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06/20/1988)

**Case File Number(s):** 561512 (2)

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*Lawson*

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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 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

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 Authority *NBC/State/Wewers*  
 BY *DR. NEWBITE* 3/16/2020

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-2-

(10:14AM) Photographers admitted.

(10:17AM) New batch - yelling questions at the President.

(10:19AM) 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 resurgence 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.

(10:31AM) 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.

(10:40AM) 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.

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(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.

(11:16AM) Baker - long-term objective - total elimination. Can't separate short-term measures from long-term.

Reagan - Subsidizing something that there is no demand for. Reads our third proposal.

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-4-

(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 communique. 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.

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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 demoral) 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.

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-6-

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.

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-7-

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.

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Monday —  
evening  
dinner  
notes



SOMMET TORONTO SUMMIT

Mansy evening  
Lunch Notes  
(Wallis)

640

Reagan -

Situation at 81 Summit  
Following TP's

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Authority NSC/State/Pres. Waiver's

BY dw 3/14/2020

652

Mitterand

Condorcet quotation - real equality purpose of education 1792

Elie Wiesel - education absolute priority

Alain - give child high idea of his power

Become that which you are.

1) Knowledge at center of human progress - tho not sufficient

" a factor of technological progress

What objects will be used in future

Rapid obsolescence - e.g. newspaper presses

Knowledge a factor in econ. progress

Countries that did not hesitate to adopt are leaders

Re: 1) If not acquired at home must be at school

More required - later ages - up to age 25 or 30 now

Publ. schools must cover 3-18. Continuing ed. needed  
even beyond 65. Must diversify disciplines

Requires much money. Ed. budget competes with military

Need researchers

France was lagging behind - in 18<sup>th</sup> c. was at peak of science

No national borders then - we have regressed

Situation: Opening to world. Unesco fighting illiteracy

Few illiterate in 7 but too many functionally illiterate

Half of Fr. citizen do not read even one book year

Learning must be our main effort

Ed. & training essential component of international solidarity

Quality of prod. innovation related to ed.

High tech world equalize regions & countries

Hopes European still unable agree acceptable thruout EC

Must have free mobility

720

High ed. absolutely to priority must spend more



SOMMET · TORONTO · SUMMIT

- 720 Mulroney - In C only 12% of jobs available with <12 yrs ed.  
Difficulty in rock + dev because of budgets. Serious problem  
in Canada
- 723 Thatcher. Would not argue with FM. Ratherford could think  
of no use for splitting atom.  
Look at changes forefathers went thru successfully  
They coped, so can we  
What is desperately worrying is the behavioral  
and philosophical developments  
Universities departments of knowledge but not  
wisdom. Ed will not solve  
Biological developments. Need code of ethics  
Won't be saved by ed. Need self disciplining  
personal responsibility. Don't open markets but  
have crime, drugs, etc. Toronto has low crime rate  
How do we generate that condition  
How do we get wisdom? leadership? This is most  
important problem of future. Europe developed  
religion, science etc - also made developments  
available to masses  
How to keep basic standards necessary for  
stable society
- 735 Mitterand - am an anti-Rousseau man  
Liberty not a natural state, depends on  
institutions - which must have power  
Need counter power - including to power of press  
Knowledge restricted to some classes in past -  
important it be disseminated to masses. Am not a  
Marxist. Knowledge essential to liberate people



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Mitterand cont

Each cell has 2 filaments, each 1m10 long  
Enzymes cut the filaments - if both cut individual  
will die

Japan devotes enormous resources to research

743 Reagan - pub ed in US. Freedom important,  
we are not all equal. People with same ed  
not the same. Story about letter from a  
boat person (now 23, 13 then) Grad HS highest  
honors, scholarship at Harvard now at Dartmouth  
med school. Recognize freedom of  
individuals to do what they wish with ed

746 Mulroney - a provocative + fascinating  
session. Quite remarkable any analysis  
No one has taken too much time

749 - Adjourn



Reagan -

Situation at 81 Summit

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652

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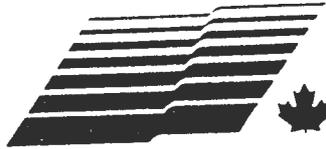
Net ed. absolutely top priority must spend more

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1/12/2022

1/12/2022



SOMMET-TORONTO-SUMMIT

720 Mulroney - in C only 12% of jobs available with < 12 yrs ed.  
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How to keep basic standards necessary for  
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735

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SOMMET-TORONTO-SUMMIT

Mitterand cont

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session. Quite remarkable any analysis  
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749 - Adjourn

*Reagan*

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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

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By: clt Date: 3/16/2020

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(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.

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-3-

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 privatization 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.

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Reduced burden on government lower costs.

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

Cycle 1 - How to get growth - much emphasis but poor results.  
Reason - Keynesian policy - raise government deficit.

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.

(11:19AM) Kohl - Process of rethinking going on. Don't talk about a market economy but a social market economy. Need high degree of social justice. Tremendous opportunity in unified market. New quality of life.

(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.

Unemployment. Structural in cold steel, shipbuilding, farmers. But unjustified exploitation a serious problem.

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.

Takehita - Should stress policy coordination - will create confidence. Growth 1987 Japan 4.9%. Higher first quarter 1988. Domestic demand but growth will take root.

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

Hope stable exchange rates will continue. Structural adjustment based on Maekawa report. Agriculture, distribution, land, tax reform, on agenda. Will introduce a consumption tax. Imports increasing. Promote policy coordination.

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(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.

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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.

CONFIDENTIAL

10.21 For Ses still meeting Kohl not here - when he comes will let photogs in,

10 24 press entering 11:02<sup>h</sup> leaving - and bottles 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 <sup>of the alliance and</sup> 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 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  
Commod price indicator  
structural policy

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10 38

Wilson reading rapidly - standard content  
 Trade - Agriculture  
 Send strong signal to world  
 Mid term review - not only ag  
 C-NS FTA important - single European market  
 NIEs - constructive dialog  
 Debt of percent - menu of options for creditors  
 Paris Club must examine  
 Middle income - supported Apr decision of G-7  
 GCI for IBRD  
 Constructive dialog

10 42

Mul asks R<sup>2</sup> to talk on fiscal policy  
 Reads his TPA, Emphasis on structural policies  
 re the 16 x 10<sup>6</sup> new jobs in US - built creat  
 by entrepreneurs - 2/3 by employers of  
 fewer than 500.  
 A case budding peasant got arthritis - moved  
 into making brownies. Last year \$1.25 million  
 revenue, 35 employees. Classic example  
 of entrepreneur.

Mul says had not meant to limit R<sup>2</sup> to fiscal pol  
 Th - diff ~~two~~ between Cycles 1 & 2

- 1 dealt with distributing wealth
- 2 " " " " producing " "

Although Ron put in examples, it  
 really is a most fundamental sort  
 All Ministers trying to expand budgets  
 Cause of <sup>inflation</sup> expansion + Rends of Govt must resist  
 They assume entitled to what they have  
 and just want more.

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Fr fin min (name?). Will not have privatization revenue, need to develop human resources  
Congratulate JAB on Plaza agreement

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3 main points for future  
Reinforcement of growth thru supply side measures

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

Cites figures totalling 6% BGNP ~~the~~ 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, land conservatio

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

1106 Mulroney - should congratulate leaders of Europe, especially Delors - also Mitterand, Kohl, Thatcher

1107

R<sup>2</sup>

As gov of Cal found welfare cost \$2 for every \$1 reaching poor. Has tried to make KSB more efficient. Passport delay down from 43 hrs to 12. Private sector - \$84 x 10<sup>9</sup> in private charity - admin cost 6 or 7%.

First goal of bureaucrats 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

Page 4

1113

Lawson. Fiscal policy different 2 cycles

Cycle 1 - how to get growth - much emphasis but poor results. Reason not Keynesian policies - raise govt deficit

Cycle 2 Fiscal policy to reduce deficits. UK now has a surplus - but in 7<sup>th</sup> year of govt not slack monetary policy

Structural reforms have done it - lets the market where ordinary people can give their best. A lot more to do.

Fiscal pol 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. Tremendous opportunity in unified market. New quality of life.

1122 Kohl-cont

Planning layout tax cuts in FRG history  
 Reform health insurance system - enormous  
 conflicts but costs too high & rising  
 Deregulation also heavily opposed - e.g. telecom.  
 Free econ means free bath & defend every  
 absurd position

Unemployment - structural in coal, steel,  
 shipbuilding, farmers. Best unjustified  
 exploitation a serious problem

Inflation rate very very important - 2  
 disastrous experience

Sent out message of optimism & free markets  
 Countries everywhere adopting our policies

1129

Mulroney - all sounds like Canada  
 Takeshita - Should stress policy coordination -  
 will create confidence. Growth 87 Japan  
 4.9% - higher first for 88. Domestic demand led  
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Baker. Pol coord process given a pol process to better coord policies. Have proved it can work - will rollout present office holders.

1140

Mulroney congrats Baker for cooperation

1141

Amato. Fiscal policy, ~~cycles~~ cycles 1+2

Deficit spending beyond a certain level harms econ. Had become mostly transfer. Reagan tax reforms important. Italy trying to make similar changes

Some pub exp useful

In Italy health all pub - but envy the HMO's of US

1149

Th - tell FM's either to speed up or to give up Reagan - quotes Kaldor - beginning of empire tax rate were low, revenues high; at end of empire reverse Estimators always think tax cuts lower revenue. etc

1153

GPS arrived

Reagan - filing case story from WW2.

1155

Bergqvist - agrees with Delors re on market also with R that we should cut taxes. We've great debt to JAB. To finance growth we mobilize capital and that requires lowering interest rates [sic]. Must coordinate so all bring down rates together.

1159 Debt - Canada introduced idea at Commonwealth Summit  
Kohl Problems in debtor countries. We must help  
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Aid loans written off  
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so that option selected. Lead to fair  
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Next session here 2<sup>30</sup> to 4<sup>00</sup>  
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Baker agrees with Th & W. US ask 97% grants, but  
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E.W. terrorism - narcotics in political stalemate  
China summary - mid east, So Af, Cambodia  
Will make clear we have begun discussion  
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WJ

very poor currencies

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6/20

10.21 For Secs still meeting Kohl not here - when he

comes will let photos in,

10.24 press entering 10:26 leaving - and  
bottles 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 worthy  
of the alliance and  
debate 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 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  
Commod price indicator  
Structural policy

OK NSC/staff/Pres. Advisors  
3/16/2010

10 38 Wilson reading rapidly - standard content  
Trade - Agriculture  
Send strong signal to world  
Mid term review - not only ag  
C-NS FTA important - single European market  
NIEs - constructive dialog  
Debt of percent - menu of options for creditors  
Paris Club must examine  
Middle income - supported Apr decision of G7  
GCI for IBRD  
Constructive dialog

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1217

Amato - debt

Relation btwn reducing debt & development

Italian proposal should be taken account of

- combinations, partial cancellations

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

1222 Adjourn