

RESTRICTED

135667
MDADAN 0036

RESTRICTED
FM WASHINGTON
TO IMMEDIATE FCO
TELNO 1504
OF 142355Z JUNE 88

WHITE HOUSE PRESS BRIEFING ON ECONOMIC ISSUES AT TORONTO SUMMIT
SUMMARY

1. WALLIS AND MULFORD BRIEFED US PRESS ON LIKELY TOPICS AT TORONTO. POLICY CO-ORDINATION, TRADE ISSUES AND INTERNATIONAL DEBT SAID TO BE MAIN ECONOMIC TOPICS. LESS CERTAINTY ABOUT NON-ECONOMIC ISSUES BUT WALLIS EXPECTED DISCUSSIONS TO COVER EAST-WEST RELATIONS, MOSCOW SUMMIT, PHILIPPINES, TERRORISM, DRUGS AND ENVIRONMENT.

DETAIL

2. AT A WHITE HOUSE PRESS BRIEFING, MULFORD (TREASURY), AND WALLIS (STATE) DISCUSSED THE TOPICS THAT THEY THOUGHT WOULD BE DISCUSSED AT THE SUMMIT. THE BRIEFING WAS SUPPOSED TO CONCENTRATE ON ECONOMIC ISSUES BUT WALLIS WAS ASKED A FEW QUESTIONS ON OTHER ISSUES.

POLICY CO-ORDINATION AND THE COMMODITY PRICE INDEX

3. MULFORD SAID THE US WOULD REAFFIRM ITS COMMITMENT TO CLOSE COOPERATION TO HELP CO-ORDINATION AND QUOTE TO FOSTER EXCHANGE RATE STABILITY UNQUOTE. HE HOPED THE SUMMIT WOULD STRENGTHEN CO-ORDINATION EFFORTS BY, FIRST, OBTAINING AGREEMENT AND IMPLEMENTING A NEW COMMODITY PRICE INDICATOR AND, SECOND, BY AGREEING QUOTE TO COOPERATE MORE CLOSELY AND MORE EFFECTIVELY TO PURSUE STRUCTURAL POLICY CHANGES IN THE VARIOUS ECONOMIES WHICH WE HOPE CAN BE INTEGRATED IN SOME WAY MORE CLOSELY INTO THE CO-ORDINATION PROCESS UNQUOTE. MULFORD DESCRIBED THE COMMODITY PRICE INDEX AS A QUOTE USEFUL ADDITIONAL TOOL THAT WILL HELP EVALUATE WHAT IS GOING ON ACROSS THE BOARD IN THE WORLD ECONOMY UNQUOTE. HE REFUSED TO BE DRAWN ON THE PRECISE WEIGHT TO BE GIVEN TO GOLD, BUT SAID HIS GUESS WAS THAT IT WOULD BE INCLUDED ALTHOUGH THE WEIGHTINGS FOR THE INDEX WOULD PROBABLY REMAIN CONFIDENTIAL.

4. MULFORD WAS ASKED WHETHER THERE WOULD BE PROGRESS ON MONITORING ZONES OR OTHER INDICATORS AS MENTIONED BY SECRETARY BAKER IN HIS RECENT PARIS SPEECH. HE REPLIED THAT THIS SUBJECT REQUIRED MORE STUDY AND WOULD PROBABLY NOT BE DISCUSSED UNTIL THE NEXT G7 MINISTERIAL MEETING.

DEBT

5. MULFORD THOUGHT THAT FOR LARGE, MIDDLE INCOME DEBTORS THERE WOULD BE QUOTE A STRONG REAFFIRMATION OF THE PRESENT STRATEGY

RESTRICTED

135667
MDADAN 0036

UNQUOTE. FOR POORER COUNTRIES THERE COULD BE CHANGES OF QUOTE
CONSIDERABLE SIGNIFICANCE UNQUOTE. HE SAID PARIS CLUB
RESCHEDULINGS THAT INVOLVED QUOTE A DEGREE OF RELIEF BY EXTENDING
MATURITIES OR BY REDUCING COSTS UNQUOTE WERE ALREADY AGREED.
THE OUTSTANDING QUESTION WAS QUOTE WHETHER THERE CAN BE
FURTHER RELIEF PROVIDED TO THESE COUNTRIES THROUGH THE PARIS
CLUB PRIMARILY BY FINDING A WAY TO ALLOW CONCESSIONARY RATES TO
BE GRANTED IN THOSE CASES WHERE IT IS JUSTIFIED UNQUOTE. MULFORD
SAID THE DISCUSSION, FROM THE US STAND-POINT, WOULD BE ALONG THE
LINES OF SECRETARY BAKER'S RECENT SPEECH IN AFRICA. THE FIRST
IMPORTANT POINT WAS THAT THERE SHOULD BE DIFFERENTIATION BETWEEN
CREDITORS THAT WOULD QUOTE ALLOW THOSE WHO WISH TO GIVE
CONCESSIONAL RATES TO GO AHEAD AND GIVE THEM. AND THAT WOULD
NOT, IN OUR CASE, NECESSARILY INCLUDE US BUT IT WOULD ALLOW
RELIEF TO BE GRANTED BY THE GROUP TO SOME EXTENT UNQUOTE.
THE SECOND REQUIREMENT WAS THAT ANY SCHEME BE IMPLEMENTED ON A
FLEXIBLE QUOTE CASE BY CASE UNQUOTE APPROACH.

OTHER ECONOMIC AND NON-ECONOMIC ISSUES

6. WALLIS SAID THAT THE BIG ECONOMIC PROBLEMS THAT WOULD BE
THE FOCUS OF THE SUMMIT WERE QUOTE TRADE AND LIBERALIZATION OF
TRADE WITH A SPECIAL EMPHASIS ON AGRICULTURE UNQUOTE. ON NON-
ECONOMIC TOPICS HE MENTIONED EAST-WEST RELATIONS, THE MOSCOW SUMMIT,
DRUGS (AND POSSIBLY MONEY LAUNDERING), TERRORISM AND THE
ENVIRONMENT. HE WOULD NOT GET DRAWN ON DETAILS. IN RESPONSE
TO A QUESTION ABOUT THE PRESIDENT'S RECENT REMARKS ABOUT A PLAN
TO HELP THE PHILIPPINES AND AFGHANISTAN, WALLIS SAID THAT THERE
MIGHT BE TALK QUOTE ABOUT WHAT THEY CAN DO CO-OPERATIVELY THAT
WILL IMPROVE THE SITUATION IN THE PHILIPPINES UNQUOTE.

COMMENT

7. THE BRIEFING CONTAINED FEW SURPRISES. MULFORD'S COMMENTS
SUGGEST THAT HE EXPECTS PROGRESS IN OBTAINING AGREEMENT ON A
COMMODITY PRICE INDICATOR, INCLUDING GOLD, AND SOME KIND OF
DEAL FOR SUB-SAHARAN AFRICAN DEBT.

8. FCO PLEASE ADVANCE TO RICHARDSON AND SIR G LITTLER, LANKESTER
AND EVANS (TREASURY) AND WARE (BANK).

ACLAND

ADVANCE

12

.ECONOMIC SUMMIT
MR BRAITHWAITE
MR CARRICK
MR N WICKS, NO 10 D.S.
HD/ERD
HD/PLANNING STAFF

SIR G LITTLER, HM TRSY
RICHARDSON, HM TRSY
LANKESTER, HM TRSY
EVANS, HM TRSY
WARE, BANK OF ENGLAND
RESIDENT CLERK