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1987 ECONOMIC SUMMIT - SECOND PLENARY SESSION

VENICE, ITALY

PARTICIPANTS:

President Ronald Reagan
Secretary George Shultz
Secretary James Baker

Prime Minister Amintore Fanfani
Minister of Foreign Affairs Giulio Andreotti
Minister of Treasury & Budget Giovanni Goria

President Francois Mitterrand
Prime Minister Chirac
Minister of Finance Edouard Balladur

Chancellor Helmut Kohl
Minister of Foreign Affairs Hans-Dietrich
Genscher
Minister of Finance Gerhard Stoltenberg
Minister of Economy Martin Bangemann

Prime Minister Yasuhiro Nakasone
Minister of Foreign Affairs Tadashi Kuranari
Minister of Finance Kiichi Miyazawa
Minister of Industry & Foreign Trade
Hagime Tamura

Prime Minister Brian Mulroney
Secretary of State for External Affairs
Joseph Clark
Minister of Finance Michael Wilson

President of European Council Jacques Delors
Economic Communities Representative Martens
Minister of Foreign Affairs of Belgium
Leo Tindemans
Member of the Commission of the European
Communities Willy de Clercq

Sir Geoffrey Howe, Secretary of State for
Foreign & Commonwealth Affairs
Chancellor of the Exchequer Nigel Lawson

DATE & TIME: Wednesday, June 10, 1987 - 9:44 AM

9:44 AM - Start

Review Communique chapter by chapter.

Chapter 1 approved.

Chapter 2 paragraphs through 7 okay.

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Chapter 3 paragraph 8 okay.

Chapter 4 paragraphs 9 - 12 okay.

Chapter 5 paragraphs 13 - 16 okay

Chapter 6 paragraphs 17 - 20 (discussed)

REAGAN: Oils and fats tax - paragraph 20.

FANFANI: What changes?

BAKER: Plea for no oil and fats tax -- would run counter to provisions of paragraph 20.

? (DELORS): Council of Ministers of EC would decide. Not discriminatory, not protection, according to Commission proposal.

KOHL: Against protection or discrimination.

BAKER: Just reminding of our opposition to tax.

FANFANI: So Chapter 6 (17 - 20) okay.
Chapter 7 (21 - 28).

GORIA: Paragraph 22 and 23. 22 - delete second line -- see no feasible alternative. Looks as if we are frustrated. Okay

9:54 AM

GORIA: Continued . . . Paragraph 23 looks as if overlooking developments of last few weeks. Some banks in U. S. (and other countries have declared they are bankrupt (sic). This is obsolete. Change first sentence. "There is also the need for careful considered thought -- " (rest lost).

BANGEMANN: Is a problem. Should not look too closely at private banks -- sentence suggests possible support.

GORIA: Bangemann is correct. Delete first part of paragraph. Start with "In this context

MULRONEY: Thinks Goria wording would suggest to banks that they back off a little.

BANGEMANN: Text well balanced as it is. Why didn't Goria bring this up last night?

GORIA: Because they discussed debt.

BAKER: Kohl absolutely right. We should encourage but not mandate bank lending.

FANFANI: Gorla echoing what he said yesterday.

GORIA: Just said (according to Fanfani) some measures by banks could lend to a list of countries not credit worthy.

10:05 AM

FANFANI: Continued. Maybe strengthen last sentence of paragraph 24.

GORIA: Leave as is -- but he still thinks we give impression things have changed. Chapters 21 - 28 approved except delete "see no alternative to" in paragraph 22.

DELORS: Paragraph 24 may seem to apply to mid-income. Put 24 ahead of present 23.

FANFANI: Says interchange 22 and 24. 22 becomes 23. 24 becomes 22. 23 becomes 24.

MITTERRAND: New paragraph 22. What are shares of the 7 as percentages of their GNP's? Not asking for data now. Welcome Japan's increase but from so low level it does not come to much. The initiative is just catching up.

FANFANI: Says highlighting increased efforts. Do we need detailed list of countries and figures?

MITTERRAND: Not asking just don't disregard. Useful to know but not part of text.

10:15 AM

KOHL: Reacts like Mitterrand.

CHIRAC: Might set sights higher and renew 0.5 percent goal. Japan and U. S. doing only half as much. Should go to 0.7 percent of GDP. Add 2nd sentence. "Most of our countries have previously undertaken considerable effort and we encourage them to do likewise."

FANFANI: Where should it be placed?

CHIRAC: End of 4th indent on page 9. After first sentence.

FANFANI: Asks for wording -- will meet with approval of all concerned.

MITTERRAND: Lots of fuss about nothing. For many years 0.7 percent of GDP goal has been there. France, Germany and Canada best. Should get nod of approval, but France is not asking for that. Should have said we should go to 0.7 percent, etc.

FANFANI: So you want to stay with text?

MITTERRAND: Said exactly opposite.

Deleted paragraph -- it is false.

NAKASONE: Oppose deleting. Japan has done its best -- no objection to mentioning other countries. Please refer to Japanese initiative -- will help explain to Japanese public.

HOWE: Leave text as is. As Finance Minister cut their ODA but now he is Foreign Minister. Text balanced. Sherpas have done good job.

MITTERRAND: Howe not convincing. If sentence left, could not agree. Last sentence misleading. Change essential. Sentence about Japan acceptable only if we have a countervailing statement later.

CLARK: Replace. We encourage all countries in a position -- to continue on track to 0.7 percent.

MITTERRAND: Leave this to later, France and Canada draft something together.

10:37 AM

GENSCHER: FRG has given double the aid of all socialist countries together. The sentence about Japan creates false picture of what western world has done.

ANDREOTTI: We have 0.7 target countries moving toward it with difficulty. Revising GDP to include underground economy lowered Italy's percentage. Proposes a sentence. (Not caught but will distribute.)

SHULTZ: Andreotti statement an improvement. Do not be too attached to percentages. Doesn't measure contribution. Having markets open a contribution. Maintaining military security.

ANDREOTTI: Wording an improvement because no number.

FANFANI: Go to paragraph --

MITTERRAND: Keep first sentence after "Japanese government" add "and other governments." Add a sentence on 0.7 percent. Unambiguous.

SHULTZ: Unambiguous and unacceptable.

10:45 AM

SHULTZ: (Continued) Japanese effort shows they are picking up world responsibilities. No number measures well.

HOWE: Supports Shultz. UK has made massive overseas investments -- much aid to developing countries. Do not pronounce benediction on a particular percentage figure.

MITTERRAND: Will not accept text unless amended.

FANFANI: We're waiting for Andreotti's amendment. Give us yours if you have one.

CHIRAC: Re paragraph 26. Reason developing countries are poor and can't pay on debts is because of commodity prices -- should say something about resolve to stabilize prices.

SHULTZ: What is happening is that structure of demand for commodity has changed. Look at cooper in telecommunication. Fiber optics made out of sand. Copper prices won't go anywhere -- not because of speculation. Raw material prices changed for good.

10:53 AM

Paragraph 28, strike brackets because Mitterrand will be honored at UNGTAD.

BAKER: Paragraph 27 - Opposes mention of September for domestic reasons (end of fiscal year).

BALLADUR: Leave September in. Should do something before September.

BAKER: For US to get funds must get it from Congress. Counterproductive to objective.

BALLADUR: Doesn't say who will do what in September.

HOWE: By next annual meeting of Fund and Bank.

BAKER: Will accept if majority view but will be counterproductive.

CLARK: Autumn.

BAKER: Okay.

(?) Within this year.

BAKER: Okay.

(Paragraphs 29 - 34 accepted. Fanfani thinks it's all environment. 32 okay; 33 okay; 34 okay; 35 okay.)

MULRONEY: Thanks Fanfani and Italian Government.

FANFANI: We have not concluded, just state your invitation.

MULRONEY: Withdraw -- My compliments and extend official warm invitation -- Toronto.

FANFANI: No objections. Also welcomes Mulroney's thanks.

ANDREOTTI: (AIDS) Yesterday Chirac cited a TV show in Ivory Coast saying there are more prevalent diseases in Africa so mention health in general. But that would open future Summits to flood of proposals.

DRUGS. Approved.

(?) Mention receiving messages. Recognize orally.

FANFANI: Okay.

NAKASONE: Korean Olympics. Include in Chairman summary.

ANDREOTTI: Proposed paragraph 24 final paragraph. No formula for measuring contribution. Japan is the innovation that has emerged at this Summit.

MITTERRAND: Can't expect too much credit for what we are doing. "and other governments" missing in English text -- very serious. Okay not to mention 0.7 -- regrets, etc., etc., etc., etc.

MITTERRAND: (Continued) Unfair to mention Japan -- a laggard without mentioning leaders -- Germany, France, Canada, Italian bike race apparently will be won by an Irishman, and Messers Reagan and Mulroney will be pleased.

ANDREOTTI: Like the 0.7 percent government. When set 1989 was date.

HOWE: Don't refer to numerical targets. Original text okay. Opening sentence important, too. Proposes some rearrangements and changed wording.

CHIRAC:

SHULTZ: (I was diverted)

MITTERRAND: Will not vote against, merely abstain if 0.7 percent not mentioned. We operate in a spirit of friendship.

CLARK: Can all agree present levels inadequate. Combine suggestions of Shultz and Howe.

FANFANI: Wait for text. Ask Andreotti to report on regional issues discussed by Foreign Ministers.

ANDREOTTI: Island states
Economic restructuring China
Conditions Korean Peninsula
Philippines
Africa - South Africa
Middle East
United Nations
Drugs

CLARK: Reads statement on South Africa -- attributes it to FRG. Brief -- says represents views of all countries here. Someone from FRG -- merely said I accept, did not draft.

MULRONEY: Canada withdraws the compliment again.

FANFANI: Invokes the Holy Spirit on the text.

11:46 AM - 11:58 AM - Intermission

11:59 AM

(Text read. Do not have copy (do now)).

MITTERRAND: Will approve if 0.7 percent stays in.

SHULTZ: Explains that numbers are very misleading. Real problem for LDC -- U. S. has taken their exports, but U. S. trade deficit is declining. Sums dwarf those involved in the 0.7 percent. Concept of isolating some aid in the 0.7 percent is flawed. Putting number in is misleading. But say (as Mitterrand did) levels of aid are inadequate. The 0.7 percent covers only a small part of foreign aid.

12:04 PM

CLARK: Could refer to target adopted by Development Assistance Committee. We underline the importance of -- gives a text. (Then go to last paragraph of text. I am marking (A))

CLARK: Says his proposal (1) describes efforts as inadequate and (2) recognizes there is aid not in the 0.7 percent.

MITTERRAND: Did not intend to be disagreeable in mentioning 0.7 percent. Has been approved by every country here -- UN, etc. If 0.7 omitted will abstain.

FANFANI: Delete last sentence of (A). Who will approve without the 0.7 percent? No reply.

12:13 PM

MARTENS: For whole EC figure (average) is 0.53 percent. So he has a right to ask the 0.7 be mentioned. Will abstain if not in.

KOHL: Does not understand the fuss. Why not leave the 0.7? It is in all international reports. Everyone knows that. Extensive variations on this theme.

FANFANI: Asks Shultz for his final view.

BAKER: Leave sentence as is: 0.7 percent in brackets, comma, add "but take note that overall financial flows are important to development."

CHIRAC: Say "and" not "but."

SHULTZ: "Terrific idea."

FANFANI: Approved.

12:22 PM

FANFANI: Delete last sentence of (A)

MITTERRAND: I always agree with those who agree with me.

MULRONEY:

Adjourn

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1987 ECONOMIC SUMMIT - AFTERNOON PLENARY SESSION

VENICE, ITALY

PARTICIPANTS:

President Ronald Reagan
Secretary George Shultz
Secretary James Baker

Prime Minister Amintore Fanfani
Minister of Foreign Affairs Giulio Andreotti
Minister of Treasury & Budget Giovanni Gorla

President Francois Mitterrand
Prime Minister Chirac
Minister of Finance Edouard Balladur

Chancellor Helmut Kohl
Minister of Foreign Affairs Hans-Dietrich
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Minister of Finance Gerhard Stoltenberg
Minister of Economy Martin Bangemann

Prime Minister Yasuhiro Nakasone
Minister of Foreign Affairs Tadashi Kuranari
Minister of Finance Kiichi Miyazawa
Minister of Industry & Foreign Trade
Hagime Tamura

Prime Minister Brian Mulroney
Secretary of State for External Affairs
Joseph Clark
Minister of Finance Michael Wilson

President of European Council Jacques Delors
Economic Communities Representative Martens
Minister of Foreign Affairs of Belgium
Leo Tindemans
Member of the Commission of the European
Communities Willy de Clercq

Sir Geoffrey Howe, Secretary of State for
Foreign & Commonwealth Affairs
Chancellor of the Exchequer Nigel Lawson

DATE & TIME: Tuesday, June 9, 1987 - 3:18 PM -

FANFANI calls on Gorla to report for Finance Ministers.

GORIA: Recalls Tokyo establishment of G-7 and duties assigned have made significant progress. Economies have grown, but slower. Have slowed exchange rates (sic). He is reading too fast to cover but we should be able to get text. Commitments at Plaza, Louvre, Washington. Exchange rates within ranges roughly compatible -- usual formula.

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BY dk NARA DATE 3/13/2020

Using indicators in multilateral surveillance. List a few -- rapidly. We'll have to define objective, etc., etc., etc. Might use rangers as goals. Need pragmatism and flexibility. These are main criteria for selecting indicators. Indicators may change from time to time. No automaticity. Can contribute to greater stability.

3:29 PM

GORIA: (Continued) Must give markets confidence in stability. Report should be absolutely confidential -- could affect markets. Yesterday and today discussed international trade, especially agriculture will not go beyond OECD Ministerial. Might repeat precisely what was said at OECD. Committed to presenting material for communique. Unanimous agreement reached. Have a paragraph to substitute for paragraph 9 in present draft. International debts -- discussion only started regarding poorest of poor. Prepared to reschedule, lower interest rates, and give grace periods. INF directors initiative much appreciated. Everyone showed a will to reach an agreement next fall.

3.37 PM

No discussion of mid-level debtors. Fanfani; Sherpas (?) will polish statement tonight for review tomorrow.

3:39 PM

KOHL: Public expects two messages. East-West relations, and third world debt. Must go further than previous Summits Communique; must say much more than this report does. Find a way to get a statement for tomorrow that goes much further.

FANFANI: Thinks all agree we must say something decisive and precise. Question has important political aspects. Should also discuss agriculture.

MULRONEY: In Jan-Feb was in Zambia and Senagal, talked to Kuada yesterday. 650 - 350 changes in per capita GNP over 4-1/2 years. (Canadian dollars)

External debt grew 67 percent. Per capita investment \$47. Followed IMF but had food riots.

MULRONEY (Continued) and stopped IMF. Aid should be grants not aid; ODA loans should be converted to grants. 60 percent of foreign earnings used to service debts. Endorse Camdessus proposal, Japan to put half the money to triple structural adjustment facility.

3:49 PM

BAKER: Debt problem different for poorest of poor. Approach must be different for mid-income countries problem is growth. Four principles of (Baker Plan) still valid. Debt of least developed countries mostly official debt. US no longer in position to take 60 percent of exports from debtor countries. Thinks there will be new commercial bad flow. But banks after reserving, in position to be firmer.

LAWSON: Backs what Baker said. Need to work toward more market oriented solution. Develop secondary markets. But for LLDC's burden of debt is insupportable. Grants must be conditioned on policy reforms. What they need is not more lending and rescheduling, but debt relief. (Gap)

REAGAN: Have we been neglecting teaching how to farm, how to set private businesses? Using volunteers (Peace Corps).

4:00 PM

CHIRAC: Was for IMF in September take action promptly. Any proposal from Camdessus will be well thought out -- we should endorse.

DECLERQ: Are all initiatives good but should not be scattered -- should be concerted.

HOWE: Reagan point should not be passed over unsupported. Good results from human aid.

CLARK: Also supports volunteers.

HOWE: Not just volunteers.

LAWSON (British): Camdessus proposal good but not enough -- must deal with debt to individual countries and international organizations.

FANFANI: Summarizes -- emphasizing urgency.

NAKASONE: Agrees with Fanfani summary and other remarks. Discuss not just in terms of feelings, make scientific (sic) studies. Various roles -- banks, MDB's volunteers. Japan will grant \$500 million to sub-South African countries. But what is most efficient means of concerting action.

NAKASONE: (Continued) Take supplement IMF as target. Have experts meet, have clear strategy and long-term perspective.

KOHL: Very important subject -- Latin America and Africa. FRG has written off \$4.2 billion DM. This Summit must go out with clear message. Decide direction now, don't wait until September. Must subject ethical quality. It is not the children or the starving who are to blame. Case by case, no across the board. Solutions: There are international organizations to devise methods. Political considerations important. Finance Ministers should draw up a text we can adopt tomorrow. We must do something.

MITTERRAND: Lack practical way to deal with debt. Must give Finance Ministers more specific instructions. Our intentions are varied. Must go further this evening.

4:22 PM

MITTERRAND: (Continued) Are we ready or are we not to put up funds immediately? Let's spend 30 minutes, 15 minutes maybe 5 specifying what Finance Ministers should do.

SHULTZ: Any statement on sub-Sahara Africa must have important dimension beyond funds. Refer to 85 famine. Problem of maldistribution of food still a problem. Africa a continent of plagues. Locusts last year. AIDS of stunning proportions, affect those who agree to manage a plan that centers only on debt (does not dismiss debt problem). Can be seriously incomplete. A lot more to problem than what is in jurisdiction of Finance Ministers.

ANDREOTTI: Talks about financial problems. Write-off would destroy their credits. Has analyzed whether debts for weapons. Weapons bought with cash. Some least developed countries have bled themselves dry buying weapons for cash. Need monetary and surveillance.

4:34 PM

FANFANI: Calls on Goria -- are Finance Ministers prepared to prepare a paper tonight?

GORIA: Two issues: (1) International cooperation (2) The indebtedness situation. Need to decide on certain initiatives Camdessus proposal good. Paris Club - reached, lower interest, grace. He will assume responsibility to convene Finance Ministers for dinner and prepare a statement to submit to Sherpas before too late.

Regarding middle income level countries. Role of commercial banks. Goria thinks recent reserving an adverse development.

MULRONEY: Ronald Reagan said communique should go beyond OECD.

GORIA: Conclusions of Finance Ministers not to go beyond OECD, which was compromise.

4:46 PM

GORIA: (Continued) Finance Ministers concluded not possible to do more or less than OECD.

REAGAN: Important to go beyond OECD. Prime importance. Translate OECD into proposed action. (Used talking points recently given him).

STOLTENBERG: Agrees with Gloria. If we achieve what OECD called for, it will be enormous step forward.

REAGAN: Quotes former saying "If you are not farming the government you are just not with it."

BAKER: Add a sentence call on Trade Ministers to develop plan to meet objectives of OECD and report to next Summit.

MITTERRAND: Can't refer anything from Summit to another group. Would be an absurdity. France would object strenuously.

4:56 PM

HOWE: Should do everything we can to advance Agriculture solution, so don't wait. Could suggest using tools OECD has developed -- paragraph 14 "and in particular to the updating and improving"

REAGAN: Mexico producing midget cows that use 1/10 as much food, produce 2/3ds as much milk.

MULRONEY: Supports combining statements from OECD with draft communique.

FANFANI: Ready to adjourn.

5:03 PM

LAWSON: Can't be here tomorrow. Evolution of cooperation on development of world economy. Since Tokyo much progress on cooperation. Louvre accord important. Punte del este also important. But faced by major inbalances; Germany and Japan trade surpluses. US budget deficit. Should continue stability of exchange rates. Must adjust economies to the changed exchange rates.

5:07 PM

LAWSON: (Continued) US Federal deficit 60 percent of total for OECD. Main action needed is on supply side, not demand -- in FRG in Japan. Agriculture a supply side. Would help solve unemployment problem. UK growth has not slowed while others are.

STOLTENBERG: FRG surplus has dropped considerably.

REAGAN: Supports supply side approach. Trying to cut deficit. Making gains from 6.3 to 3.9 percent of GNP. Deficit down \$40 billion this year, 18 percent in one year. Total taxes 19 percent GNP, spending 24 percent.

BAKER: Total deficit OECD basis 2.5 percent.

LAWSON: Still 40 percent.

BAKER: Our GNP is 38 percent.

LAWSON: Problem is its massive size.

BAKER: If judge others on percentage of GNP, do us same way.

5:18 PM

NAKASONE: Hope to try tax reform again this year. Maekowa report medium and long term _____ is being carried. Cutting coal production from twenty to ten million tons. Privatized several companies cutting blast furnaces in operation. Structural adjustments proceeding tax cuts of a trillion yen next year. Government procurement will import one billion dollars next year. Direct investment abroad accelerating.

Large increase in imports. Liberalizing finance markets ODA being expended. Not stopping here.

FANFANI: Into next years Summit.

5:25 PM Adjourn.

1987 ECONOMIC SUMMIT -- OPENING MEETING, JUNE 9th, 1987

9:57 a.m. FANFANI opens Summit

Texts on Iran-Iraq, terrorism, Gulf available. Any comments?

THATCHER: happy with East West and terrorism on Iran-Iraq war - support effective measures, add enforceable. Means sanctions on arms.

REAGAN: ^{just}~~xxxx~~, effective and enforceable measures. Someone else (Japan?) supports

MITTERRAND: word enforceable have not been discussed so can't agree

FANFANI: Says just covers enforceable - moral duty to find right way to enforce.

KOHL: likes enforceable, not ^{great}~~xxxx~~ the Sherpa statement sound.

FANFANI: asks Thatcher views. She says unless all agree can't go. Effective implies enforceable.

REAGAN: Some effective measures might be unjust. Doesn't see any concern with either word.

NAKASONE: enforceable alone rather harsh attitude. Just must be in. - reflects value judgment.

MITTERRAND: These summits are economic summits. If must be enforceable, a task for security council. Should not pre-empt security council.

10:07

THATCHER:
Security council does not always adopt just measures - neither has a assembly.

REAGAN: Agrees, says UN has degenerated into a debating society.

MARTENS: agrees just should be added - but this not appropriate forum

FANFANI: Everyone agrees to omit enforceable but what about just?

Encourages security council to be fair. So let's accept and go on to economic and MITTERRAND says so only add word just and let other paper stand.

FANFANI wants to go on TV now and read the statement.

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THATCHER: world press thinks us a little bit quick? Start on economic then break for coffee, put out for lunch.

FANFANI: OK.

MULRONEY: So. Africa evidently did not receive unanimous support. Can chairman refer to it in closing remarks. THATCHER says we did that last year

10:17.

KOHL: do not give impression we ~~discussed~~ ^{discussed} So. Africa unless we really do so. Outstandingly good work by Sherpas but let's turn to Econ.

FANFANI: thought Mulroney satisfied last night. Deferred to riper time and more suitable forum - eg Reykjavik next week.

MITTERRAND: Time was not discussed - neither was Iran-Iraq war but he won't kill it.

10:21 Economics

FANFANI: summarized subjects to be discussed

NAKASONE: mixed picture for world economy. Must implement policy coordination and restructuring. Must achieve long term stability of exchange rates - Japan with trade surplus has major responsibility but so does U.S. because of the budget imbalances. Six trillion yen program, twenty billion recycling to developing world. One billion government procurement, half billion to sub Saharan countries.

10:35

NAKASONE: continues Japan often criticized for not fulfilling promises - he'll see that they do. Exchange rate instability important to Japan. Major causes have been relation between U.S. and Japan.

- Japan trade surplus
- U.S. budget deficit

Deficit reduction by U.S. might cause some recession which would hurt LDC - industrialized countries must be prepared to help.

KOHL: have made progress since Tokyo. FRG has been adjusting since end of 85. Growth slowed more than expected because negative effects of lower oil prices took effect sooner than positive effects. More important than new commitments is carrying out those we have already made.

- Reducing taxes Jan, 86, 88, 90.

Total 2-1/2 percent of GNP - limit of what is possible.

- Interest rates at historical lows.

10:43 KOHL continued. FRG trade surplus has declined ~~unintentionally~~ substantially and will go further. Military program expanded GNP 4 percent. Exports rose far less than imports. Proceed along lines laid down by OECD Minister on GATT -- although agriculture very difficult

KOHL:

LDC's - commodity price problem. Debt problem still serious. Future strategy must treat poorest differently. Replenish IDA - General capital increase as soon as possible.

10:50

REAGAN: structural adjustment important (using new card I just gave him- follow exactly so will not make notes). (Goes on to agriculture - uses card given him this AM - translator OECD language into action.)

10:56

MARTENS: Conditions for remedying imbalances have improved. Dominant retardent of growth less in structural maladjustments - exchange rates now in accord with econ. factors.

10:58

10:58

Trade imbalances must be smoothed out - due to differences in rates of growth. Solutions:

1) Surplus countries cut export ~~would~~^{would} leads to recession.

2) (missed)

3) Coordination for durable, noninflationary adequate growth.

Need concrete credible commitments from this Summit on all subjects on agenda

Pleads for sound commitments by U.S. for reduction in budget deficit.

Four essentials:

- 1) In spite of market stability resulting from Louvre, May again deteriorate.
- 2) Macro policy alone cannot bring prosperity - structural adjustment needed.
- 3) Balanced growth of economy, trade, keeping markets open.
- 4) Sufficient influx of capital into developing countries.

11:08

THATCHER: Summits have been very important to world economy - got inflation down, interest rates down. But we must consider current problems U.S. getting budget deficit down, U.S. trade deficit declining. Tremendous benefit U.S. trade deficit coming ^{to end} ~~down~~ - can be devastating. resident working to get budget deifict down. Under U.S. trade deficit picked up, in for serious trouble. Compliments Nakasone. But in Japan rising value of yen does not lead to influx of imports. Japans current account surplus in dollars not likely to decline in near term, will rise in long term from investments. Germany - there is a (slight) hope of growth

Surplus countries must pick up stimulus U.S. has provided
UK budget deficit less than 1 percent of GDP. Trade imbalances -
because will export to U.S.

11:16

"RON"
Agree with ~~REAGAN~~ criticism of European structural maladjustment.
Worries that Japan ~~imports~~ exports to UK will rise as their exports to U.S.
declines. Protectionism will be unstoppable if markets not open
in other countries. ~~Thinkx~~ Third world - reduced demand for commodities
results from technological change so they need to be able to
export food. Can't put on oils and fats tax - "hypocritical"
U.K. has turned some loans ~~and~~ to grants in cutting interest but what they
need is trade not aid. Need investments but this requires protection.
Banks - Citicorp reserves - good step. U.K. banks have been doing
will effect willingness of banks to lend - and it should. Some LDC's
should sell internal assets to help pay debts.

11:24

THATCHER continues. Agriculture policies can't go on. Agrees with
"RON" not enough just to reaffirm OECD - need action. Must act
together - can't take it out of 3rd world with fats and oils tax -
would start trade war with U.S.

11:25 MITTERAND - Developing countries debt problems sources of
problems identified. Budget deficits, trade deficits, unemployment,
exchange rate instability conditions of LDC's worse since Tokyo.
Commodity prices down, protectionism up. Flows of fresh money down. T
Traditional remedies won't suffice. Ivory Coast - good policies, diverse
products but can't service debt. Other countries worse off. We must
improve world economic environment

- 1) Stimulate growth - especially surplus countries.
- 2) Reconstruct international monetary system in such a way as to insure exchange rate stability and low interest rates. Target zones. International monetary system okay until 1971.

11:32

MITTERRAND continues.

- 3) Fight protectionism - "hypocrisy reigns" including France. Must achieve goals set at Punta del Este.
- 4) Halt slide in commodity prices - World Bank should provide funds for countries to diversify.

Must reschedule debt of mid-income countries. Recycling to developing countries via IMF. Time has come for concrete actions. Triple structural adjustment facilities of IMF - easy loan terms. Do without introducing distortions. Debtor countries must take proper steps. Extend rescheduling in Paris Club to 10-20 years.

11:30

MULRONEY: Anyone who doubts value of Summits should have heard Thatcher, Kohl, Mitterand, Reagan last night. "Most impressive and encouraging." Subsidies - affect his government severely. Deficit was 8 percent of GDP, unemployment 12 percent when this government took over. Now deficit is 5.4 percent of GDP, unemployment is 9 percent.

11:43

Canada in 98 will spend 4 billion dollars on agriculture.

MULRONEY:

Recites economic progress of his administration - but all jeopardized by competitive subsidization. Appreciates Ronald Reagan's remarks. (Sounds desperate.) African debt owed mostly to governments. Should transform to grants. IMF should forgive (at least ~~the~~ seemed to say that). Dear old Canada ain't going to survive with this agricultural battle going on.

11:51

FANFANI: tries to draw on Delors.

DELORS says there is always a role for interaction. There are always Cassandras and optimists. World trade slow. Financial markets and exchange rates highly volatile. World Central banks (other than U.S.) have accumulated 75 billion dollars in market stabilization. Must raise ratio of growth of international trade now that U.S. not supporting it.

11:56

DELORS: continued. Must transfer resources to LDC to help support
freedom and democracy. Baker, ^{Canadians} ~~XXXXXXXXXX~~ Brits at IMF made good contribution.

FANFANI: things are changing in the world today. New attitude in Soviet Union shows exaggerated regulation does not yield good results. Was in Central Siberia and found excitement about opening of a small private cafe. He is a scholar and it is of greatest interest to see in all things that have been said today evidence that the world is changing.

FANFANI: Must give a clear signal that we understand which way the world is moving. Will allow photogs in, then adjourn.

12:08

9:57 Fanfani (F) opens Summit
Texts du Grand-Drag, Terrorism, Gulf availability
Any comments?

Thatcher happy with EW + terrorism
on 1-1 war - support effective measures
and enforceable. means
sanction on arms.

R² - just, effective + enf. measures
Someone else (Japan?) supports

Mitterand (M) word enforceable has
not been discussed so can agree

7 say just covers enforceable -
moral duty & find right way
to enforce.

Kohl (K) likes enforceable, not just
The Sharps statement sound.

Fair T views. She say unless all
agree can go. Effective implies
enforceable.

R² - some effective measures might be
unjust. Doesn't see any concern
with either word.

Nakasone (N) enforceable alone rather
harsh attitude. Just must be
in - reflects value judgment

M those Summits are Grand Summits
If must be enforceable, a task
for Security Council. Should not
pre-empt S.C.

DECLASSIFIED

Authority NSC/stete/ Juss. W. alver 7

BY dL NARA DATE 3/13/2020

alvetti

10:07

T S.C. does not show adopt just measures
- neither does Assembly.

R² - agrees, say UN has degenerated into
a debating society.

Martens agrees just should be resolved -
but this not appropriate forum

F - every one agrees to some enforceable
but what about just? Encourages
S.C. to be fair. So lets accept
& go on to econ & M says

So only add work just &
let other papers stand

F wants to go on TV now & read
the statements.

T want press think us a little
bit quick? Start on econ
then break for coffee, put
out for lunch

F - ok

Mulroney - So if we didn't receive
unanimous support. Can I then refer to
it in closing remarks. T says we
did that last year reasonable

10:17. K - do not give impression we dreamed
So if unless we really do so.

Outstandingly good work by Sheehan
but lets turn to econ

F thought that satisfied last night.

Deferred to ripe time & more suitable
form - eg Reykjavik next week

Mu time is was not discussed - neither
was I-I war but he work kept it

10:21 Economics

7 summarized subjects to be
discussed.

N - mixed picture for World Econ.

Must implement policy coord

and restructuring

Must achieve long term stability of

ex rates - Japan with trade

surplus has major responsibility

but so does US because of its

budget imbalances

6×10^{12} yen program

20×10^9 recycling to developing world

1×10^9 good procurement

$\frac{1}{2} \times 10^9$ to sub Saharan countries

10:35

N (cont) I often criticized for not fulfilling promises - tell us that they do.

As rate inevitably important to I
Major causes have been relations
between US & Japan

- Japan trade surplus

- US budget deficit

Def reduced by US might cause some
recession which would hurt

LDS - industrial countries must

be prepared to help

10:45 K - have made progress since Tokyo

FRG has been adjusting since end of 85

Growth slowed more than expected

because neg effects of lower oil
price took effect sooner than
positive effects.

more important than new committee
is carrying out those we have
already made

Reducing taxes Jan 86, 88, 90

Total 2 1/2 % of GNP - limit of
what is possible

Interest rate at historical lows

10:58

Trade imbalance must be smoothed out
 - due to differences in rates of growth

Solutions

1) Surplus countries and exports would
 lead to recession

2 (missed)

3 Coordination for durable,
 noninfl adequate growth
 need concrete credible commitments
 from the Summit on all
 subjects on agenda

Pls for sound commitment by
 US for reduction in budget deficit

Four essentials

1) In spite of mkt stability
 resulting from Louve, may
 again deteriorate

2) Macro policy alone cannot
 bring prosp - struct
 adj need

3) Balanced growth of econ
 trade, keeping mkt open

4) Sufficient influx of capital
 into developing countries

1108 Thatcher. Summits have been very important to world econ - get inflation down, interest down.

But we must consider current probs

US getting ^{budget} deficit down

" Trade deficit declining

Tremendous benefit US trade deficit coming down - can be devastating

Pres working to get budget def down

Unless US trade deficit picked up, in for serious trouble

Compliments Nakasone - admires

But in \uparrow rising value of yen does not lead to influx of imports.

\uparrow current acct surplus in dollars not likely to decline in near term, will rise in long term from investments

Germany - there is a (slight) hope of growth

Surplus countries must pick up stimulus US has provided

UK budget deficit $< 1\%$ GDP

Trade in balance - becoming well export to US

1116

Agree with ^{"Rom"} ~~the~~ criticisms of Em structural maladjustments. Worry that Japan imports to UK will rise as their exports to US decline

Protectionism will be unstoppable if markets not open in other countries

Third world - reduced demand for commodities results from technological change. So they need to be able to export food. Can't put on oil & fuels. ~~They~~ "hypocritical"

UK has turned some loans & grants in cutting interest - but what they need is trade, not aid. Need investments but - these require protection.

Banks - Citicorp Reserves - good step, UK banks have been doing

Well offer willingness of banks to lend - and it should

Some LDCs should sell internal assets to help pay debts

1124 - T cont - Ag - policies can't go on
 Agree with "Rom" not enough just to
 reaffirm OECD - need action
 Must act together - can't take it
 out of 3rd world with jobs
 + oil tax - would start
 trade war with US

1125 Mitterand - Dev countries + debt prob
 Sources of problems identified
 Budget def, trade def, unemployment,
 ex rate instability
 Conditions of LDCs worse since Tokyo
 Commodity prices down, protection up
 Flows of fresh money down
 Traditional remedies won't suffice
 Ivory Coast - good policies, diverse
 prods but can't service debt
 Other countries worse off

We must improve world environment

- 1) stimulate growth - esp surplus countries
- 2) reconstruct intl monetary system in
 such a way as to ensure exchange
 rate stability & low interest.
 Target zones. Intl money system
 OK until 71

1116

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1132

M-cont

3) Fight protectionism - "hypocritical regime" including France.

must achieve goals set at Punta del Este

4) Halt slide in commodity prices -

World Bank should provide funds for countries to diversify

Must reschedule debt of mid-income countries.

Recycling to dev countries via IMF

Time has come for concrete actions

Triples SAF of IMF - easy loan terms

Do without introducing distortions

Debtor countries must take proper steps

Extend rescheduling in Paris Club to 10-20 years.

1139 Mulroney - Anyone who doubts val of Summit should have heard T, K, Mi, R last night.

"Most impressive & encouraging"

Subsidies - affect his govt severely

deficit was 8% of GDP, unempl 12*

now 5.4.

9

* when this govt took over

1143

Canada in 87 will spend $\$4 \times 10^9$ on ag
Reiterates econ prog of his adm - but
all jeopardized by competitive
subsidization. Appreciate R²

remarks. Sounds desperate
Africa debt owed mostly to govts

Should transform to grants
IMF should forgive (at least he
seemed to say that)

to "Dear old Canada ~~is~~ ain't going
to survive with this ag
batter going on

1151 F tries to draw on Delors:

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intervention. There are always

Cassandras & optimists

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Adjourn