospect of discredit to the host nation, damage to the concept of the Games as an expression of the Commonwealth ideal and distress for the creditors unless the Government makes a positive move. Without it, we give the impression of being indifferent to such consequences. It is in any event, the financial outcome of the Edinburgh Games which will convey the appropriate message to the Birmingham organisers.

I must therefore ask you to reconsider your position and repeat my request for your agreement in principle, and that of colleagues to my proposal to offer the Company a contribution of £1.5m provided the Company raises sufficient money which, when taken along with our contribution, would enable the Company to satisfy all its creditors; the offer to be null and void if that provision is not fulfilled by a date to be specified.

The Prime Minister indicated that she would need to be convinced that there was no alternative before agreeing to a Government payment. I have no doubt that there is no alternative if the Government wishes to avoid damage to Scotland's reputation abroad, and severe criticism of the Government, itself, for insensitivity and unfairness.

I am copying this letter to the Prime Minister, Geoffrey Howe and Nicholas Ridley.

*Margaret Pollock*

MALCOLM RIFKIND

Approved by the Secretary of State  
and signed in his absence



*M Pike*

PA  
(Commonwealth)

CONFIDENTIAL

FROM: JILL RUTTER  
DATE: 2 September 1986



MR INSTONE

- cc: Minister of State
- Sir Peter Middleton
- Mr F E R Butler
- Sir G Littler
- Mr Anson
- Mr Jameson
- Mr Judd
- Miss Peirson
- Mr Mountfield
- Mr Scholar
- Mr Turnbull
- Mr M L Williams
- Mr Pike
- Mr Cropper
- Mr Tyrie

**BIRMINGHAM OLYMPICS/COMMONWEALTH GAMES**

The Chief Secretary has seen the Secretary of State for the Environment's Private Secretary's letter to the Prime Minister's Private Secretary of 27 August. He has reiterated that we must stand firm on any request to underwrite any losses on the Commonwealth Games. He is also concerned that we should do all we possibly can to minimise any risks that might arise from Birmingham being awarded the 1992 Olympic Games.

*Jill Rutter*

JILL RUTTER  
Private Secretary

CONFIDENTIAL



CONFIDENTIAL



cc PS/CST

Sir P Middleton

Mr FER Butler

Mr Anson

Sir J Little

Mr Jameson

Mr Jessel

Miss Peiser

Mr Mountfield <sup>LPA</sup>

Mr Scholer

Mr Turnbull

Mr M Williams

Mr Instone

Mr Pickett

Mr Laffer

Mr Syrie

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Malcolm Rifkind QC MP  
Secretary of State  
Scottish Office  
New St Andrew's House  
St James Centre  
EDINBURGH EH1 3SX

27 August 1986

*Dear Malcolm,*

**COMMONWEALTH GAMES: FINANCES**

Thank you for your letter of 15 August to John MacGregor, who is on holiday.

Despite Mr Maxwell's suggestion that there has been uncertainty over the Government's position, it has in fact been entirely clear, as your Private Secretary's letter of 14 August to Mr Peter Jay makes clear. Our consistent position has been that these Games should be financed privately without any central Government contribution.

Mr Maxwell makes it clear that there were serious defects in the organisational arrangements for the Games, which had nothing to do with the Commonwealth boycott. Giving a guarantee as you suggest would seriously jeopardise the incentive on the part of private sector organisers of other projects, particularly the Birmingham Olympics, to organise themselves properly, because they would assume that they would be much more likely to be able to fall back on Government funding. The kind of deficit guarantee Mr Maxwell is seeking is different from the offer we have made in the case of the Birmingham Olympics, which is for a limited guarantee to be applied only if the Games are cancelled at a late stage for reasons entirely beyond the organisers' control. Mr Maxwell must have known of the risks when he decided to take on the chairmanship of CSGL, and the company's creditors invested in the company in the full knowledge of the Government's attitude. It would be wrong to insulate him (and his creditors) from this decision. Once we conceded the principle of a Government contribution, it could be harder to resist further increases if Mr Maxwell claimed they were necessary; so we would be on a very slippery slope.



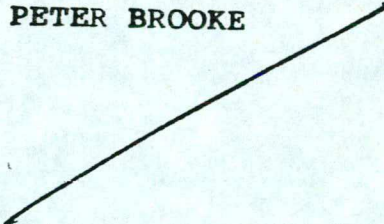
I understand the political considerations that you set out towards the end of your letter. But in my view it would be wrong, for the reasons that I have given, for the Government to offer a guarantee of the kind you propose.

I am copying this letter to the Prime Minister, Geoffrey Howe, Nicholas Ridley and Sir Robert Armstrong.

*I  
have even*

*Pm*

PETER BROOKE







CHIEF SECRETARY  
10 DOWNING STREET

REC. 21 AUG 1986

ACTION *MH Kristone*

COPIES TO *MST Sir Peter Middle*

*Mr Baker Mr Anson Sir Geoffrey Little*

*Mr Jameson Mr Judd*

*Mrs Keen Mr Mountfield*

19 August 1986

From the Private Secretary

*Mr Scholer Mr Turnbull  
Mr McWilliam Mr Pike  
Mr Cropper Mr Tyrrie*

*M. P. Ho*  
*I have told the MST's  
that this does  
not affect the draft reply  
I put up yesterday.*  
*21/8*

The Prime Minister has seen your Secretary of State's letter to the Chief Secretary to the Treasury about the finances of the Commonwealth Games.

The Prime Minister was puzzled by the anticipated deficit to which the letter refers. It was her understanding that Mr. Robert Maxwell had secured outside assistance to meet any deficit of this kind and she is therefore concerned that there should now be a suggestion of Government help.

More generally, she does not accept some of the reasoning in your Secretary of State's letter. Far from a Government donation to the Commonwealth Games being consistent with its approach to Birmingham's Olympic bid, it would in fact undermine it since the Government has made it clear that there will be no financial help forthcoming for Birmingham. Moreover, it was her understanding that the amount of central Government funds being spent on the presentation of Birmingham's bid is minimal and is limited to the cost of a reception at Lancaster House.

I should be grateful if you could look into the present position with regard to the outside help to which Mr. Maxwell has previously attached some importance. In view of the implications of the Government's approach to Birmingham's Olympic bid the Prime Minister would need to be convinced that there was no alternative before agreeing to a Government payment of the kind to which your Secretary of State refers.

I am sending a copy of this letter to Colin Budd (Foreign and Commonwealth Office), Isobel Ogilvie (Department of the Environment) and Paul Pegler (Chief Secretary's Office).

(Timothy Flesher)

Andy Rinning, Esq.,  
Scottish Office.

*362*  
*14*





*psp*

PRINCIPAL PRIVATE SECRETARY

FROM JILL RUTTER  
DATE 10 OCTOBER 1986

**COMMONWEALTH GAMES**

The Secretary of State for Scotland has minuted the Prime Minister about a further offer from Robert Maxwell on the Commonwealth Games. Robert Maxwell is now offering to meet <sup>about</sup> £1 million worth of the Commonwealth Games deficit if the Government provides the balance. Mr Rifkind has undertaken to find the money within the Scottish block. The Games company meets on Monday. Mr Rifkind asks to be able to tell them of the Government's decision at 9.00 a.m. on Monday morning. *Without an offer Mr Maxwell will windup the Company at that meeting.*

Mr Rifkind will speak to the Chief Secretary on Sunday. The Chief Secretary has turned down all previous requests for Government finance of what were to be privately funded games. The Chief Secretary will turn Mr Rifkind down again. It will be highly likely that Mr Rifkind will then turn to the Prime Minister and seek her support. Mr Norgrove at No.10 reports the Prime Minister's reaction to Mr Rifkind's minute as being that "she would not wish to stand in the Chief Secretary's way if he were minded to agree" *(on the assurance that no money would go to Edinburgh DC).*

The Chief Secretary understands that the Chancellor is seeing the Prime Minister on Sunday. He is anxious that he should take this opportunity to stiffen her resolve to oppose any attempt by Mr Rifkind to overrule the Chief Secretary. Should the Chancellor require further details the Chief Secretary will be able to fill him in.

JILL RUTTER