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TUESDAY MORNING SUMMIT PLENARY MEETING

DATE AND TIME: Tuesday, June 21, 1988 - 10:19AM

PLACE: Main Meeting Room - Metro Toronto Convention Center, Toronto, Canada

PARTICIPANTS:

President Reagan
Secretary of State George Shultz
Secretary of Treasury James A. Baker, III
Allen Wallis, Sherpa - NOTETAKER
Prime Minister Brian Mulroney (Canada)
Secretary of State for External Affairs
Joseph Clark
Minister of Finance Michael Wilson
Premier of Ontario David Peterson
Sylvia Ostry, Sherpa
President Francois Mitterrand (France)
Minister of State for Foreign Affairs
Roland Dumas
Minister of State for Economy, Finance & Budget Pierre Beregovoy
Jacques Attali, Sherpa
Prime Minister Margaret Thatcher (UK)
Secretary of State for Foreign & Commonwealth Affairs Sir Geoffrey Howe
Chancellor of the Exchequer Nigel Lawson
Nigel Wicks, Sherpa
Chancellor Helmut Kohl (FRG)
Vice Chancellor and Minister of Foreign Affairs Hans-Dietrick Genscher
Federal Minister of Finance Gerhard Stoltenberg
Minister of Economics Martin Bangemann
Hans Tietmeyer, Sherpa
Prime Minister Noboru Takeshita (Japan)
Minister of Foreign Affairs Sosuke Uno
Minister of Finance Kiichi Miyazawa
Minister of International Trade and Industry Hajime Tamura
Hiroshi Kitamura, Sherpa
Prime Minister Ciriaco De Mita (Italy)
Minister of Foreign Affairs Giulio Andreotti
Minister of the Treasury Giuliano Amato
Mario Sardinelli, Sherpa
ECC President Jacques Delors (Commission of the European Communities)
The Honorable Willy DeClercq, Commission of Foreign Affairs
The Honorable Peter M. Schmidhuber, Commission of Monetary Affairs
Pascal Lamy, Sherpa
Photographers admitted.

New batch - yelling questions at the President.

Rid of them, lowering lights.

Attali instructing Mitterrand.

Mulroney - 7:00AM version of the communique.

Paragraph 15 - Thatcher go paragraph by paragraph.

Paragraph 1 okay, 2 okay, 3 okay, 4 okay, 5 - Italian PM Demita - although employment has risen in Italy so has unemployment. "Has continued to expand generally."

Paragraph 6 okay. Paragraph 7, Thatcher concerns that inflation may have risen. Add we need to maintain vigilance against any insurgence of inflation.

Paragraphs 8 okay, 9 okay, 10 okay, 11 okay, 12 okay, 13 okay, 14 okay.

Paragraph 15, Thatcher - first two sentences - not merely welcome. We "warmly" welcome the Canada-U.S. FTA and the progress toward.

Mulroney - Prefers "strongly" - used in Sunday briefing. Last sentence and "catalize the liberalizing" of.

Paragraph 18 Mulroney - 2 brackets. Asks Wilson to explain. Says first version is EC - 2nd bracket agree on by Finance Ministers. Foreign Ministers wanted a clear signal to negotiators at Mid-term Review. Also signal that Ministers should have alternatives from which they could choose.

Declercq (Wilson) objected to singling out agriculture. Some redrafting of 19 being done now to cover this.

Declercq - First brackets - clear, concise, well-balanced. Can't take short-term measures without view of long-run goals, or consider long-term without regard to short-term measures to get that. Second bracket ("American version) unbalanced. Why single out agriculture? Don't prejudice where the balance will lie.

Wilson - Deal with singling out by moving the sections about decisions to paragraph 19.

Second bracket consistent with Punte del Este.

Beregovoy - Avoid distorting statement - 19 and 18 have two parts. Neither bracket acceptable. Everything can be found in paragraph 19.
(10:43am) Mitterrand - Don't understand either bracket so vote against both.

Kohl - paragraph 18 first sentence okay. First bracket acceptable but no second bracket. Overlooking enormous reforms made in EC.

Thatcher - agriculture is difficult because we have made it so. U. S. has come a long way toward EC. Make commitments at Mid-term Review - action. Could say Ministers can take action on, inter alia. First bracket murky. Yesterday Kohl said action.

DeClercq - right, bracket 1 is clear (simply clear against action).

(10:52AM) Reagan - supports Thatcher. All press questions.

Paying people to produce what there is no demand for.

Kohl - We are taking dramatic measures. If lower standard of living 1992 will not happen.

(10:55AM) Kohl continued - Can't change overnight. Keep first bracket.

Thatcher - too passive.

Kohl - formulation - stronger way. Absolutely against second bracket.

(11:00AM) Mulroney - cites second sentence of paragraph 12 - tribute to reform efforts of EC under Kohl's presidency.

Andreotti - why not stop producing industrial products that can be bought cheaper elsewhere. Second bracket vague - no criteria of distortion.

(11:05AM) DeClercq - First bracket not clear - has to be looked at in light of Punta del Este statement (which he quotes on phased withdrawal).

(11:10AM) Stoltenberg - What do we mean by long-term adjustments? Must spell out.

(11:12AM) DeClercq - Long-term objective - phased reduction of all measures affecting directly or indirectly trade in agriculture.


Reagan - Subsidizing something that there is no demand for. Reads our third proposal.
(1:20AM) **DeLors** - (missed - working on RR revision)

(11:25AM) Wants to stick to Punta phrasing. It was the result of eight days of discussion and two years of preparations.

**Kohl** - Wants the text - asks Wilson to prepare while we proceed - Wilson with Delors tries to incorporate Ron’s suggestion.

**Reagan** - re EC reductions - we are reducing our support by $9 billion next year. Subsidies should be for farmers doing something other than producing unneeded agricultural products.

**Delors** - We are moving as Reagan suggests retire then at 50.

Hold 18 and 19 until Wilson comes back - leaving with Delors.

**Mulroney** - Paragraphs 20 okay, 21 okay.

Paragraph 22 - no response to bracket.

**Reagan** says we must see that they get help. Communist threat - security for all of us - not go the other way through need.

**Mitterrand** - So many countries in the same situation - Brazil, Haiti - why single out Philippines? Why do we suddenly mention Philippines? Would agree to a separate paragraph on a few countries - he’ll suggest some.

(11:37AM) **Andreotti** - What about a special "mini-Marshall plan"?

**Mitterrand** - In preparation of Summit no mention of Philippines. Has not met Aquino, so knows nothing about Philippines. France is an independent country. France will not accept the statement.

**Uno** - At Foreign Ministers meeting he talked about Asia and Philippines. Shultz said should be in economic communiqué. Foreign Ministers unanimous. There is no other than Cory Aquino to run Philippines.

**Andreotti** - We are not the ones proposing a plan for Philippines but press has said a lot about it.

Can we reword the paragraph to put Philippines in general context, as an example of a country that needs strong economic and financial solidarity. We Call attention to the Philippines.

Could refer to democracy.

**CONFIDENTIAL**
Stoltenberg - Four words in brackets (such as the Philippines) do not justify this controversy. Text says nothing on strategic importance - just developing countries in debt. Not worth the discussion - would need a brand new text.

(11:41AM) Stoltenberg

(11:54AM) Mulroney - Acknowledges Philippines among others.

Mitterrand - Rejects. Need an indepth discussion on a problem in which we were never consulted - the diplomatic processes of France were neglected. The other 6 can sign if they wish.

Clark - there is no plan - Summit signature not in question. Philippines have become a symbol. Foreign Ministers expressed hope (no demural) statement could cover.

In particular there is a need to encourage countries like the Philippines

Kohl - Good compromise; might mention some other countries.

Mulroney - Delete brackets, prepare a separate section.

DeMita - Remove the brackets and approve the text.

Mitterrand - Just as good a case for Argentina. Mr. Uno cannot commit France.

Mulroney - New sentence - There is a need to encourage the development toward democracy of . . . (not exact).

(12:09PM) Takeshita - ASEAN meeting in December. Strongly hope for some specific reference to the Philippines.

Clark proposal - "In particular there is a need to encourage countries like the Philippines among others which are making a transition to democracy."

Kohl - Mention another country.

Mitterrand - Unpleasant to be the only cause of dissension. Has happened before. Other six countries can sign; not France.

Mulroney - Down through paragraph 28 okay. 29 - 30.

Paragraph 30 - Lawson - one of the few concrete agreements from the Summit - circulating revision. Line 10 - this approach okay. Remove "or budgetary" - everyone has them.
Baker - needed by U. S. in Congressional budget relations.

Baker-Lawson discussion of Lawson proposal.

Maintain a high grant element in their future assistance to the poorest.

30 okay; 31 okay; 32 okay, 33 okay.

Genscher - Mention North Sea.

Thatcher - Not mentioned before. Kohl pressing.

Thatcher - everything else general, not places.

(12:38PM) Howe - Mediterranean worse.

Mulroney - 33 okay; 34 okay.

Wilson - explains new section 18 and 19.

Baker - "Taking into consideration the diversity . . . ." A step backward. If that is out we will accept - let Ministers make those decisions.

(12:42PM) Kohl - Leave it as is - look at realities.

Beregovoy - Can accept text as it stands.

Baker - Will accept with the deletion, not otherwise.

Kohl - There is a diversity.

Mulroney - Asks Kohl to consider dropping.

Kohl - So banal - why a problem - do not understand.

Baker - Will accept first bracket from this morning's rather than this.

Thatcher - "Noting" instead of "taking into consideration." ? and given the diversity.

Baker - And noting among other things the diversity . . . .

Agreed

Takeshita - And otherwise remove the burden of (in debt).

(12:59PM) Help make Seoul Olympics a success.
Move everything 40 minutes later. Communique on schedule.

(1:08PM) Clark - After ref to Philippines - several countries find themselves in that situation in various regions of the world. Latin America, Africa, and particular the Philippines and that merits our special attention.

Mitterrand - French delegation eager to accommodate has made a suggestion that has been accepted. Should have mentioned Haiti.

Proposal made by France was not accepted.

In chairman’s report say that at request of France we considered Haiti.

Shultz - France not alone in worrying about Haiti. Haiti not at all like Philippines.

(1:14PM) Adjourn.
Monday evening dinner Notes
Reagan:
Situation at 81 Summit
Following TP's

Mitterrand
Concordat quotation: Real equality - purpose of education 1792
Elie Wiesel - education absolute priority
Aldin - give child high idea of his power
Become that which you are.

1) Knowledge at center of human progress - the not sufficient
   a factor of technological progress
What objects will blend in future
Rapid obsolescence - e.g. newspaper presses
Knowledge a factor in superpower
Countries that did not hesitate to adopt an leader.

Re 1) If not acquired at home must be at school
   from required - 1st grade - up to age 26 or 30 now
   Puto school must come 3-18.
   Curriculum ed needed
   even beyond 65. Must divinity discipline.
   Requires much money. Ed budget compete with military.
   West researchers.
   France now Maginot in 1849 was at peak of science.
   No national borders then - we have recovered.

Sloane: Operate on world. Unite fighting illiteracy.
   Few illiterate in 7 but too many functionally illiterate.
   Half of citizens do not read even one book a year.

Education must be our main effort:
Ed of training essential component of international solidarity
Lease of books innovation related to ed.
High field will equalize regions countries.
Hope European effort. Higher degree acceptable amount EC
Must have free mobility.

720 with Ed absolutely to priority must spend money
Mulroney-2 C only 12% of jobs available with <12 years.
Difficulty in reaching because of budget/straw problem.
Canada.

Thatcher: Would not argue with Mr. Thatcher could think

your case for splitting item.

Look at change for those went there successfully.
They coped, so can we.

What is desperately worrying is the behavioral
and philosophical developments.

Universities depart from knowledge but not
wisd. Est will not solve

Biological developments. Need code of ethics.

Wont be saved by it. Need self discipline,
personal responsibility. Don't open markets but
have crime, drugs, etc. Toronto has low crime rate.

How do we generate the condition.

How do we get wisdom leadership? There is most
important problem of future. Europa developed
religions, science etc now these developments
available to us.

How to keep basic standards necessary for
stable society

Mitteicard - an anti Russian man.
Liberty not a natural state. Depends on
institutions...which must have freedom
people, power - includes power of press.
Knowledge relevant to some classes in phi-
important...but is disseminated to masses, aim of a
Marxist. Knowledge essential to liberate people.
Mitterand said:
Each cell has 2 filaments, each 100 long.
Enzymes cut the filaments of both cell members
will die.
Japan devoted enormous resources to research.

743 Reagan quoted in US Freedom important,
we are not all equal. People with same cd
not the same. Story about letter from a
blind person (now 23, 13 the) year. US bursar
room, Scholarship at Harvard now. MIT Dartmouth Med school, Recognize freedom of
individuals, To do what they want with cd

746 Mulroney - a provocative fascinating
session with remarkable gay analysis.
No one has taken too much time.

749 - Adjourn.
Reagan:
Situation at 81 Summit
Following TP's

Mitterand:
Condorcet quotation re: equality - people of education 1792
Elie Wiesel - education absolute priority

Alain: give child high idea of the power
Be seen that which you are.

1) Knowledge at center of human progress - the not sufficient
"a factor of technological progress"
What object will be used in future
Report obsolescent - e.g. newspaper presses
Knowledge a factor in econ program
Countries that did not hesitate to adopt an leader

Re 1) If not acquired at home must be at school
More required - Luther - up to 1200 known
Free education must be compulsory
65% - 70% compulsory
Children need discipline
Revised education curriculum: 18 years at peak of science
No national borders - then we have problems

Schwarzenegger: openness to world, universal fighting illiteracy
Few illiterate over 7 but too many functionally illiterate
Half of the citizen does not read even one book a year

Learning must be our main effort
ED & training essential component of international solidarity
Quality of books, innovators related to ed.
High skills will equalize regions - countries
Hope European ed will produce degrees accepted throughout EC
Must have free mobility

720: NCC absolutely to priority must equal more
720 Mulroney - I C only 12% of JTs available with < 12 yrs ed.
Difficulty in national because of budget, crime problem in Canada

723 Thatcher - Would not argue with FM. Rutherford could think of no use for splitting atom
Look at change in education went thru successfully
They copied, so can we
What is desperately worrying in the behavioral
and philosophical developments
Universities depart from knowledge but not
wisdom. It will not solve
Biological developments. Need code of ethics
Won't be saved by ed. Need self-discipline but
personal responsibility. Don't open markets but
have crime, drugs, etc. Toronto has low crime rate,
how do we generate them condition
How do we get wisdom leadership? This is most
important problem of future. Europe developed
religions, science, etc. - also made developments
available to masses
How to keep basic standards necessary for
stable society

735 Mitterand - an anti-Bourgeois man
Liberty not a natural state. Depends on
institutions, which must help persons
need countervail power - including toxics of press
Knowledge restricted to some classes no longer
important. It is disseminated to masses. Am not a
Marxist. Knowledge essential to liberate people
Each cell has 2 filaments, each 1m 10 cm long.
Enzyme cuts the filaments of both cell individ.
will die
Japan needs enormous resource & revenue.

743 Reagan—put ed in US. Freedom important,
we are not all equal. People with same ed
not the same. Story about letter from a
book pen (now 23, 13 the) girl HS hijinks
home, scholar at Harvard now at Dartmouth
med school. Recognize freedom &
individuals to do what they wish with ed

746 Mulhoney—A provocative fascinating
session. Not remarkable. Any analysis
No one has taken too much time

749—Adjourn
SUMMIT PLENARY MEETING

DATE AND TIME: Monday, June 20, 1988 - 10:26 A. M.
PLACE: Main Meeting Room - Metro Toronto Convention Center, Toronto, Canada

PARTICIPANTS:
- President Reagan
- Secretary of State George Shultz
- Secretary of Treasury James A. Baker, III
- Allen Wallis, Sherpa - NOTETAKER
- Prime Minister Brian Mulroney (Canada)
- Secretary of State for External Affairs Joseph Clark
- Minister of Finance Michael Wilson
- Premier of Ontario David Peterson
- Sylvia Ostry, Sherpa
- President Francois Mitterrand (France)
- Minister of State for Foreign Affairs Roland Dumas
- Minister of State for Economy, Finance & Budget Pierre Beregovoy
- Jacques Attali, Sherpa
- Prime Minister Margaret Thatcher (UK)
- Secretary of State for Foreign & Commonwealth Affairs Sir Geoffrey Howe
- Chancellor of the Exchequer Nigel Lawson
- Nigel Wicks, Sherpa
- Chancellor Helmut Kohl (FRG)
- Vice Chancellor and Minister of Foreign Affairs Hans-Dietrick Genscher
- Federal Minister of Finance Gerhard Stoltenberg
- Minister of Economics Martin Bangemann
- Hans Tietmeyer, Sherpa
- Prime Minister Noboru Takeshita (Japan)
- Minister of Foreign Affairs Sosuke Uno
- Minister of Finance Kiichi Miyazawa
- Minister of International Trade and Industry Hajime Tamura
- Hiroshi Kitamura, Sherpa
- Prime Minister Ciriaco De Mita (Italy)
- Minister of Foreign Affairs Giulio Andreotti
- Minister of the Treasury Giuliano Amato
- Mario Sarcinelli, Sherpa
- ECC President Jacques Delors (Commission of the European Communities)
- The Honorable Willy DeClercq, Commission of Foreign Affairs
- The Honorable Peter M. Schmidhuber, Commission of Monetary Affairs
- Pascal Lamy, Sherpa
CONFIDENTIAL

(10:21AM) - Foreign Secretaries still meeting. Kohl not here. When he comes, will let photographers in.

(10:24AM) - Press enters. (10:26AM) press leaving and bottles being placed on table. Have turned off the screen.

Kohl - Agree would have few and short papers.

PLENARY MEETING (Summit Heads and Finance Ministers only; Foreign Ministers have not arrived.)

Mulroney - Plan was to have INF as a stand alone issue - regional issues would dilute great accomplishment of the alliance and of President Reagan. Plenary with Finance Ministers only - Foreign Ministers still meeting on political statement.

Mulroney reviewing schedule and agenda.

(10:34AM) - Wilson reports of discussions of Finance Ministers. Two G7 meetings since Venice.

Reviews progress in economies - exchange rate, inflation, employment. Sound policies, better coordination. No room for complacency. Lists things to be done: Commodity price indicators; structural policy.

(10:38AM) - Wilson reading rapidly - standard context; trade - agriculture; send a strong signal to world; mid-term review not only agriculture; C-U.S. FTA important - single European market; NIE’s constructive dialogue; debt of the poorest - menu of options for creditors. Paris Club must examine. Middle income - supported April decision of G7. GC1 for IBRD. Constructive dialogue.

(10:42AM) - Mulroney - asks the President to talk on fiscal policy. Reads his Talking Points. Emphasis on structural policies. Re the 16 million new jobs in U. S. - bulk created by entrepreneurs - 2/3 by employers of fewer than 500.

A case of budding pianist got arthritis - moved into making brownies. Last year $125 million in revenues, 35 employees. Classical example of entrepreneur.

Mulroney says hadn’t meant to limit President Reagan to fiscal policy.

Thatcher - There is a difference between cycles 1 and 2.

(1) dealt with distributing wealth.

(2) dealt with producing wealth.
Although Ron put in examples, it really is a most fundamental sort.

All Ministers trying to expand budgets. Chance of us plus heads of governments must resist. Chance of expansion and Heads must resist. They assume entitled to what they have and just want more.

(10:52AM) **Mulroney** - Public spending big problem in Canada. Deficit reduced last four years in Canada, first time in 40 years. Principia enemy is in our own governments - Ministers.

French Finance Minister **Beregovoy** - Will not have privitization revenue, need to develop human resources.

Congratulate James Baker - Plaza Agreement.

(10:56AM) **Delors** - Reasons second cycle better - economies more flexible, inflation controlled.

Three main points for future reinforcement of growth through supply side measure.

EC must make greatest effort. The single market will be most important structural reform.

Cites figures totalling 6% of GNP of gains.

Will not be a closed zone. Will be largest market in world.

Japan showing that cultural obstructions not insuperable.

Are we concentrating enough on rural development - towns, and conservation.

Major compromise really world-wide and integrated, but not governments. New frontier for growth in world market.

(11:06AM) **Mulroney** - Should congratulate leaders of Europe, especially Delors. Also, Mitterrand, Kohl, Thatcher.

(11:07AM) **Reagan** - As Governor of California found welfare lost $2 for every $1 reaching the poor. Has tried to make USG more efficient. Passport delay down from 43 days to 12. Private sector - $84 billion in private charity - administrative costs 6 or 7 percent.

First goal of bureaucrats is to preserve the bureaucracy.

Looks at help wanted ads in Sunay Post. 60-75 full pages. Similar to other cities.

**CONFIDENTIAL**
Reduced burden on government lower costs.

(11:13AM) **Nigel Lawson** - Fiscal policy different 2 cycles.


Cycle 2 - Fiscal policy to reduce deficits UK now has a surplus but in 7th year of growth. Not slack monetary policy. Structural reforms have done it - lists them. Climate where ordinary people can give of their best. A lot more to do.

Fiscal policy not engine of growth.

Should provide stability. Eliminate deficits, reform taxes to remove distortions and disincentives.


(11:22AM) Planning largest tax cuts in FRG history. Reform health insurance system - enormous conflicts, but costs too high and rising. Deregulation also heavily opposed, e.g., telecommunications. Free economy means free battle to defend every absurd position.


Inflation rate very, very important - disastrous experience.

Send out message of optimism and free market. Countries everywhere adopting our policies.

(11:29AM) **Mulroney** - All sounds like Canada.


Labor - management relations excellent. Privatization of NTT successful. Plaza Agreement. Noburu means "to rise." People said you rose but your reputation went down.

(11:37AM) **Baker** - Policy coordination process given a political process to better coordinate policies. Have proved it can work - will outlast present office holders.

(11:40AM) **Mulroney** - Congratulates Baker for cooperation.

(11:41AM) **Amato** - Fiscal policy, cycles 1 and 2. Deficit spending on certain levels harms economy. Had become mostly transfers. Reagan tax reforms important. Italy trying to make similar changes. Some public expenditures useful. In Italy, health all public, but envy the HMOs of U. S.

**Thatcher** - Tell Foreign Ministers either to speed up or to give up.

(11:48AM) **Reagan** - quotes Kaldun: Beginning of empire tax rates were low, revenues were high; at end of empire, rates were high, revenues were low.

Estimators always think tax cuts lower revenues.

(11:53AM) **Shultz** arrives.

**Reagan** - Filing case story from WWII.

(11:55AM) **Beregovoy** - Agrees with Delors re one market. Also with the President that we should cut taxes. Owe great debt to Jim Baker -- to finance growth must mobilize capital and that requires lowering interest rates. Must coordinate so all can bring down rates together.

(11:59AM) **Debt** - Canada initiated idea of Commonwealth Summit.

**Kohl** - Problems in debtor countries. We must help countries to use aid. Must not allow further environmental devastation with our aid. Must adopt global thinking.

**Thatcher** - Must give clear statement. Aid loans written off. Paris Club - ask them to negotiate agreements so that options selected lead to fair burden sharing.

(12:08PM) **Mulroney** - Lunch at 12:30. Next session here 2:30-4:00; then early evening at Hart House

**Wilson** - on the debt wording

(12:09PM) Nothing to add to what Thatcher just said. Paris Club meets July. Summit could give impetus.

**Baker** agrees with Thatcher and Wilson. U. S. aid 97% grants but we cannot forgive principal.
Stoltenberg - Debt has to be considered in relation to other issues. Our markets need to be open. Conditions for investment must be improved as a precondition.

(12:14PM) Joe Clark - re political statement - ready to distribute East-West terrorism/narcotics in political statement. Chairman's summary -- Mid-East, South Africa, Cambodia. Will make clear we have begun discussions on some other regional issues and will continue during remainder of Summit.

(12:17PM) Amato - Debt. Relation between reducing debt and development. Italian proposal should be taken account of - combinations partial cancellation.

Mulroney - Haiti - Namphy has announced he is in charge. Few civilian casualties. Port-au-Prince calm.

(12:22PM) Adjourn.
10:21 For Sec still meeting Kohl not here - when he comes will let photos in.
10:24 Press entering 10:26 leaving - and better being placed on table
Have turned off the screen
Kohl - agree would have few + short papers.

**Plenary** Mulroney - plan was to have INF as a stand alone issue - regional issues would of the alliance and dilute great accomplishment of Pres Reagan.

Plenary with Fin Min only - for Min still meeting on political statement.

Mulroney reviewing schedule + agenda

10:34 Wilson reports of discussions of fin min 2 67 meetings since Venice.
Reviews progress on economics - ex rate, inflation, employment
Sound policies, better coordination
No room for complacency
Lots of things to be done
Committed price indicator
Structural policy
Wilson reading rapidly - standard content
Trade - agriculture
Send strong signal to world
Mid-term review - not only ag
CNUS FTA important - single European market
NIEa - constructive dialogue
Debt of poorest - menu of options for creditors
Paris Club must examine
Middle-income - supported Apr. decision on G21

GCI for BRD

Constructive dialogue

Mul asks R² to talk on fiscal policy

Reads his TPA. Emphasis on structural policies.
Re the 16,000 new jobs US - lack of credit by entrepreneurs. 75% by employers of fewer than 500.
A case building plant for arthritis - moved into making brownies. Last year 1.25 million revenue, 35 employees. Cereal & example of entrepreneur.

Mul says hadn't meant to limit R² to fiscal policy.

Th - different with cycles 18-2
1. dealt with distributing wealth
2. " " productivity
Although Ron put in examples, that really is a most fundamental and
All Ministers try to expand budgets
cheaper
Almost 34% of soft must read
They assume entitled to what they have
and just want more.
Mulroney - pub spending big job in Canada. Debt reduced last 4 yrs. 1st time in 40 years. Principal enemy is in own govt. ministers.

To foe (name?). Well not have privatization. Revenue need to develop human resources. Congratulate JAB on Peace agreement.

Delors. Reasons and 1st better - economies more flexible, inflation controlled.

3 main points for future.
- Reinforcement of growth tax supply side measures.
- EC must make greatest effort.

The single market will be most important.
- Structural Reform
- Cites figures totaling 6% ECNP of gains.
- Will not be a closed zone.
- Will be largest market in world.
- Japan showing that cultural obstacles not inescapable.

- Are we concentrating enough on rural development - towns, land conservats wide.

Major companies really world wide & integrated, but not govt.
- New frontier for growth in world mk.

Mulroney - should congratulate leaders of Europe, especially Delors. Also Thatchr, Kohl, Thatcher.
R^2 As gov of Cal found welfare cost $2 for every $1 reaching poor. He tried to make K-6 more efficient. Passport delay down from 43 to 12. Private sector -- $84 x 10^9 in prev. Chark -- admin cost 60.7%. First goal of bureaucracy is to preserve the bureaucracy.

Looks like Help wanted ads in Sunday Post 60-75 full pages. Similar in other cities. Reduce burden on govt. Lower costs.

Lawson. Fiscal policy different 2 cycles
Cycle 1 - how to get growth. Must emphasize but poor results. Reason: near Reaganism policy -- raise govt deficits.
Cycle 2 - fiscal policy to reduce deficits. UK in that a surplus -- but in 7th year of growth. i.e. strict monetary policy.
Structural reforms have done it -- lets the change. Make ordinary people eat. Their best. A lot more to go.
Fiscal pol not engine of growth. There provide stability. Eliminate deficits, reform taxes to remove distortions & disincentives.

Kohl - cont
Planning large tax cuts in FRG today
Reform health insurance system - enormous
costs & conflicts.
Deregulation also heavily opposed, e.g., telecom.
Free eco means free market & defend every
abroad position.
Unemployment - structural in coal, steel,
shipbuilding, farm. Best unjustified
exploitation & serious problem
inflation rate, very important - 2
disasters, experience.
Send out message of optimum free markets.
Countries everywhere adopting our policies.
Mulroney - all sounds like Canada.
Takishita - should stress policy coordination
will create confidence. Growth 87 Japan
4.9% - higher first full 88. Domestic demand led
growth will tax roof.
Labor - merit relations excellent
Privatization of NTT successful
Plaza agreement - no longer means dras.
People said you rose but your
reputation went down.
Hope stable $ rate will continue
Structural bond on Mackauer report
Ag, distrib. Earl, tax reform on agenda
will introduce 4 consumption tax
Imports increasing
Promote policy co-op.
Baker. PoP voted process given a pol process to better local policies. Now proved it can work - will result present effort Kelvin.
Mulrow congrats Baker for cooperation.
Amato. Fiscal policy, sugar cycle.
Deficit spending beyond a certain level harms econ. Had become mostly transfer. Reagan tax reform important. Italy trying to make similar change.
Some pub exp useful.
In Italy health all pub - but away the HMO's.

Tell FM's either to speed up or to give up. Reagan quote: Kalden - beginning it. Empir tax rate were low; revenues high; abroad Zers. revenue. Estimators always think tax cuts lower revenue. Qc.

GPS arrived
Reagan - filing case story from WW2.

Bergenov - agrees with DeLoss re own market. Also with R that we should cut taxes. Great debt. To finance growth must mobilize capital and that requires lowering interest rates [pic]. Must coord. So all bring down rates together.
1159, Debt - Canada initiated talks at Commonwealth Summit.
Kohl: Problems in debtor countries. We must help
countries to use aid. Must not allow further
environmental devastation with our aid.
Must adopt global thinking.

1206, Thatcher: Must give clear statement
Aid loans written off
Paris Club - ask them to negotiate agreement
so that option selected leads to fair
burden sharing.

1208, Mulroney: Lunch at 12:30
Heath session from 2:30 to 4:30
Then early evening at Hart House\n
1209, Wilson on debt wording, nothing to add to what
Thatcher just said. Paris Club meets July. Summit
could give impetus.
Baker agrees with ThW. US aid 97% grants, but
we cannot forgive principal.
Stoltenberg - debt issue to consider in
relation to other issues. Der markets
need to be open: conditions for
investment must be improved as a
precondition.

1214, Clark re pol. statement - ready to distribute.
EW: terrorism, narcotics, re political stalemate
China summer, Med, etc. So Af Cambod-
We will make clear we have begun discussion
on some other regional issues but will continue
during remainder of Summit.
Baker. Fed does prople give a fed process to better
local policies. Have proved it can work - will not get
present effect Baker.

Mulchery Congrats Baker for cooperation

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of 195

Tell FM's either to speed up or to give up
Reagan - quote Kallen - beginning of empir. tax rate
with low revenues high; spend + go res revenue.
Estimators always think tax cuts down
revenue. Go

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Reagan filing case story from WW2.

Bergen - agrees with Bolos re on market
also with Rev that US should cut taxes
are great lift AB. To fromm growth must
mobilize capital and that requires
lowering interest rates [sic]. Must coordi 
so all bring down rates together.
For Sec still meeting Kohl met her - when he comes will let photos in;
press entering 10:25 leaving - and bottle being placed on table
Have turned off the screen
Kohl - agree would have two short papers.

**Plenary** Mulroney - plan was to have INF as
a stand alone issue - regional issues would
of the alliance and
dilute great accomplishment of Pres Reagan.

*Plenary with 7 min only - 70 min still meeting on political statement.*

Mulroney reviewing schedule + agenda

10:34 Wilson reports of discussions of fin min
2 G7 meetings since Venice.
Reviews progress in economics -
Ex rate, inflation, employment
Sound policies, better coordination
No room for complacency
Lists things to be done
Commend price indicator
Structural policy
Wilson reading rapidly - standard content
Trade - Agriculture
Send strong signal to world
Mid-term review - not only ag
GATT, EFTA important - single European market
NIEs - constructive dialog
Debt DJ aspect - many options for creditors
Paris Club must examine
Middle income - supported Apps, decisions 5, 47
GC1 for IBRD
Constructive dialog

Mul asks to talk on fiscal policy
Reads his TPA. Emphasis on structural policies
- new 150,000 new jobs in US created by entrepreneurs - 2/3 by employers of fewer than 500.
- a case building peanut gel authorities moved into making brownies. Last year 1.25 million revenue, 35 employees, classical example of entrepreneur.
Mul says hang up meant to limit R² to fiscal policy
Th diff between cycles 1 or 2
1 deals with distributing wealth
2, "productivity"
Although Ron puts in example, it really is a most fundamental sound
All Ministers trying to expand budgets
- none of us take responsibility for gross misreport
They assume entitled to what they have and just want more.
Mulroney - big push spending big push in Canada
Deficit reduced last 4 yrs in C$, first time in 40 years. Principal enemy is our own govt.
Ministers
7.5% min (name?). Will not have privatization revenue, need to develop human resources.
Congratulations JAB on Plaza agreement
1956 Delors. Reasons and why better - economies more flexible, inflation controlled.
3 main points for future reinforcement of growth tax supply side measures.
EC must make greatest effort.
The single market will be most important. Structural reform.
Cites figures totaling 6% BENP.
    Will not be a closed zone.
Will be largest market in world.
Japan showing that cultural institutions not inapplicable.
Are we concentrating enough on rural development - towns, land conservation.
Major companies really world wide.
New front for growth in world markets.

Mulroney - should congratulate leaders of Europe, especially Delors - also
Mitterrand, Kohl, Thatcher.


1107  \[ R^2 \]

As gov of Cal found welfare cost $2 for every $1
reaching poor. Has tried to make WIC more
efficient, Passport delay down from 43 days
to 12. Private sectn - $84 x 10^9 in private
charity - admin cost 6 or 7%.

First goal of bureaucracy is to preserve the
bureaucracy.

Looks at Help Wanted ads in Sunday Post
60-75 full pages. Similar in other cities.

Reduce burden on govt. Lower costs.

1113 Lawson. Fiscal policy different 2 cycles.

Cycle 1 - how to get growth. Much emphasis but
poor results. Reason non-Keynesian
policies - raise govt deficits.

Cycle 2 - Fiscal policy to reduce deficits. UK now
has a surplus - but in 7th year of growth.

Not much monetary policy.

Structural reforms have done it - lets them
change & let ordinary people rely on
their best. A lot more to do.

Fiscal pd not engine of growth. Should
provide stability.

Eliminate deficits, reform taxes to
remove distortions & disincentives.

1119 Kohl. Process of rethinking going on. Don't talk
about a market econ but a social market
economy. Need high degree of social justice
Treasureous opportunity in unified market
New quality of life.
Planning largest tax cuts in FRG history
Reform health insurance system—enormous
conflicts but costs to high & rising
Deregulation also heavily opposed—e.g. Telecomm.
Lost econ means free market & defend every
d共和ee position

Unemployment—structural in coal, steel,
shipbuilding, farmers. Best unjustified
exploitation & serious problem
Inflation rate very very important—2
disastress experience

Sends out message of optimum & free markets
Countries everywhere adopting our policies
Mulrony—all sounds like Canada
Takahata—should stress policy coordination—
will create confidence. Growth 1987 Japan
4.9%—higher first qtr 88. Domestic demand led
growth will take root
Labor-management relations excellent
Privatization of NTT successful
Plaza agreement—Nombor means to rise.
People said yen rose but your
reputation went down.
Hopes stable X rates will continue
Structural based on Mackau report
Ag, distrub, Carl, tax reform on agenda
will introduce a Consumption tax
Imports increasing
Promote policy coded
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investment must be improved as a
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1234 Clark re pol. statement - read. E distribute
EW occasion. Narratives re political statement
Crime summit - mid- East, So Af Cambodge
We will make clear we have begun discussion
on some other regional issues and will continue
during remainder of Summit
Amato - debt
Relation between reducing debt & development
Italian proposal should be taken account of
- combination, partial cancellation

Mulroy Haiti - Nnamphy has announced he is in charge, few civilian casualties
Port au Prince calm

Adjourn