

Sir R. Armstrong's Office
informed.

Prime Minister

MR. ALEXANDER

Yes - much better now.

After message + new text as a basis for further work?

And

When we discussed with the Prime Minister the other day my minute of 9 June on the draft declaration to be submitted to Heads of State and Government for consideration at the Summit in Venice on 22/23 June, the Prime Minister said that the draft that had been prepared was much too long and detailed for a declaration of heads of State and Government. She agreed that I should inform my fellow personal representatives that, when she went to Venice, she would want to suggest to her colleagues that they should think in terms of something much shorter, less detailed and more direct; and she agreed that I should prepare a revised draft of the kind of thing that would meet this specification.

I now attach drafts of a message which I propose to send, if the Prime Minister agrees, to my fellow personal representatives and of a revised draft declaration. It is about a third of the length of the earlier version; and, though I have used the framework and some of the phraseology of the earlier version, and I have included brief references to some of the points which we know will be important to the Americans, it is (I hope) largely free of the detail which made the earlier version so unsuitably long.

This is not of course a final version. If it were to be adopted as a basis, other personal representatives would no doubt have many changes to suggest to it; and I shall also want before Venice to clear it in London (I have already agreed it with Sir Michael Palliser). But I should be glad to know if the Prime Minister is content with it as a basis for further work.

RA

12 June 1980

File No. _____

OUTWARD

Department _____

TELEGRAM

Drafted by
(Block Capitals) _____Security Classification
CONFIDENTIALPrecedence
PRIORITY

Tel. Extn. _____

DESKBY _____ Z

FOR
COMMS. DEPT.
USE

Despatched

(Date) _____

POSTBY _____ Z

(Time) _____ Z

PREAMBLE

(Time of Origin) _____ Z(G.M.T.) (Restrictive Prefix) _____

(Security Class.) _____ (Caveat/
Privacy Marking) _____

(Codeword) _____ (Deskby) _____ Z

TO ROME _____ Tel. No. _____ of _____
(precedence) (post)

AND TO (precedence/post) _____

AND SAVING TO _____

REPEATED TO ~~(for info)~~ for action Priority Confidential:

Washington, Paris, Bonn, Ottawa, Tokyo, UKREP Brussels

SAVING TO (for info) _____

Distribution:-

[TEXT]

Please pass following personal message from
Sir Robert Armstrong to Renato Ruggiero (Washington to
Henry Owen, Paris to Bernard Clappier, Bonn to Horst
Schulmann, Ottawa to Klaus Goldschlag, Tokyo to
Kyo Kikuchi, UKREP Brussels to Crispin Tickell).

Copies to:-

I have now had an opportunity of showing the
Prime Minister the draft declaration we agreed in
Paris last week. Her strongly held view is that it is
much too long and detailed for a declaration by Heads
of State and Government, and she will want to suggest
to her colleagues in Venice next weekend that they
should think in terms of something much shorter, less
/detailed

detailed and more direct.

I am sending you with this message a draft of the kind of thing she has in mind. We can no doubt discuss this when we meet on Saturday evening.

Message ends.

Attached draft follows in MIPT.

NOTHING TO BE WRITTEN IN THIS MARGIN

DRAFT DECLARATION

In this, our first meeting of the 1980s, the economic issues that have dominated our thoughts are the price and supply of energy, and their implications for inflation and the level of economic activity in our own countries and for the world as a whole.

2. Successive large increases in the price of oil have produced the reality of higher inflation and the threat of severe recession and unemployment in the industrialised countries. At the same time they have undermined and in some cases virtually destroyed the prospects of balanced growth in the developing countries. The various groups of countries - the industrialised countries of the free world, the oil-producing countries, and the non-oil developing countries alike - depend upon each other for the realisation of their potential for economic development and prosperity. Each can overcome the obstacles to that development, but only if all work together, and with the interests of all their peoples in mind.

3. In this spirit we have discussed the main problems that confront us in the coming decade.

4. The reduction of inflation is our immediate top priority. We must not simply inflate away the effects of the recent oil price increases: we must accept them as a real additional cost upon our economies. Determined fiscal and monetary restraint is required to break inflationary expectations. We shall co-ordinate among ourselves to carry out this policy of restraint, and also to avoid a world-wide recession.

5. At the same time, and looking to the longer term, we need to increase productivity, to encourage the movement of resources from declining into expanding sectors so as to provide new job opportunities, and to promote the most effective use of resources within and among countries. This will require the encouragement of investment and innovation, and the shift of resources from consumption to investment and from government spending to the private sector.

6. An effective and comprehensive energy strategy is indispensable to the security and economic well-being of our countries. We need to, and we believe we can, make our use of energy more efficient, so as to get significantly more power out of every barrel of oil (or its equivalent) that we use. We will work on our own and together to conserve oil, to improve the conditions and arrangements under which it is marketed, to increase the supply and use of coal, to expand the use of nuclear power, and to hasten the development of synthetic fuels and renewable sources of the energy. We have noted and we commend/recent specific decisions and recommendations of the European Community (EC), the International Energy Agency (IEA), the Organisation for Economic Co-operation and Development (OECD), the International Nuclear Fuel Cycle Evaluation (INFCE) Group, and the International Energy Technology Group which together constitute a substantial programme of commitments and work for these purposes.

7. We reaffirm our pledge to ensure that, as far as possible, increased use of fossil fuels does not damage the environment; and

/in

NOTHING TO BE WRITTEN IN THIS MARGIN

in expanding nuclear capacity, we will continue to give the highest priority to ensuring the health and safety of the public, to perfecting methods for dealing with the disposal of nuclear waste, and to minimising the risk of nuclear proliferation.

8. All countries have a vital interest in a stable equilibrium between energy supply and demand. To this end we should welcome a constructive dialogue on energy and related issues between the oil-producing and oil-consuming nations.

9. The present and foreseeable difficulties which threaten the world give new and greater importance to relations between developed and developing countries. A mutually advantageous relationship with the developing countries is an essential element in our strategy for dealing with the problems of the coming decade. In this spirit we approach the prospect of global negotiations in the framework of the United Nations and the formulation of a new International Development Strategy.

10. Our object is to co-operate with the developing countries in energy conservation, the development of indigenous energy resources, the expansion of exports, the enhancement of human skills, and the tackling of underlying food and population problems.

11. We urge donor nations including oil-exporting countries, to make every effort to maximise the flow of aid. We recognise the importance of private capital, and of providing a climate which will encourage direct investment. We look to the

/international

international financial institutions to improve and increase their lending programmes, particularly for exploration, development and production of energy in developing countries. For these purposes we strongly support the present replenishments of these institutions: these replenishments are vital to the economic well-being of developing countries, and it is essential that all members should provide their full contributions on the agreed schedule.

12. We welcome the report of the Brandt Commission, and shall carefully consider its recommendations. We believe that a North-South Summit, as suggested in that report, could be useful in the right circumstances and at the right time.⁷

13. In the situation created by oil-generated payments balances we need determined action to promote external adjustment and effective mechanisms for balance of payments financing. We look to the international capital market to continue to play the primary role in recycling oil surpluses on the basis of fund lending standams; but this will need to be supplemented by an expanding role for international institutions, and especially the International Monetary Fund (IMF). We welcome the Fund's readiness to accept this expanded role, and we confirm our commitment to the implementation of the agreed increase in IMF quotas.

14. When recession threatens, there is a temptation to yield to pressures for increased protectionism. That can only be self-defeating and aggravate inflation. On the

/contrary

NOTHING TO BE WRITTEN IN THIS MARGIN

are

contrary, we need and we resolved in future to strengthen the open world trading system which has contributed so much to employment and prosperity in the last 30 years. We welcome and are implementing the positive conclusions of the latest round of multi-lateral trade negotiations in the framework of the General Agreement on Tariffs and Trade (GATT), including the new non-tariff barrier codes. We call for the full participation of as many countries as possible in strengthening the GATT and making it an increasingly effective instrument of international trade. We reaffirm our determination to avoid a harmful export credit race, and will work with the other participants to strengthen the International Arrangement on Export Credits, with a view to reaching a mutually acceptable solution on all aspects of the Agreement by 1 December 1980.

15. The economic message from this Venice Summit is clear. The key to success in resolving the major economic challenges which the world faces - inflation, recession, monetary instability and the threat to growth and development - is to achieve and maintain a balance between energy supply and demand at reasonable levels and at realistic and tolerable prices. The stability and prosperity of the world economy, on which the prosperity of every individual country relies, depends upon all of the countries concerned - the industrialised countries of the free world, the oil-producing countries and the non-oil developing countries - recognising their mutual needs and accepting their mutual responsibilities. In this spirit we who represent seven large industrialised countries

/of the

NOTHING TO BE WRITTEN IN THIS MARGIN

of the free world are ready to tackle our own problems with determination, and to work with others who will work with us to meet the challenges of the coming decade, to our own advantage and to the benefit of the whole world.

NOTHING TO BE WRITTEN IN THIS MARGIN