

21.7.81

1. FLAVOUR OF MEETING

Tribute to Mr. Trudeau's chairmanship.

Excellent arrangements made by the Canadians in Montebello. Very good idea to have all the delegations and all the meetings in one building away from it all. This promoted a sense of coherence that was reflected in the discussions.

This is my third Economic Summit. Over that period we have increasingly given time in our discussions to the major political issues of the day, such as Afghanistan and the Middle East, as well as to the economic problems facing us. This development reflects reality. Political issues and economic matters cannot be isolated from each other and treated separately. They interact at every level, national and international. This reality was recognised more at this Summit than at any other.

Result was a workmanlike, balanced discussion comprehending all the major problems, economic and political, that face the Western world.



## 2. WORLD ECONOMY

At the last two Summits in Tokyo and Venice our work was overshadowed by the impact of the second oil shock on the world economy. We considered the impact it would have and how we should react to it. This time we have met in the trough of the recession which that shock produced, but have had to look at the whole range of economic questions - the twin evils of inflation and unemployment, the need to adapt our economies and attitudes in order to beat unemployment and monetary disorders producing high interest rates and volatile exchange rates.

We were agreed on the need to fight inflation as the precondition for defeating unemployment, and on the need for low monetary growth, for reduction of public borrowing and for tight control of government expenditure. We are all giving effect to these principles in our own policies, according to our different circumstances.

## 3. DEVELOPING COUNTRIES

I take away three salient thoughts from our discussions on relations with developing countries. The first is that we share many of the problems of the world economy with them: the need to develop energy resources, to encourage investment, to maintain creditworthiness, to fight inflation and unemployment, to expand trade. The second is that we welcome discussion



discussion with developing countries in whatever forms are useful. The third is the particular needs of the poorer countries. We agreed to direct the major portion of our aid to the poorer countries and the UK has a good record on that.

4. MIDDLE EAST

We have been meeting in the shadow of a further outbreak of fierce fighting in the Middle East; once again the unfortunate people of the Lebanon are bearing the brunt of a conflict that is not of their seeking.

Even if our analysis of the causes may differ, we all agree on the need for an urgent cease-fire in the Lebanon, for an end to the loss of innocent civilian life there and, above all, for a solution to the conflict between Arab and Israeli from which this violence flows. For the UK and for the European Community I pledge a continuing effort to use all our influence for this purpose.

5. EAST/WEST

We also discussed the East West scene, the concern that all of us feel about the extent of the Soviet military threat to our interests. I have been immeasurably heartened by the strength of common purpose that I sensed in our discussions. We all agreed - and agreed with real determination - on the need to maintain a strong defence capability and to insist on the reality of military balance.

/ Of course



Of course that goes hand in hand with our readiness to negotiate arms control agreements that will ensure genuine security for us all at a lower level of weaponry and resources.

But we have reasserted with total firmness our resolve to defend ourselves and to do what we can to help others who so desire to defend themselves too and to preserve their own independence and security.



PRIME MINISTER

YOUR VIEW OF SUMMIT

Because Fleet Street is five hours ahead the Press are obviously extremely hard pressed today to round up the Summit.

They would greatly appreciate a quote from you which they could incorporate in their stories, embargoed until 5 p.m. Canadian time (10 p.m. London)? Content with the following:

"This has been a very valuable Summit though it has unhappily been overshadowed by the deepening crisis in the Middle East.

I strongly reiterate our call for the utmost restraint in that area.

Our overall discussions and particularly on East-West relations, the world economy and North/South issues were conducted in an excellent and constructive atmosphere. All of us, I am sure, know each others minds much better on a very wide range of issues.

And I am impressed and encouraged by our general resolve to negotiate on armaments from a position of strength."

*Bush*



PRIME MINISTER

PRESS CONFERENCE

Mechanics

Your usual end of Summit press conference is to be held in the UK room at the Chateau Laurier (Salon Palladian) at 5.55 pm. We are trying to restrict it to the British, Canadian and a few US correspondents, though it is not possible to be absolutely certain of confining it to those nationalities.

It now appears that there is no shortage of time and that you will therefore be able to give separate radio and TV interviews to BBC, ITN, IRN and COI (five in all). Nonetheless, given the tendency for people to change their minds in Canada, I have agreed to their filming and recording the press conference.

At the end of the press conference (which I suggest you end after 25 minutes), we shall proceed to our press room on the first floor - one floor above the press conference room - for the short radio and TV news interviews.

I cannot I fear recommend you to give Canadian TV interviews; five is enough for anyone after a press conference.

/ Substance



## Substance

As I see it you have four presentational problems:

1. To persuade the British public that the Summit rose to the occasion of the highly dangerous events in the Middle East (see Nick Fenn's brief Annex A);
2. To justify your cautious optimism expressed during the macro-economic discussion against the background of today's unemployment figures and economic forecasts;
3. To clarify your role on US interest rates and Japanese trade, given that others in Europe appear to have been less moderate than you on both accounts; and
4. To explain what some feel, perhaps because of the isolation in Montebello, has been your relatively low-key operation at this Summit; (one of the elements contributing to this feeling is the limited number of bilaterals you have held).

## Background

By way of background on the last three points above:

Cautious optimism: I qualified that optimism in my briefing yesterday by the need for continuing oil price stability and the pursuit of sound

/ economic



economic policies; there may be some who will argue that you have implicitly admitted the West is at the mercy of the Arabs.

Your role re interest rates and Japanese trade: as I mentioned this morning there is some evidence that your colleagues have been briefing more toughly than they spoke.

Your low profile: I do not take this too seriously, but some may be trying to suggest that you have kept your head down because you have been shaken by the riots.

#### Other points

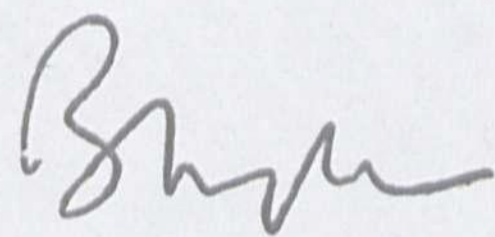
Other points which could come up are:

- Northern Ireland: did you raise it with President Reagan and what did he say/is he going to do?
- North/South: did you really make any progress here? (I said at yesterday's final briefing that you felt that North/South, taken together with the macro-economic discussion, had constituted a very useful and workmanlike day.) They may be particularly interested in your idea of a code of practice for private investment.

/ - Namibia



- Namibia: (See Annex A).
  
- East-West Relations: the extent to which you are at one on the need to negotiate from strength (see Annex A).
  
- COCOM: Mr. Haig's views on high/low technology; it is clear to me that the USA is much freer in its briefing on such East-West trade issues than us.
  
- Patriation: Any significance that you did not reinstate your bilateral with Trudeau?
  
- Your frustrated interviews with Canadian TV:  
Here I have said you always like to give an interview (s) to the local media and that in normal circumstances you would only do this at the end of the Summit. But the time constraints were such that you could only offer yesterday and these had to be cancelled when it was agreed that no Head of State or Government should give interviews until the end.
  
- What do you think of the Summit (and Reagan/Trudeau contributions)?



21 July 1981



PRIME MINISTER'S PRESS CONFERENCE

POLITICAL QUESTIONS

Middle East

1. A keynote of the Summit was our shared concern and anxiety at the deepening crisis in the Middle East. Deplore violence from whatever quarter. Particularly dismayed at the extent of Israeli bombing in Lebanon and the heavy loss of life there.

2. Conclusions drawn by the Summit:

(a) support efforts to achieve ceasefire (Habib);

(b) call for restraint (in tune with thrust of statement as a whole: "restraint and responsibility");

(c) intensify search for just and peaceful settlement to Arab-Israel dispute. Welcome sense of urgency on American side (forthcoming visits to Washington of Sadat and Begin). The Ten will play their part. Determined to carry forward under British Presidency the work begun at Venice.

3. Comments on FI 6s? Respect/endorse the US view that shipment in present circumstances would be "inappropriate". Final decision for the Americans. Not for us to make a judgement.

East/West Relations

4. Full consensus on need for strong defence capability, political restraint and willingness for dialogue when Soviet conduct makes this possible. Negotiate from strength, e.g. TNF this autumn. Particularly encouraged by common mind among the seven on firm posture towards Soviet Union.

/Afghanistan



Afghanistan

5. Welcome support of Summit for constructive proposals of European Council. Proposal for two-stage conference remains on the table. Soviet coolness unsurprising: but neither the problem nor the proposals will go away. Gathering international support.

Terrorism

6. Welcome declaration. British delegation active to ensure not only utter condemnation of terrorism in all its forms but also effective implementation of Bonn Declaration on Highjacking.

Namibia

7. Not discussed at the Summit. Separate meeting of the Five Foreign Ministers (Canada, France, Germany, Britain, US). The Americans have made useful progress in their discussions with South Africa, but not yet enough. Determined to press on to achieve peaceful independence for Namibia which would command international approval in accordance with Security Council Resolution 435. Statement will be issued tomorrow.