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10 DOWNING STREET

*From the Private Secretary*

SIR ROBERT ARMSTRONG

ECONOMIC SUMMIT

Your minute of 14 March described our present approach to the Economic Summit and brought to the Prime Minister's attention the general steering briefs for your meeting of the Personal Representatives on 17 and 18 March in San Diego.

You had a brief discussion about this with the Prime Minister this morning. As you know, the Prime Minister expressed concern about our current approach as illustrated by the briefs. In general, she thought we must resist all proposals which removed the pressures upon countries in economic difficulties to take steps to put their house in order. She was concerned that proposals, for example to make it easier for developing countries to borrow from the IMF, worked in the opposite direction. She considered that Williamsburg should reiterate the message of Versailles that each country must take the necessary internal measures to solve its economic problems. We must not encourage commercial banks to go beyond prudent limits. Nor did we need new institutional arrangements. She was doubtful whether it would be right to attempt to carry further the general ideas agreed at Versailles for promoting greater stability in exchange rates.

On procedure, the Prime Minister was concerned lest the preparations for the Summit should confine the participants too closely. The Prime Minister wishes to avoid a situation where Heads of State and Government are constrained by a rigid framework. She said that, depending on the results of the San Diego meeting, she might wish to send President Reagan a personal message about this matter.

It was agreed that, in the light of your eventual report on the San Diego meeting, there would be an early meeting under the Prime Minister's chairmanship to discuss the preparations for Williamsburg. We shall make arrangements separately for this.

May I leave it to you to bring this minute to the attention of others in Whitehall as necessary?

A. V. COLES

15 March 1983

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