

CONFIDENTIAL

THIS DOCUMENT IS THE PROPERTY OF HER BRITANNIC MAJESTY'S GOVERNMENT

EHG(B2)(82)20

COPY NO

1

18 June 1982

EUROPEAN COUNCIL, BRUSSELS

28/29 JUNE 1982

IMPACT OF TECHNOLOGY

Brief by Foreign and Commonwealth Office

OBJECTIVE

1. To avoid substantive discussion in advance of the report of the Working Group set up at Versailles.

POINTS TO MAKE (If raised)

2. Glad that President Mitterrand raised this important subject at Versailles.

3. Look forward to receiving report of the Working Group at end of this year.

BACKGROUND

Reference

A: Text of Versailles Declaration

4. Impact of technology on growth and employment was suggested by President Mitterrand as a subject for medium term reflection at the Summit. Mitterrand produced a paper, in the light of which participants agreed to set up a Working Group of representatives of Governments and the Community. The Working Group will submit a Report by the end of the year for discussion at the 1983 Summit in the US.

5. (Not to be used). Some of the ideas in President Mitterrand's paper aroused some controversy at the Summit. We have serious doubts about some proposals (eg. for a Communications Charter,

/a

CONFIDENTIAL

CONFIDENTIAL

a UN financing system for science and technology for developing countries). We would therefore prefer these ideas to be carried forward in the context of the Working Group.

Foreign and Commonwealth Office

18 June 1982

CONFIDENTIAL



Verbatim Service

VERBATIM SERVICE Q98/82

MONDAY

JUNE 7TH 1982

VERSAILLES ECONOMIC SUMMIT.

FOLLOWING IS TEXT OF SUMMIT DECLARATION:

DECLARATION OF THE SEVEN HEADS OF STATE AND GOVERNMENT AND REPRESENTATIVES OF THE EUROPEAN COMMUNITIES. IN THE COURSE OF OUR MEETING AT VERSAILLES WE HAVE DEEPEENED OUR MUTUAL UNDERSTANDING OF THE GRAVITY OF THE WORLD ECONOMIC SITUATION, AND WE HAVE AGREED ON A NUMBER OF OBJECTIVES FOR URGENT ACTION WITH A VIEW TO IMPROVING IT.

WE AFFIRM THAT THE IMPROVEMENT OF THE PRESENT SITUATION, BY A FURTHER REDUCTION OF INFLATION AND BY A RETURN TO STEADY GROWTH AND HIGHER LEVELS OF EMPLOYMENT, WILL STRENGTHEN OUR JOINT CAPACITY TO SAFEGUARD OUR SECURITY TO MAINTAIN CONFIDENCE IN THE DEMOCRATIC VALUES THAT WE SHARE, AND TO PRESERVE THE CULTURAL HERITAGE OF OUR PEOPLES IN ALL THEIR DIVERSITY. FULL EMPLOYMENT PRICE STABILITY AND BALANCED GROWTH ARE AMBITIOUS OBJECTIVES. THEY ARE ATTAINABLE IN THE COMING YEARS ONLY IF WE PURSUE POLICIES WHICH ENCOURAGE PRODUCTIVE INVESTMENT AND TECHNOLOGICAL PROGRESS. IF, IN ADDITION TO OUR OWN INDIVIDUAL EFFORTS, WE ARE WILLING TO JOIN FORCES, IF EACH COUNTRY IS SENSITIVE TO THE EFFECTS OF ITS POLICIES ON OTHERS AND IF WE COLLABORATE IN PROMOTING WORLD DEVELOPMENT.

IN THE SPIRIT WE HAVE DECIDED TO IMPLEMENT THE FOLLOWING LINES OF ACTION:

GROWTH AND EMPLOYMENT MUST BE INCREASED. THIS WILL BE ATTAINED ON A DURABLE BASIS ONLY IF WE ARE SUCCESSFUL IN OUR CONTINUING FIGHT AGAINST INFLATION. THAT WILL ALSO HELP TO BRING DOWN INTEREST RATES, WHICH ARE NOW UNACCEPTABLY HIGH, AND TO BRING ABOUT MORE STABLE EXCHANGE RATES. IN ORDER TO ACHIEVE THIS ESSENTIAL REDUCTION OF REAL MONETARY POLICIES AND ACHIEVE GREATER CONTROL OF BUDGETARY DEFICITS IT IS ESSENTIAL TO INTENSIFY OUR ECONOMIC AND MONETARY COOPERATION. IN THIS REGARD WE WILL WORK TOWARDS A CONSTRUCTIVE AND ORDERLY EVOLUTION OF THE INTERNATIONAL MONETARY SYSTEM BY A CLOSER COOPERATION AMONG THE AUTHORITIES REPRESENTING THE CURRENCIES OF NORTH AMERICA, JAPAN AND OF THE EUROPEAN COMMUNITY IN PURSUING MEDIUM-TERM ECONOMIC AND MONETARY OBJECTIVES. IN THIS RESPECT WE HAVE COMMITTED OURSELVES TO THE UNDERTAKINGS CONTAINED IN THE ATTACHED STATEMENT.

THE GROWTH OF WORLD TRADE IN ALL ITS FACETS IS BOTH A NECESSARY ELEMENT FOR THE GROWTH OF EACH COUNTRY AND A CONSEQUENCE OF THAT GROWTH. WE REAFFIRM OUR COMMITMENT TO STRENGTHENING THE OPEN MULTILATERAL TRADING SYSTEM AS EMBODIED IN THE GATT AND TO MAINTAINING ITS EFFECTIVE OPERATION. IN ORDER TO PROMOTE STABILITY AND EMPLOYMENT THROUGH TRADE AND GROWTH, WE WILL RESIST PROTECTIONIST PRESSURES AND TRADE-DISTORTING PRACTICES. WE ARE RESOLVED TO COMPLETE THE WORK OF THE TOKYO ROUND, AND TO IMPROVE THE CAPACITY OF THE GATT TO SOLVE CURRENT AND FUTURE TRADE PROBLEMS. WE WILL

PAGE TWO. VSQ90/82 Q77/Q0782

COOPERATE WITH THE DEVELOPING COUNTRIES TO STRENGTHEN AND IMPROVE THE MULTILATERAL SYSTEM AND TO EXPAND TRADING OPPORTUNITIES IN PARTICULAR WITH THE NEWLY INDUSTRIALIZED COUNTRIES. WE SHALL PARTICIPATE FULLY IN THE FORTHCOMING GATT MINISTERIAL CONFERENCE IN ORDER TO TAKE CONCRETE STEPS TOWARDS THESE ENDS. WE SHALL WORK FOR EARLY AGREEMENT ON THE RENEWAL OF THE OECD EXPORT CREDIT CONSENSUS.

WE AGREE TO PURSUE A PRUDENT AND DIVERSIFIED ECONOMIC APPROACH TO THE USSR AND EASTERN EUROPE, CONSISTENT WITH OUR POLITICAL AND SECURITY INTERESTS. THIS INCLUDES ACTIONS IN THREE KEY AREAS. FIRST FOLLOWING INTERNATIONAL DISCUSSIONS IN JANUARY OUR REPRESENTATIVES WILL WORK TOGETHER TO IMPROVE THE INTERNATIONAL SYSTEM FOR CONTROLLING EXPORTS OF STRATEGIC GOODS TO THESE COUNTRIES AND NATIONAL ARRANGEMENTS FOR THE ENFORCEMENT OF SECURITY CONTROLS. SECOND WE WILL EXCHANGE INFORMATION IN THE OECD ON ALL ASPECTS OF OUR ECONOMIC, COMMERCIAL AND FINANCIAL RELATIONS WITH THE SOVIET UNION AND EASTERN EUROPE. THIRD, TAKING INTO ACCOUNT EXISTING ECONOMIC AND FINANCIAL CONSIDERATIONS WE HAVE AGREED TO HANDLE CAUTIOUSLY FINANCIAL RELATIONS WITH THE USSR AND OTHER EASTERN EUROPEAN COUNTRIES, IN SUCH A WAY AS TO ENSURE THAT THEY ARE CONDUCTED ON A SOUND ECONOMIC BASIS, INCLUDING ALSO THE NEED FOR COMMERCIAL PRUDENCE IN GRANTING EXPORT CREDITS. THE DEVELOPMENT OF ECONOMIC AND FINANCIAL RELATIONS WILL BE SUBJECT TO PERIODIC EX-POST REVIEW.

THE PROGRESS WE HAVE ALREADY MADE DOES NOT DIMINISH THE NEED FOR CONTINUING EFFORTS TO ECONOMISE ON ENERGY, PARTICULARLY THROUGH THE PRICE MECHANISM, AND TO PROMOTE ALTERNATIVE SOURCES INCLUDING NUCLEAR ENERGY AND COAL. IN A LONG-TERM PERSPECTIVE, THESE EFFORTS WILL ENABLE US FURTHER TO REDUCE OUR VULNERABILITY TO INTERRUPTIONS IN THE SUPPLY OF ENERGY AND INSTABILITY OF PRICES. COOPERATION TO DEVELOP NEW ENERGY TECHNOLOGIES AND TO STRENGTHEN OUR CAPACITY TO DEAL WITH DISRUPTIONS CAN CONTRIBUTE TO OUR COMMON ENERGY SECURITY. WE SHALL ALSO WORK TO STRENGTHEN OUR COOPERATION WITH BOTH OIL-EXPORTING AND OIL-IMPORTING DEVELOPING COUNTRIES.

THE GROWTH OF THE DEVELOPING COUNTRIES AND THE DEEPENING OF A CONSTRUCTIVE RELATIONSHIP WITH THEM ARE VITAL FOR THE POLITICAL AND ECONOMIC WELL-BEING OF THE WHOLE WORLD. IT IS THEREFORE IMPORTANT THAT A HIGH LEVEL OF FINANCIAL FLOWS AND OFFICIAL ASSISTANCE SHOULD BE MAINTAINED AND THAT THEIR AMOUNT AND THEIR EFFECTIVENESS SHOULD BE INCREASED AS FAR AS POSSIBLE WITH RESPONSIBILITIES SHARED BROADLY AMONG ALL COUNTRIES CAPABLE OF MAKING A CONTRIBUTION. THE LAUNCHING OF GLOBAL NEGOTIATIONS IS A MAJOR POLITICAL OBJECTIVE APPROVED BY ALL PARTICIPANTS IN THE SUMMIT. THE LATEST DRAFT RESOLUTION CIRCULATED BY THE GROUP OF THE 77 (SEVENTYSEVEN) IS HELPFUL AND THE DISCUSSION AT VERSAILLES SHOWED GENERAL ACCEPTANCE OF THE VIEW THAT IT WOULD SERVE AS A BASIS FOR CONSULTATIONS WITH THE COUNTRIES CONCERNED. WE BELIEVE THAT THERE IS NOW A GOOD PROSPECT FOR THE EARLY LAUNCHING AND SUCCESS OF THE GLOBAL NEGOTIATIONS, PROVIDED THAT THE INDEPENDENCE OF THE SPECIALISED AGENCIES IS GUARANTEED. AT THE SAME TIME WE ARE PREPARED TO CONTINUE AND DEVELOP PRACTICAL COOPERATION WITH THE DEVELOPING COUNTRIES THROUGH INNOVATIONS WITHIN THE WORLD BANK.

PAGE THREE. VSQ96/82 07/06/82

THROUGH PROGRESS IN COUNTERING INSTABILITY OF COMMODITY EXPORT EARNINGS, THROUGH THE ENCOURAGEMENT OF PRIVATE CAPITAL FLOWS, INCLUDING INTERNATIONAL ARRANGEMENTS TO IMPROVE THE CONDITIONS FOR PRIVATE INVESTMENT, AND THROUGH A FURTHER CONCENTRATION OF OFFICIAL ASSISTANCE ON THE POORER COUNTRIES. THIS IS WHY WE SEE A NEED FOR SPECIAL TEMPORARY ARRANGEMENTS TO OVERCOME FUNDING PROBLEMS FOR IDA VI, AND FOR AN EARLY START TO CONSIDERATION OF IDA VII. WE WILL GIVE SPECIAL ENCOURAGEMENT TO PROGRAMMES OR ARRANGEMENTS DESIGNED TO INCREASE FOOD AND ENERGY PRODUCTION IN DEVELOPING COUNTRIES WHICH HAVE TO IMPORT THESE ESSENTIALS, AND TO PROGRAMMES TO ADDRESS THE IMPLICATIONS OF POPULATION GROWTH.

IN THE FIELD OF BALANCE OF PAYMENTS SUPPORT, WE LOOK FORWARD TO PROGRESS AT THE SEPTEMBER IMF ANNUAL MEETING TOWARDS SETTLING THE INCREASE IN THE SIZE OF THE FUND APPROPRIATE TO THE COMING EIGHTH QUOTA REVIEW.

REVITALIZATION AND GROWTH OF THE WORLD ECONOMY WILL DEPEND NOT ONLY ON OUR OWN EFFORT BUT ALSO TO A LARGE EXTENT UPON COOPERATION AMONG OUR COUNTRIES AND WITH OTHER COUNTRIES IN THE EXPLOITATION OF SCIENTIFIC AND TECHNOLOGICAL DEVELOPMENT. WE HAVE TO EXPLOIT THE INTENSE OPPORTUNITIES PRESENTED BY THE NEW TECHNOLOGIES, PARTICULARLY FOR CREATING NEW EMPLOYMENT. WE NEED TO REMOVE BARRIERS TO, AND TO PROMOTE, THE DEVELOPMENT OF AND TRADE IN NEW TECHNOLOGIES BOTH IN THE PUBLIC SECTOR AND IN THE PRIVATE SECTOR. OUR COUNTRIES WILL NEED TO TRAIN MEN AND WOMEN IN THE NEW TECHNOLOGIES AND TO CREATE THE ECONOMIC, SOCIAL AND CULTURAL CONDITIONS WHICH ALLOW THESE TECHNOLOGIES TO DEVELOP AND FLOURISH. WE HAVE CONSIDERED THE REPORT PRESENTED TO US ON THESE ISSUES BY THE PRESIDENT OF THE FRENCH REPUBLIC. IN THIS CONTEXT WE HAVE DECIDED TO SET UP PROMPTLY A WORKING GROUP OF REPRESENTATIVES OF OUR GOVERNMENTS AND OF THE EUROPEAN COMMUNITY TO DEVELOP IN CLOSE CONSULTATION WITH THE APPROPRIATE INTERNATIONAL INSTITUTIONS, ESPECIALLY THE OECD, PROPOSALS TO GIVE HELP TO ATTAIN THESE OBJECTIVES. THIS GROUPS WILL BE ASKED TO SUBMIT ITS REPORT TO US BY 31 (THIRTYONE) DECEMBER 1982 (NINETEENEIGHTYTWO). THE CONCLUSION OF THE REPORT AND THE RESULTING ACTION WILL BE CONSIDERED AT THE NEXT ECONOMIC SUMMIT TO BE HELD IN 1983 (NINETEENEIGHTYTHREE) IN THE UNITED STATES OF AMERICA.

STATEMENT OF INTERNATIONAL MONETARY UNDERTAKINGS.

1. WE ACCEPT A JOINT RESPONSIBILITY TO WORK FOR GREATER STABILITY OF THE WORLD MONETARY SYSTEM. WE RECOGNISE THAT THIS RESTS PRIMARILY ON CONVERGENCE OF POLICIES DESIGNED TO ACHIEVE LOWER INFLATION, HIGHER EMPLOYMENT AND RENEWED ECONOMIC GROWTH, AND THUS TO MAINTAIN THE INTERNAL AND EXTERNAL VALUES OF OUR CURRENCIES. WE ARE DETERMINED TO DISCHARGE THIS OBLIGATION IN CLOSE COLLABORATION WITH ALL INTERESTED COUNTRIES AND MONETARY INSTITUTIONS.

2. WE ATTACH MAJOR IMPORTANCE TO THE ROLE OF THE IMF AS A MONETARY AUTHORITY AND WE WILL GIVE IT OUR FULL SUPPORT IN ITS

PAGE FOUR. VSQ98/82 Q7/Q8/82

EFFORTS TO FOSTER STABILITY.

3. WE ARE READY TO STRENGTHEN OUR COOPERATION WITH THE IMF IN ITS WORK OF SURVEILLANCE; AND TO DEVELOP THIS ON A MULTILATERAL BASIS TAKING INTO ACCOUNT PARTICULARLY THE CURRENCIES CONSTITUTING THE SDR.

4. WE RULE OUT THE USE OF OUR EXCHANGE RATES TO GAIN UNFAIR COMPETITIVE ADVANTAGES.

5. WE ARE READY IF NECESSARY TO USE INTERVENTION IN EXCHANGE MARKETS TO COUNTER DISORDERLY CONDITIONS AS PROVIDED FOR UNDER ARTICLE IV OF THE IMF ARTICLES OF AGREEMENT.

6. THOSE OF US WHO ARE MEMBERS OF THE EMS CONSIDER THAT THESE UNDERTAKINGS ARE COMPLEMENTARY TO THE OBLIGATIONS OF STABILITY WHICH THEY HAVE ALREADY UNDERTAKEN IN THAT FRAMEWORK.

7. WE ARE ALL CONVINCED THAT GREATER MONETARY STABILITY WILL ASSIST FREER FLOWS OF GOODS, SERVICES AND CAPITAL. WE ARE DETERMINED TO SEE THAT GREATER MONETARY STABILITY AND FREER FLOWS OF TRADE AND CAPITAL REINFORCE ONE ANOTHER IN THE INTEREST OF ECONOMIC GROWTH AND EMPLOYMENT.

ENDS VERBATIM SCE Q98/82 L.P.S.