



Prime Minister
 These are the
 proposed instructions
 for the Steppas meeting
 this week-end. They
 seem generally sensible.

Agree?

CAP 21/3

Ref. A085/853

MR POWELL

Bonn Economic Summit

The next meeting of Personal Representatives to prepare for the Bonn Economic Summit is due to take place this weekend, 23 to 25 March. I shall be accompanied to this meeting by Mr J G Littler (Treasury) and Mr R G Braithwaite (FCO).

2. The main subject for discussion will be a German draft of the thematic paper for the Economic Summit. I attach the draft herewith.

3. The draft is intended to serve two purposes:

(1) to indicate the main themes which will be for discussion among Heads of State of Government at the Summit.

(2) to suggest, in words which could eventually find their way into the final communiqué, the conclusions which might flow from the Summit discussions.

4. The Germans have produced a very thorough and workmanlike paper, and there is very little in it which presents us with problems of substance, though we shall want to make drafting suggestions, particularly where the conclusions are concerned.

5. In this draft individual countries are named in the discussion of themes, but not in the suggested conclusions. That is consistent with the practice at previous Summits, which



should presumably continue with this one, that in the final communiqué individual countries are not identified for criticism - or indeed for praise.

6. The following main points will arise for us in the discussions this weekend (the references are to paragraphs in the draft thematic paper):

(a) Paragraph 2.2. It is perhaps something of an exaggeration to say that unemployment is still a serious problem "virtually everywhere": among Summit countries it is above all a European problem, and it is less serious in the United States, Canada or Japan.

(b) Paragraph 3.5 still contains the phrase to which the Prime Minister objected: "to strengthen the integration of developing countries into the world economic and financial system". We shall press for some more meaningful phrase, such as: "to support the efforts of developing countries to take their place in the world economic and financial system".

Agree?
Yes no

(c) In paragraph 4, and to some extent elsewhere, the paper seems to us to be a little too low key about recovery in Europe. Certainly for us and for the Germans, we can look back to four or five years of steady and sustained growth. We should not be too modest.

Agree?
Yes no

(d) The Prime Minister may wish to look particularly at the suggested conclusions in paragraph 16. They seem to us to be broadly acceptable. *Don't like 16.3. Govt can only be held responsible for what it does*

Agree?

(e) Paragraphs 19 and 20 suggest conclusions on the developing countries. In paragraph 19.3, we shall have to press for an amendment to the opening phrase, so that it reads: "reaffirm their will to maintain, and increase

Agree?



wherever possible, flows of official development assistance". This section also includes, in paragraph 19.5 a suggestion that the Summit endorses a general increase of the World Bank's capital. We shall have to see how the Americans react to this phrase: they may well wish to take it out. If they do, we need not press for its inclusion. Otherwise there is nothing to which we need object in paragraphs 19 and 20, though much will depend on the outcome of the April meetings of the Interim and Development Committees in Washington. We shall have the chance to look at this wording again in the light of those committees. I would hope that it might be possible to shorten the reference to Africa. But I suspect that the Federal Chancellor may want to keep a reasonably extended passage on this subject.

(f) In the discussion of trade policies (paragraph 21-23) we shall, as members of the Community, be a little inhibited by the decision taken in the Community over the last couple of days. In particular, in the Community discussion the Germans moved back towards the French position, and the Community is not now supporting the proposal to set 1986 as a definite date for the beginning of the new trade round. In a private discussion, such as the one Personal Representatives will be having this weekend, the British Representatives can afford to make it clear that for our part we could accept and indeed welcome a decision to set a definite date for 1986. This may help to screw up the courage of some other members of the Community, notably the Germans, who appear to be backsliding.

(g) The last six lines of paragraph 23.1 contain the suggestion that Summit countries could note the need to move beyond mere market opening to a policy of active



import promotion. This, of course, is a coded reference to Japan. We shall need to press for changes in drafting which make it clear that this is not of general application to all Summit countries.

(h) Paragraph 24 suggests some conclusions on energy, I propose to suggest that we do not need a specific reference to energy at the Summit this year, on present form; but, if other countries want it, something on the lines of this text (subject to one or two drafting amendments) would be acceptable.

Agree?
Yes
mt

(i) Environmental Policies. The text offered by the Germans is thought likely to be reasonably unobjectionable in substance but too long in relation to the rest of the material. We shall have a shorter text to propose.

7. If the Americans do not beat us to it, we shall suggest that there should be a discussion at the Summit on terrorism; it should certainly be on the agenda. There will be papers to analyse and proposals for measures which have been discussed at meetings of representatives of Ministries of the Interior (except for France); there may also be proposed language for the draft declaration. If there is, we shall look at it with open minds, but starting from the position that it may be better to have no declaration than one which consists merely of generalities. The difficulty here is that it is usually impossible, for obvious reasons, to say anything in public about specific measures.

8. It is unlikely that there will be much discussion of political matters at this meeting. There will not be a draft political declaration to consider until next month, when



political directors are due to meet to propose a political agenda for the Economic Summit, and the Germans are expected to submit a draft political declaration for discussion by Personal Representatives.

9. I am sending copies of this minute to the Private Secretaries to the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, the Secretary of State for Trade and Industry and the Secretary of State for the Environment.

Robert Armstrong

for

ROBERT ARMSTRONG

20 March 1985

CC P/3

11 March 1985

Bonn Economic Summit, 2-4 May 1985
Thematic Paper

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A. World economic background

1. Overall, the world economy is in better shape than it has been for a considerable time. However, the progress achieved differs markedly among individual countries. Moreover, major economic and financial imbalances persist and may even be gaining ground. If they are left untended, the recovery could be in jeopardy and the efficient functioning of the world trade and monetary system could be at risk.
2. The main features of the world economic picture can be summarised as follows:
 - 2.1 - In the industrial countries, the recovery is in its third year. It has been exceptionally strong in the United States; the currently more moderate pace of activity in the United States should improve the prospects that the recovery will last. In Japan, where activity has been better maintained over recent years than in most other countries, output growth is expected to remain fairly strong, based increasingly on domestic sources of demand. There is continuing growth in Canada and steady progress in Europe, although, in Europe at a markedly slower pace than in Japan.
 - 2.2 - Although unemployment is still a serious problem virtually everywhere, the situation differs markedly among individual countries. In the United States, the recovery has been associated with a strong growth of employment and a reduction in unemployment. In Canada, too, employment has risen appreciably; unemployment has declined though to a lesser extent than in the United States. Japan has been successful in holding down unemployment to fairly low levels. In Europe, unemployment, despite recovery, has continued to rise. It is not only the level of unemployment but also its nature that gives

cause for concern. It has particularly affected the young, and long-term unemployment has increased.

- 2.3 - The recovery has been accompanied by a widespread and marked decline in inflation, in contrast to earlier expansion periods. In the OECD area, inflation is lower than it has been for over a decade. However, there is a continuing need to bring inflation down further, particularly in countries where inflation performance remains seriously out of line. The fall in inflation over recent years has not been matched by a parallel fall in interest rates which remain unusually high.
- 2.4 - Progress is more uneven in the area of fiscal policy. In some countries, large or even growing budget deficits persist, posing long-term threats to sustainable growth.
- 2.5 - The configuration of current accounts of major countries has become increasingly unbalanced. The exchange rate of the U.S. dollar has risen to a level hardly compatible with a pattern of current payments that would be sustainable or desirable.
- 2.6 - The expansion of demand in the industrial countries and the revival of world trade have made a material contribution to the efforts of the developing countries to restore their growth momentum. As a group, developing countries, too, are again engaged on a course of recovery. Averages, of course, disguise the extremely serious economic and financial difficulties which many of them still face. The relatively weak performance of commodity prices has complicated the situation for many developing countries. Nonetheless, in collaboration with the IMF, a number of developing countries

have achieved considerable adjustment. This has enabled them to participate in and to contribute to the world economic recovery.

- 2.7 - Despite recovery, protectionism keeps rising, distorting world trade, retarding adjustment and impeding investment.

B. Implications for themes and possible conclusions
at Bonn Summit: Overview

3. The main tasks are now:

- 3.1 - to build on the progress achieved in lowering inflation, restoring growth and dealing with the problems of international indebtedness; to work, individually and jointly, to sustain the recovery, to enhance its momentum; and to work to ensure that it is more broadly shared both by industrial and developing countries;
- 3.2 - to meet the fundamental policy challenges posed by the persistence, despite recovery, of high unemployment which remains an overriding concern in most countries, particularly in Europe; to enhance the employment opportunities especially for the young; toward this end to raise the potential and actual level of sustainable growth; moreover, to take the action needed over a broad range of policies in order to encourage the efficient functioning of labour markets; to improve the educational and training systems in order to create the skills needed in a changing economy;
- 3.3 - to remove the rigidities which still pervade most economies, retarding the expansion of output and the balanced expansion of world trade; to actively exploit

the opportunities provided by technological innovation; to encourage the mobilisation and the efficient use of savings for productive job-creating investment; to stress the need for continuing and, where necessary, enhanced fiscal discipline; to foster a new spirit of enterprise and strengthen the willingness to achieve and to take risks;

- 3.4 - to restore greater stability to the world monetary system; towards this end, to strengthen the underlying conditions necessary for convergence towards non-inflationary, steady growth and a more balanced pattern of current accounts and exchange rates;
- 3.5 - to recognise the rising level and increasing range of interdependence of developing and industrial countries; to strengthen the integration of developing countries into the world economic and financial system; in particular, to work with African countries to help them cope with the pressing problems of famine and poverty; and, in addition, to support the efforts of African countries to develop their considerable long-term economic potential, to achieve greater economic self-reliance and sustained development;
- 3.6 - to take concrete and credible action to reinforce the multilateral system of free trade whose continuing erosion constitutes a major potential danger to the recovery; to achieve decisive progress towards a new round of multilateral trade negotiations that will yield substantive results, based on a genuine balance of interests of industrial and developing countries;

3.7 - Moreover, the need to protect the environmental resources which underpin economic growth has come to the forefront of attention. The Summit could stress that economic growth and environmental improvement are necessary, reconcilable and mutually supportive goals; that environmental concerns need to be given a central place in national and international policies.

C. Industrial countries

I. Background

a. Growth and employment

4. Despite the progress made in curbing inflation, in strengthening budgetary policies and, to a lesser extent, in enhancing the flexibility of markets, the recovery in Europe is still relatively modest. Overall, it has so far been insufficient to keep unemployment from rising.
5. The long-term employment performance of Europe has markedly lagged behind that of the United States or Japan. From 1973 to 1983, about 16 million new jobs were created in the United States and almost 5 million in Japan while 1.6 million were lost in the EEC (Table).
6. Thus, the priority task for European countries - as for many other countries - is to foster more vigorous job-creating growth, in particular to strengthen the momentum of internally

generated growth in order to compensate for a potentially weaker stimulus from abroad.

7. This requires consistent implementation of the broad strategy outlined above. Key components include further measures to strengthen the adaptability of the economies and to promote research and technological innovation. In addition, in the EEC, more progress is needed in creating open competitive markets for all goods, services and professions. At the same time, the gains on inflation and the achievements in the area of fiscal policy need to be consolidated and extended.

8. Furthermore, efforts are required in a number of directions to raise not only the level of growth but also the positive impact of growth on employment. In the latter respect, too, the long-term performance of the economy of the United States has been superior to that of the EEC. From 1973 to 1983, annual average growth in the United States (2.2 %) was broadly of the same order of magnitude as in the EEC (1.7 %) - Table -. Nonetheless, as noted above, employment rose markedly in the United States while it shrank in Europe. These differing employment trends result from the interplay of complex economic and institutional factors. Possible explanations could include, inter alia,
 - 8.1 - an apparently closer correlation of wage- and non-wage labour costs, in the United States, to the performance and profitability of individual sectors and businesses rather than to overall economic data;

8.2 - a relatively strong rise, in Europe, of wage- and non-wage labour costs which may have accelerated the substitution of capital for labour;

8.3 - a wide range of regulations and practices in Europe - concerning, for instance, wage indexation as well as the conditions for recruitment and dismissal - which appear to have reduced labour mobility and discouraged new hirings.

9. Over the last few years, the need to establish a framework more favourable to the creation of jobs has been increasingly recognised in the EEC. The rise in nominal and real labour costs in the EEC has decelerated since 1982. Measures to introduce greater adaptability of labour markets have been introduced through legislation and through collective bargaining. Further efforts are essential. Greater labour market flexibility will benefit employment by raising both the rate of employment creation per unit of economic growth as well as the potential level of job-creating growth itself.

b. Developments in current accounts and exchange rates

10. Over the past few years, the current account of the United States has been moving sharply into deficit (\$ 100 billion in 1984; \$ 124 billion in 1985; Table). Reflecting the consequent worsening of the net foreign asset position of the United States, the deficit is feeding on itself.

11. In part, the deterioration of the current account reflects the faster pace of growth in the United States compared with the rest of the world. However, the loss of competitiveness resulting from the sharp appreciation of the dollar is

another contributing factor. True, the current account deficit of the United States has provided an important stimulus to world trade. At the same time, it is increasingly becoming a source of protectionist pressures, absorbing scarce foreign savings, thus keeping interest rates abroad higher than they would otherwise be.

12. To a large extent, the strength of the dollar reflects market confidence in the economic and political strength of the United States. However, the high level of interest rates also appears to be a contributing factor. A lasting decline in interest rates - in the context of action to reduce the budgetary deficits - should help to bring the dollar to a level more consistent with a desirable pattern of current accounts. Growing market confidence in the long-term growth prospects of the partner countries of the United States would also work in the direction of more appropriate exchange rate relationships.

13. The rise in the value of the dollar has been accompanied by a large measure of exchange rate volatility. International capital flows which have become a dominant factor behind the movement of exchange rates remain susceptible to potentially sudden shifts in the exchange rate expectations of market participants. Although, so far, the current account deficit of the United States has been willingly financed, it cannot be taken for granted that asset-holders will be willing to accumulate dollar claims, at prevailing exchange rates, for an indefinite period, in particular in circumstances where the budgetary deficit would remain high. A precipitous drop of the dollar rate could be detrimental to the economy of the United States and to the world economy generally. It is a continuing challenge to ensure that the transition to a more stable exchange rate pattern will take place smoothly.

14. Over recent years, Japan has taken substantial measures to open up its markets. Nonetheless, the surplus on the current account of Japan has risen significantly (\$ 35 billion in 1984; 39 billion in 1985). This reflects a number of factors, some of which are determined by the economic policies of the trading partner countries of Japan. However, there should be scope for Japan to go further in facilitating access to its markets and to move beyond mere market opening to a policy of active import promotion. At the same time, increased efforts are needed, on the part of foreign competitors, to penetrate Japanese markets.

c. Fiscal imbalances

15. In the United States, the general government budget deficit is still running clearly above the average registered from 1975 to 1982 (Table). The deficit continues to absorb a very large share of net domestic savings. Relative to GNP, budget deficits remain above the average of 1975 to 1982 in Canada, France and Italy as well. Japan and the Federal Republic of Germany have since been able to effect a reduction in their general government budget deficits relative to GNP (Table); but here, as in most other countries, further efforts are needed to bring the deficits down to more sustainable levels. Moreover, in a number of countries, the share of government spending in GNP remains very large (Table).

II. Suggested conclusions

16. The broad outline of possible conclusions has been given above (Point 3). More specifically, Summit countries could

- 16.1 - reaffirm their commitment to follow prudent and, where necessary, strengthened monetary and fiscal policies conducive to declining inflation, lower interest rates and more satisfactory sustainable growth; stress the need to step up efforts to improve budgetary performance in those countries where the consolidation of public sector budgets is still at an early stage; affirm their will to wind down subsidies and other measures which preserve inefficient economic structures and impede the balanced growth of world trade;
- 16.2 - agree to review the regulatory framework of labour markets as well as tax, budgetary and other economic policies in order to improve the incentives for the creation of jobs; to adapt regulations which, in effect, are working to the detriment of those they were intended to protect; to maintain and improve, however, appropriate social standards for those unable to help themselves;
- 16.3 - stress the shared responsibility of governments as well as management and labour for improving the employment situation; recall the need to ensure a cost structure of firms and a differentiation of wages by skills, firms and industries more favourable to the creation of employment as well as a level of wage and non-wage labour costs which reflects the relative scarcity of capital and labour;
- 16.4 - emphasise the critical role of active surveillance by the IMF over the broad range of members' policies affecting exchange rates and international adjustment; agree to work with other countries and the IMF to further develop the content, procedures and effectiveness of IMF surveillance; reaffirm their commitment to undertake coordinated intervention in the exchange markets as necessary;

16.5 - welcome the progress made by Finance Ministers in their current work on ways to improve the operation of the international monetary system; recall the agreement reached in London to discuss the issues involved at an early meeting of the Interim Committee of the IMF.

D. Developing countries

I. Background

17. The recovery in the industrial countries has spread to the developing world. In the developing countries as a group, growth picked up in 1984, and a further acceleration is expected in 1985 (Table).

18. However, the situation varies widely from country to country:

18.1 - At one end of the spectrum are the poorest countries, among them many African countries whose difficult situation has become a focal point of international debate. Drought and famine, rapid population growth and the legacy of inappropriate policies have aggravated the difficulties of these fragile economies.

18.2 - A further group comprises the more advanced developing economies which have run up extensive debts in the international capital markets. Despite high indebtedness and external shocks, a number of these countries have succeeded in retaining their economic dynamism and protecting their credit standing.

18.3 - Many other countries that are experiencing financial difficulties have made encouraging progress towards regaining financial stability. By sharply reducing their current account deficit, non-oil developing countries as a group have gone far towards reducing the growth of their external debt to more sustainable rates (Table).

Nonetheless, for many countries the return to financial normality may take the remainder of the decade or longer. The transition will not be smooth. It is in the interest of all countries that, in the process, the redemocratisation in Latin America should not be endangered.

II. Suggested conclusions (to be redrafted in the light of the results of the April meetings of the IMF and the World Bank)

19. Summit countries could

- 19.1 - stress the important stake that the industrial countries have in the success of developing countries in achieving sound growth and in again becoming dynamic partners in world trade;
- 19.2 - note the progress made by highly indebted countries in restoring economic and financial stability; stress that, in order to solve the difficulties that remain, there is no alternative to the agreed strategy on debt;
- 19.3 - reaffirm their will to increase, wherever possible, flows of official development assistance, particularly to the poorest countries, and to encourage improved coordination of donor activities;
- 19.4 - stress the decisive contribution that developing countries themselves will have to make by strengthening the confidence of domestic and foreign lenders, by mobilising domestic savings and encouraging a reversal of previous capital outflows; stress the commitment of Summit countries to support these efforts by policies conducive to sustained growth, lower interest rates and more open markets;

19.5 - affirm their continuing support for the international financial institutions, in particular the IMF and the World Bank; agree to work to ensure that these institutions remain equipped with the necessary resources and instruments; endorse a general increase of the World Bank's capital /to be effected at the appropriate time/; encourage continued efforts to strengthen IMF/World Bank cooperation and to ensure the efficient use of the resources of these institutions;

19.6 - welcome the agreements on longer-term debt restructuring which are being arranged by commercial banks for countries with demonstrable adjustment progress; reaffirm that the Summit countries, as agreed in London, stand ready, where appropriate, to negotiate multi-year debt reschedulings.

20. With regard to African countries, Summit countries could

20.1 - express their deep concern about the critical situation in Sub-Saharan Africa; emphasise that the international community must step up its support for the efforts undertaken by African governments to introduce more rational economic policies and to strengthen the productive base of their economies. Summit countries could note the positive response of their citizens to the pressing needs of African countries and welcome the establishment, by the World Bank, of a Special Facility for Sub-Saharan Africa;

20.2 - recall the recent declarations of African Governments emphasising the primary responsibility of the African countries themselves for their development and for addressing the present crisis;

20.3 - stress their commitment to continue to provide emergency food aid commensurate with the worsening situation; underline the need to complement the immediate food aid assistance by providing additional funds in support of a strategy for long-term food security; of mobilising support for better incentives and more efficient marketing systems for individual peasant farmers and improved basic and applied research to develop agriculture;

20.4 - call upon all countries, in particular the oil-exporting countries in a position to contribute, and the Eastern European Countries, to step up their efforts to overcome famine and poverty in Africa.

E. Trade policies

I. Background

21. Despite recovery, protectionist tendencies, intensified by large current account imbalances, continue to proliferate. Bilateral and sectoral approaches to trade have gained ground. New and subtler forms of protectionism have spread. Previously unprotected or less-protected sectors have become affected. The integration of developing countries into world trade remains inadequate, and the credibility of previous Summit commitments to free trade is at stake. The rise in protectionism is illustrated in a recent OECD study on the Costs and Benefits of Protection. The study emphasises that protectionism is a blunt and cost-ineffective instrument of economic policy, that it tends to push up prices, to depress investment and business confidence and to perpetuate economic inefficiency.

22. A major step forward would be an unequivocal commitment by the Summit countries to a new round of multilateral trade negotiations in the GATT. Such negotiations would offer the best prospects for achieving real progress in liberalising trade, based on a genuine balance of interests for all industrial and developing partner countries in the GATT.

II. Suggested conclusions

23. Summit countries could agree

- 23.1 - to work with the industrial and developing partner countries in the GATT in order to prepare, as a matter of urgency, a new comprehensive round of trade negotiations in the GATT /to commence no later than 1986/; to achieve more substantial progress in implementing the current GATT work programme and the agreements on trade liberalisation reached at the OECD Ministerial Meeting in May 1984; Summit countries could note the need to move beyond mere market opening to a policy of active import promotion, including measures to achieve greater balance in the composition of imports, where this would contribute to a more balanced pattern of current accounts;
- 23.2 - to stress the importance of furthering a more dynamic role of developing countries in world trade; to provide enlarged and secure access for developing countries' exports to the markets of industrial countries; to recall the need for complementary efforts on the part of developing countries to open up their markets.

F. Energy

Suggested conclusions /Text based on U.S. proposal/

24. Summit countries could note the fundamental importance of market forces for stable, long-term energy trade and the need to guard against complacency given the current situation in the oil market; reaffirm the importance of adequate oil stocks and encourage further follow-up on the framework for coordinated stock draw in the event of a supply disruption. In addition, Summit countries could reaffirm their commitment to the timely development of indigenous OECD energy resources, especially natural gas, and to seek removal of barriers that impede greater use of coal and nuclear energy.

G. Environmental policies

I. Background

25. ...

II. Suggested conclusions

26. ...

/As agreed at the meeting of Personal Representatives on 15-17 February in Berlin, a draft text will be prepared by environment experts./

H. Working Group on Technology, Growth and Employment

- I. Report on Environment /Chapter to be redrafted in the light of the recommendations which, as agreed in Berlin, will be submitted by environment experts./

a. Background

27. The report submitted by the Working Group in accordance with Point 14 of the London Economic Declaration focuses on assessing the state of scientific and technological knowledge and of current international cooperation in 6 key areas, i.e. atmospheric pollution, toxic and radioactive wastes, marine pollution, pollution of soils and waters, appropriate land husbandry and climatic change. It suggests that the relevant international organisations should be invited to study the list of priority topics identified by the Working Group with a view to establishing them in their forward plans, as appropriate, and to convey their reactions to the Working Group.
28. Moreover, the report underlines the importance of consistent techniques and practices of environmental measurement. It considers the setting-up of a study group to examine the issues involved.

b. Suggested conclusions

29. ...

II. Report on progress made in the cooperative projects

a. Background

30. In London, Heads of State or Government invited the Working Group to pursue further work and to report to Personal Representatives in time for the next Summit. The Working Group will have finalised its report by the time of the next meeting of Personal Representatives in March.

b. Suggested conclusions

31. /To be discussed at the meeting of Personal Representatives in March in the light of the report of the Working Group. The Chairman of the Working Group will be available to introduce the report./

I. Manned space stations

I. Background

32. In London, Heads of State or Government welcomed the intention of the President of the United States to report to the next Summit on international participation in the United States' programme. With a view to strengthening a genuine partnership in space with the United States, the Council of the European Space Agency (ESA), at its meeting on 31 January 1985, accepted the offer made by the President of the United States to participate in the programme, subject to the achievement of a number of fundamental objectives as set forth in a resolution issued by ESA.

/Position of the United States, Canada and Japan/

II. Suggested conclusions

33. Summit countries could

33.1 - welcome the progress the manned space station programme has made;

33.2 - /Position of Summit countries/

BUNDESKANZLERAMT
Horst Teltschik
Ministerialdirektor

5300 BONN 1, DEN March 19, 1985
POSTFACH
FERNRUF 56 ...
ODER 561 (VERMITTLUNG)

Mr. Robin Butler
Principal Private Secretary
10 Downing Street
London

Dear Robin,

please find under cover of this letter the draft of a political declaration of the Economic Summit on the 40th anniversary of the end of the Second World War. I would be grateful if you could submit this text to the Prime Minister and let me know her comments, if possible, by the end of March.

Best regards,

Horst Teltschik

Bonn, 12 March 1985

DRAFT

Political Declaration
on the 40th Anniversary of the End of the War

Commemorating the end of the Second World War 40 years ago, the Heads of State or Government of seven major liberal democracies address the following message to their own peoples and to the peoples of the world:

Let us create a peaceful world, free from oppression, want and fear, in which every nation, however large or small, can, in awareness of its responsibility for the world and in freedom, render its contribution to a better future for mankind.

We mourn the millions of men, women and children who died in Europe, Asia and Africa in the most horrific war in the history of mankind. We mourn the victims of tyranny and obsessive racism. We commemorate the resistance fighters. We commemorate the victims of expulsion. We shall no more forget their unspeakable suffering than we shall forget the causes of that catastrophe.

The end of that horrific war was also the basis for a new beginning. For that reason, we look back with gratitude at the 40 years that have elapsed since 1945. Through our policies we have played a major part in shaping this period. Not all the ambitions and dreams of a better world nurtured by those who had experienced the Second World War were realized. Europe was divided, Germany partitioned.

We have learned the lessons of twentieth-century history. After 1945 the victors extended their hand to the vanquished. The latter initiated a moral renewal in their countries. Liberal democracies emerged, with government for and by the people. Since then, we Seven have cherished the same democratic principles. We believe in the same values. We believe in the inalienable

rights of man. We plead together for the realization of human rights, which are still abused in many parts of the world today. We are proud that the governments of our countries are formed on the basis of free elections by secret ballot and for a limited period. We are proud that people in our countries are free to say and write what they want, to practise the religion they profess and to travel where they wish.

Together we set about postwar reconstruction. This reconstruction was brought about by politically and economically free societies that allow scope for the initiative, drive and imagination of the individual. In these societies we also seek to establish social justice in its highest form.

Our decision to pursue peace conquered hatred after 1945. Reconciliation has grown over the graves; enemies have become friends.

The process of European unification has created a large zone of freedom, prosperity and peace, and constitutes the greatest peaceful transformation this continent has undergone for centuries. The Pacific region, too, is drawing ever closer together. The community formed by Europe, America and the Pacific, based on our common fate, is a guarantee of stability and peace in the world.

We Seven stand together to face the future for the good of our peoples. The future holds great challenges for us. We know that only together can we master the problems confronting us in the closing years of this millennium and in times to come, problems ranging from the exploration of outer space to the conservation of our environment.

We shall continue to provide development aid and to muster all our resources to help the countries of the Third World in a spirit of partnership. We shall combat the scourges of hunger and disease throughout the world.

According to the Charter of the United Nations, all the States of this earth have a joint responsibility to maintain international peace and security.

We are prepared to conduct dialogue and seek understanding with the Soviet Union and its allies in Central and Eastern Europe. We want to co-operate with them, although our constitutional systems differ fundamentally from those in Communist countries. We want to trade with each other in peaceful competition to our mutual advantage. We want people to meet and exchange opinions in spite of the divisions. We believe in the principles of the CSCE process and actively support the implementation of all parts of the Helsinki Final Act.

All the more do we deplore the division of Europe and Germany. The exercise of human rights and self-determination is denied to millions of people as a result of this unnatural situation. We reaffirm our common aim of alleviating the effects of this division on people and of facilitating access between countries. We want to work for a state of peace that will eliminate the unnatural barriers between Eastern and Western Europe and in which the German people, too, can regain their unity in free self-determination.

We commit ourselves with all our strength to arms control and disarmament - in the fields of strategic nuclear weapons and intermediate-range nuclear forces, with regard to outer space, chemical and conventional weapons. We do not aspire to superiority. We seek a new, stable balance at drastically reduced mutual force levels. None of our weapons will ever be used except in response to attack. We want to create peace with ever fewer weapons.

It remains our goal that humanity should live in peace and freedom: free from oppression, want and fear.

20 MAR 1985

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