

3 MAY 1985

pm

Mr. Powell
15.06

KOHL

Turn to Thematic Paper

But first Stoltenberg to report

~~From first~~ Finance Ministers.

Keep on.

STOLTENBERG

A comprehensive ~~assessment~~ ^{discussion}

Considered ^{mtg.} ~~unity~~ of IMF Interior Committee in Washington

We agreed in a positive judgement of that discussion and the document.

We agreed there should not be political dialogue every year, only when

need arrives. Letter from Cartagena Group: we recommend inviting Kohl

to reply on basis of IMF Washington communique ~~xx xxxxxx~~ ^{declaration} from this meeting.

Debt problems of developing countries: welcome MYRA with Ecuador, hope for other such. ~~countries~~

Problems will continue to arise: over DM900 billion. IMF should continue to examine case by case, not global.

Poorer countries unable to meet conditions of IMF. In medium term we should see whether we could find new instruments to help those most in need.

We basically agree that our policies in industrial countries should do all possible to lower interest rates, so as to ease that debt problem.

Trade policy also important.

Discussed how lower growth countries can improve that growth.

Policy on inflation in parallel, but differences in ^{Latin} ~~reaction~~ to budget deficit.

In Europe need for more flexibility in markets and structures, more deregulation.

Have heard from Japan about their plans for opening up markets. International monetary system (IMS): Finance Ministers asked to report on possibilities of improvement of IMS.

G10 report in June.

In October, first exchange of views at IMF meeting. Following that a greater

/debate

debate on the proposals. We did not decide where and when; but it should continue, first in the Interim Committee, then report to Heads of State or Government.

Trade policy: we all see dangers from ^{technism} procrastination. Nobody innocent. Everybody has his part in creep of protectionism. If it isn't stopped or reversed, a danger to economic recovery, world wide. Measures against protectionism must be introduced. Opening of markets essential. In principle, in favour of new GATT round; needs to be carefully prepared. In a very short time nominate officials to discuss. Don't be limited in subjects.

No unanimity on whether Summit can say whether the round should begin in 1986. A decision on this is a necessity: otherwise our seriousness will be in doubt. Some say we should have clarity on pre-conferences before deciding on a date for the round itself.

KOHL

Thank you. Put together documents and views then ask Sherpas to prepare a document.

CHANCELLOR OF THE EXCHEQUER

Clarify one or two points on Soltenberg. It was impossible to reach a conclusion on softening up of World Bank terms for certain governments. On IMS procedure, impossible to discuss now what discussions would be needed after Interim Committee in Seoul. Encouraged by degree of consensus on policies in our own countries:

financial discipline, to maintain downward pressure on inflation
encouragement of enterprise culture to promote growth and employment:
improve flexibility of markets, etc.

Not enough to remove obstacles in our own economies; we have also to remove barriers to international trade. Stem and reverse protectionist tide.

SCHULZ

Did I understand that you felt that subjects in new trade round should be limited? My understanding was exactly the opposite.

STOLTENBERG

No; our opinion is that it should not be limited, but some feared that attempts would be made to limit subjects. Desirable that preparatory conference should adopt as wide a range of subjects as possible.

KOHL

A welcome degree of consensus at Heads of State and Government meeting this morning. Any comments on North-South?

THATCHER

When are we going to come to conclusions on instructions to Sherpas on monetary discussions?

KOHL

That will emerge.

DELOR

Problems with Africa not ^{con} defined to famine and desertification. All of the countries that have found themselves in difficulties are unable to deal with their problems within the existing rules of the IMF. They cant get back to balance within 1 1/2 to two years as required by IMF. African countries use their resources poorly. If they get immediate aid, they fall back into old ways after two or three years. They are badly managed and structures are bad, so that they do not do enough to improve their own production. These countries

are unable to cope, if we could pool our resources, we might be able to be ^{more} effective. Tribute to the work being done by private organisations: we should use them.

DUMAS

Thanks to Delors for pinpointing problems and welcoming French proposals.

We have to go back a long way to find such widespread famine. In some countries camps have been demolished, because people cannot be fed. We are rich countries, we cannot sit back, indifferent to what is happening in these countries. Despite everything a considerable shortfall. Food

^{requirements} for October 1984-85 4.4 million tons of cereal. We are going to be providing about 1.5 million tons. So there is an urgent and acute problem. We know the reasons; now we need to find solutions commensurate with scale of problem.

Addressing those areas where performance has been poorest:

- (i) Strengthen provision of emergency aid - prevent these crises from arising. We have advanced technology and resources, only not to seek to use them for this.

Remote sensing, ~~satellite observation~~ ^{satellite observation} and ground statistics ~~and ground statistics~~ ^{ONS} - a comprehensive system enabling us to foretell way in which agricultural system is developing.

Develop regional ^{stations} ~~stations~~ such as Nairobi and ^{Wadihupa} ~~Wadihaha (?)~~

- (ii) Problem of transport very serious. We send food to ports, but that is where it stays. Bad distribution a major constraint. Suggest establishment of rapid transportation units under FAO to take food to remote areas. Use of military aircraft in Ethiopia caused difficulties, because one was captured by rebel force. But we need something like that.

- (iii) In medium terms give further impetus to agricultural production. We should not only distribute food but also products necessary for production: seeds, fertiliser, pesticides, etc.

- (iv) Research on adapting crops to arid terrain.
- (v) Fight against desertification. Deserts spreading everywhere. We have methods enabling us to foretell what is going to happen, and so do something. Set up an international unit under IFAD, which would need money for the purpose.

Those countries best endowed by nature should agree on a programme of action. We cannot break up without doing something positive.

KOHL

Paras 7 and 8 of French paper address these questions. There is an exceptional readiness in Germany to do something, especially among the young. It is a moral duty. Without material to sustain freedom, freedom itself will not survive. A lively debate in German public opinion on these matters. There are problems of ^{capit} ~~cooperation~~ and organisation. We should think how we could improve the effectiveness of our aid, so that it is addressed to those for whom it is intended. Not just short term: look forward. It is a vicious circle: you cannot just provide aid and leave it to problems to clear. We should consider paragraph 8 of Thematic Paper. If we dont solve problems, people will not be willing to help.

NAKASONE

Agrees about Africa. Show concern for problems of developing countries. Not just financial assistance, transfer of technology, exchange of personnel, provision of information also important. Do our best to help, through ODA and other means, as far as circumstances allow. This is important for trade round, help to reduce developing country suspicions.

HOWE

General welcome for what said on Africa. On transport, not just problems of transport itself but of local management and conditions. Work of IFAD important. Right to do all we can to combat desertification. Also what we do in our own

economies can help. We should also help developing countries to evolve and develop their own research organisations. Their own economic management has often not helped, but made matters worse, many of them now realising that and dealing with their own deficiencies.

Welcome Special Facility on Sub-Sahara Africa, which is on right lines.

REAGAN

We have done a lot Government-wise, so have our private organisations. But distribution not just a logistical problem; also a political problem. Some countries have no organisation at all, and dont even know where the people are. We need to help them get organised. We also need to help them get food production organised.

CRAZI

These are also our main concerns. EC has made tremendous effort. Appeal made by European Council got a great response. That has added to aid of US etc, so that we have done better than we had foreseen possible. As far as Italy is concerned, we have added to sums normally available: \$1 billion over next 18 months. But main concern is organisation. Food does not get to intended destinations, for various reasons. We are at experimental stage of relations with Africa, despite presence here of former Colonial powers. Reagan mentioned human factors: availability of people with sense of mission. Need to make coordination more efficient.

MULRONEY

You will be impressed with Canadian contribution; let me now take dilemma you have mentioned: people importing 4 million bottles of whisky when we cannot get basic food to people who need it. We are told to stand on the back of a bus and they might take our aid if they feel like it. UN could not find its way out of a waste paper bag. Attracted by French suggestions

CLARK

Canadian aid \$850 million. Welcome French proposals. Work within existing institutions. Find some way of considering French proposals in existing institutions. We should like to see momentum from Summit.

KOHL

We need to do even more than that. Countries here do not want to be left out of moral duty. People watch to see whether we do as well as East Germany. We should incorporate something in declaration which makes it clear we dont just talk but are ready to do something. If existing institutions can cope, okay; if not think of something new. We could ~~xxxxx~~ say we want a report by the end of the year. Dont be sloppy in drafting: mention countries which are putting obstacles in our way. Public opinion feel strongly. Ask Foreign Ministers to find formula, and to say something concrete.

end of page 10 of manuscript (machine broke down)

Shultz

In last 2/3 hours Foreign Ministers have been handed two problems to be dealt with by end of year: something on drugs, something on Africa. There is still some work to be done. We need to get organised to do it.

Kohl

If our Japanese colleagues agree we should deal with the matter in that way.

Abe

I will discuss with Genscher.

OK

Dumas

Thanks for support of French plan. Are you asking Foreign Ministers to make a proposal this evening or before the end of this meeting.

Kohl

Shultz said we should say not only what we are going to do but who should do it. Is that agreed?

Yes.

Turn to international trade and money

Thatcher

Thematic paper paras 9(2) and 9(6) require decisions. Do Sherpas have enough guidance? That is what we are here to discuss. What do you want to see.

Stult.

We agreed on fundamentals of trade policy and GATT round. In short term we agreed on a meeting of high level officials to discuss agenda etc. Can we say Round to start in early 1986 or can we only say as soon as possible or something like that? We need a formula as concrete as possible.

Reagan

I feel very strongly we should say in early 1986. Let's get going.

Thatcher

Supports "in early 1986" especially in view of what we said at London Summit. (Quotes from London Declaration). It would be very poor if we did not go further, a year later.

Craxi

I should like to reconcile proposing points of view perhaps "in course of 1986".

Kohl

Go all round the table.

Mitterrand

France not in favour of putting in 1986 for reasons that I explained ^(219 lines) this morning. I will follow Resolution of Council of Ministers on 21 March. ^(sic) Including conditions, in that Resolution about agriculture and preserving principles of CAP balanced package and parallelism we cannot support proposal on 1986: if we were to incorporate in text "aim at new round in 1986" plus your pre-conditions would that meet you?

Mulroney

Ask Mitterrand to put his point in abeyance until others have spoken then we might get a consensus.

Mulroney

Who will support idea of new round as help to contain protectionist forces. It would ~~be~~ re-energise trading system. Should be forthcoming, positive and balanced; some time in early April 1986; is critical to start preparatory work quickly. Mitterrand points to problems in agriculture.

Recognise that is of considerable importance to French Government. We envisage possibility of broad and balanced negotiation so that round can begin at earliest possible moment.

AFTERNOON SESSION, 3 MAY, 1985 STARTING 1647 HRS

Mulroney

(continued) If we don't, we shall be in same position next year, or in a worse position, with protectionism rampant. We should signal readiness to proceed. An honourable compromise can be found that will meet necessary requirements.

Kohl: 1. We attempt ~~(accept)~~ to convene a meeting of high-level officials to prepare the meeting.

2. A balanced package for negotiations.

3. We here today should seek to ensure that GATT round does take place in 1986.

That should take account of problems raised by Mitterrand. We just say 1986: then GATT decides. Special ^{? experience} explanation of problems in EEC.

Craxi: The lack of agreement is purely a matter of date, some want a date; some a general formula. A general formula contains danger of postponement for ever. So 'during 1986'.

Kohl: That is my compromise proposal. If we say 'as soon as possible' clever people will conclude we can't agree.

Delors: Personally I am bound by Council of Ministers declaration of 19 March. Only new factor is that one country, in order to resist protectionist pressure at home, needs a date. You talk as if preliminary discussions havⁿ't started. They have and working groups are already meeting on most of the things you have mentioned.

Delors

(Continued): I have at text here which sets out procedures and says 'as soon as possible'. Might be a basis for compromise.

Mitterrand: I don't want to bore you. I am ^{only} playing this part because it is forced on me, I will say what I think. I have drafted a short text which could be distributed. I favour high-level officials meeting. I don't know whether we have consensus (?). Brazil refused to send any one to the meeting. They won't like if we try to impose something on them. 'A group of high-level officials should meet shortly and shall continue to meet in order to ..' (too fast to get down verbatim).

A set of phrases derived from OECD communique and from EC Declaration. "... once conditions are met, new round can ^{begin} immediately." Only one person here not talking about 1986. OECD text said "As soon as possible (in view of some should be early in 1986)". I don't mind you calling me 'some'. "Some feel that it is premature to fix a date now."

Reagan: Delors said one country threatened by protectionist pressures. There is an element in Congress, hostile to Administration which is protectionist. I am not going to have the ammunition to deal with threat of protectionist legislation.

Kohl: Let's break and go to other things, and try to find a formula in the meantime.

Shultz: There was reference to delays in start of Tokyo round. That was because people wanted to wait until Congress had authorised negotiations. Now things are different: Congress has authorised negotiations, but the authority will not last indefinitely.

Kohl: Circulate French text: turn to financial policy.

/Stoltenberg

Stoltenberg: Limit ourselves to procedural matters now. Leave open where follow-up action is to be taken.

Abe: G10 in Tokyo; Interim Committee in Seoul.

Delors: I put 4 questions to G10 two years ago, and I should like to have answers to them. We must not adopt vague words for monetary system and precise words for trade.

Beregevoy: I should like to say exactly where we stand. A report is to be put to G10 in June and ~~the~~ Interim Committee in Seoul with ~~economic~~ ^{examined} (?) conclusions of G10. It will be at that time that we can decide whether there is to be fundamental reform or just improvement.

Canadian Finance
Minister

(? Wilson): Happy with compromise reached this morning.

Italian Finance

Minister: Not timely to discuss where and when there should be discussion after Seoul.

Chancellor

of Exchequer: I didn't expect any difficulty over this; we agreed amongst Finance Minister this morning. We deliberately didn't go into substance. We agreed right forum Interim Committee of IMF. Then we discussed procedure: Agreed G10 on 21 June in Tokyo; if we reach agreement then, as I hope, that will go to Interim Committee in Korea in October. Most of us felt we could not take it any further than that: 1. We don't know what conclusions will be reached then, and we can't tell Interim Committee what to do.

Stoltenberg: Perhaps we could find a formula which puts together all viewpoints, which could be agreed by Sherpas. "We recommend Heads of Gvt take note that G10 will discuss in Tokyo, and Interim Committee in Seoul. They will ^{have} to decide how conclusions will ^{in 1986} be reported to Heads of State or Government at Economic Summit".

Stoltenberg:

(continued) Tomorrow the Sherpas will produce a definitive text on these lines.

Kohl: Can you accept that?

Andreotti: We have gone a step back from decision taken when other countries were already present. We had a precise mandate at Paris meeting.

Stoltenberg: I don't want to pre-empt Baker if he wants to state his position once again. We can only discuss the nature of future discussion once we have G10 ~~input~~ ^{input}.

Kohl: If that is OK, Sherpas to work out text.

Baker: Ok

Kohl: Environment: but first a break.

Kohl We have made every effort. So far result rather small.
So this evening we will try to find a formula which we
can discuss before tomorrow morning's meeting. We may
have to report ^{no}~~the~~ consensus & divergence of view.
We still have to discuss proposals on manned space station.
Are we happy with the para in the thematic paper? No-one
wishes to comment, so ask Sherpas to carry on.

Agreed.

Any advice to Personal Representatives?

We conclude our meeting now.

Meeting adjourned.