PREM 19/3130

MT

Confidential Filing

PM's Meeting with Mr Van Lennep, the Secretary-General of the OECD & his successors visits to the U.K.

PRIME MINISTER

October 1982

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
~~26.10.82~~							
~~Jan 84~~							
~~21.1.84~~							
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PREM 19/3130

CC PS

Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

27 February 1990

CH 27/1.

Richard Gozney Esq
Private Secretary to the
Secretary of State for Foreign
and Commonwealth Affairs
Foreign and Commonwealth Office
Downing Street
LONDON
SW1A 2AA

Dear Richard,

VISIT OF M PAYE, OECD SECRETARY GENERAL

M Paye called on the Chancellor on 22 February for about half an hour. He was accompanied by John Llewellyn (his Chef de Cabinet) and by John Gray (HM Ambassador, OCED). Sir T Burns and Mr H P Evans were also present.

M Paye explained that the purpose of his tour was to prepare for the OECD Ministerial Council on 30-31 May. It was, of course, too early to say with any certainty what would need to be discussed on the macroeconomic side. However, it was easier to see the main themes where structural policies were concerned. He did not know what EPC would focus on, but he thought that agriculture, industrial subsidies, and bad trading practices were likely to be prominent. The OECD Ministerial Council should be seen principally as a stepping stone on the way to the annual Economic Summit. But it allowed a useful opportunity for both the larger and smaller industrialised countries to meet.

Other subjects which might feature on the agenda were the relationship between trade and macroeconomic issues and developments in non-member countries, especially Eastern Europe.

The Chancellor said that he looked forward to attending the Ministerial Council, though probably for only one of the two days. He agreed that the macroeconomic situation was hard to predict given the many uncertainties, not least generated by developments

in Eastern Europe. It was easier to see objectives, however. In addition to the subjects that M. Paye had listed he hoped that the Ministerial Council would be able to consider the implications of environmental change. He also thought it important to stress the long-standing theme of reducing and eliminating industrial subsidies.

In a brief discussion, it was agreed that developments in Germany were likely to dominate discussion on the macro-economic side. Economic and monetary union in Germany would affect other OECD Members, and the implications for interest rates and inflation were bound to be discussed.

The meeting concluded with some general discussion of current developments in the two Germanies.

I am copying this letter to Charles Powell (No.10) and Paul Tucker (Bank of England).

Tamsed Tarkowski

T TARKOWSKI
Private Secretary

UNITED KINGDOM DELEGATION TO THE
ORGANISATION FOR ECONOMIC CO-OPERATION
AND DEVELOPMENT
19 RUE DE FRANQUEVILLE, PARIS 16E
TELEPHONE 524.98.28

8 April 1988

026/1

cc Mr N. Wicks
No 10.

R Q Braithwaite Esq CMG
DUSS
FCO

Dear Rodric,

N Brewer
13/4

VISIT OF THE OECD SECRETARY-GENERAL TO LONDON, 7 APRIL

1. Jean-Claude Paye, the OECD Secretary-General, spent a day in London on 7 April, his second visit this year. I accompanied him on all his calls. The visit went very smoothly and Jean-Claude Paye found it both instructive and enjoyable. I am most grateful to those in the FCO and the Bank who set up the arrangements so well.

2. I attach a note of my main impressions of the substantive points raised in the calls, though I did not take detailed notes throughout. In the morning, Paye saw Nigel Wicks, the UK Sherpa; Geoffrey Littler; and Humphrey Maud in your absence. The main topic was the OECD Ministerial, with the ECSS which will precede it, under your Chairmanship, and the Toronto Summit which will follow it. Paye argued that the OECD Ministerial would not be very exciting this year. Continuity was required in macroeconomic policies - all his interlocutors agreed with this, as did the Governor of the Bank of England over lunch. In the Uruguay Round also, Paye thought, the shape of the Mid-Term Review was not yet clear. But OECD Ministers could move things forward on structural policies and on agriculture and other Uruguay Round subjects; and they could have an informal exchange about relations between OECD members and the newly industrialising countries (NICs).

3. Talks with the Governor at the Bank of England, and later with Warburgs and at the Stock Exchange, concentrated mainly on two subjects. The first was the international debt scene, as regards both Latin America and the poorest debtors in Africa. The second was the implications of the Stock Market collapses of last October and the prospects for closer international cooperation on financial market issues.

4. Paye ended the day with a half-hour talk to an audience invited by the British Invisible Exports Council on the theme »OECD's contributions to liberalisation of trade in services«. This is not a very lively subject, despite its great importance. But Paye spoke lucidly from his prepared text and retained the interest of his audience, which was of good quality.

Yours ever,

Nicholas

Nicholas Bayne

/cc:

cc:

Sir Geoffrey Littler, KCB
H M Treasury

A D Loehnis Esq
Bank of England

The Hon H J H Maud
FCO

VISIT OF OECD SECRETARY-GENERAL TO LONDON, 7 APRIL

Prospects for Toronto Summit

1. Mr Wicks foresaw no great surprises at the Toronto Summit, but rather stress on continuity of policy. Agriculture would be an important topic. Despite the progress made at the European Council, the Europeans still had to do more. Trade would also be important. He asked whether OECD measurement showed protectionism getting worse. M. Paye said it had not got worse in recent months. But it was already at a very high level and protectionist thinking was spreading into new areas, such as direct investment. Even so, he had found US Treasury Secretary Baker more relaxed about protectionist pressures at their last meeting than ever before.

2. Mr Wicks noted that the world economic system had survived a series of shocks over the years far better than expected. M. Paye agreed, but thought governments faced a challenge in managing economies increasingly subject to international pressures. They needed to cooperate better, though he agreed with Mr Wicks that this should be done pragmatically and step-by-step, not according to an intellectual design. The intensive coordination now achieved between the G7 was very valuable. M. Paye suggested that some precise commitments could exert useful influence. France, for example, might have turned inward looking in 1983 without the discipline of the EMS. Mr Wicks commented that countries outside the exchange rate mechanism of the EMS had done as well as those inside it.

Prospects for the OECD Ministerial

3. M. Paye and Sir Geoffrey Littler agreed that there was no grounds, at forthcoming international meetings, to seek changes in current macroeconomic policies. Japan had done well; Germany and the United States had done less well, but had no freedom of manoeuvre, especially the Americans with elections imminent. The Governor of the Bank of England took the same view, but was worried about currents of opinion in the United States predicting further falls in the dollar - a worry also shared by Warburgs.

4. M. Paye thought that OECD Ministers could look seriously at requirements for structural policy change, especially in Europe. There would be papers on this for OECD Ministers. One result of their meeting could be to create a system for putting structural policies of OECD governments under regular international scrutiny. Sir Geoffrey Littler welcomed this and thought it would have strong UK support.

5. Mr Maud thought that, on 2-3 May, the Executive Committee in Special Session (ECSS), in preparing for the Ministerial

/meeting

meeting, should focus on agriculture, trade issues and relations with the NICs. (On relations with the NICs and also on debt, see further below.) M. Paye said he would not put a personal paper on agriculture to Ministers unless the report from the Agriculture and Trade Committees, monitoring the effect of the principles adopted last year, was unexpectedly diluted. OECD Ministers could not agree new principles again this year. But the monitoring report would serve to put pressure on OECD countries to live up to those principles better. Further studies were also needed on the impact of certain types of support policies, which some preferred, such as »set aside« and »decoupling«. Mr Maud said we wanted wider acceptance of the use of the PSE methodology. M. Paye foresaw trouble if the EC pressed hard for a short-term standstill in support measures, since the Americans seemed bound to resist.

6. M. Paye thought trade issues generally might be contentious, because it was still hard to foresee the content of the Mid-Term Review of the Uruguay Round, due at the end of 1988. One aimed for progress on as many subjects as possible, without sacrificing the principle of »globality«, to which some countries were very attached. He hoped that the present state of the Uruguay Round would deter countries from new protective measures; but he believed they would not remove existing restrictions until the Round was further advanced.

Relations with the NICs

7. M. Paye and Sir G Littler discussed the idea for contacts between some members of OECD's Working Party 3 (WP3) and representatives of the four »Asian Dragons«. It was unwise to treat all four together. Aside from political problems, Singapore and Hong Kong differed sharply in economic policy from Korea and Taiwan, who were the main targets because their actions aggravated external imbalances. But to treat each country separately would make them nervous. One might envisage a very restricted meeting with Korea and Taiwan on one side and the US, Japan and Germany (the main source of imbalances) on the other, plus Sir Geoffrey Littler (as WP3 Chairman) and M. Paye. There would be advantage in having a wide agenda, to cover not only macroeconomic policy and exchange rates but also trade issues on both sides. In that event, the question of a Commission representative might arise. Sir G Littler said that he was in touch with the FCO about the problems raised by official contacts with Taiwan. I commented that the formula proposed avoided Sir G Littler wearing a UK label; but a chairman's label might be equally awkward. M. Paye said that he favoured a very limited group. He would sound out the French, to see if they could accept not being there. If they would stay away others could be kept out too. But it would be essential that all OECD members were informed, through the Council, of what was afoot.

8. With Mr Maud, M. Paye noted that a paper on relations with the NICs would be available for ECSS on 2-3 May. This would be

/a

a summary of the »Oyake Report«, on the interaction between OECD and »major developing economies«, which went much wider than the Asian Dragons. The full report would not be available till after the Ministerial. Mr Maud welcomed this and stressed that it was essential to decide on the content of possible exchanges with NICs before getting too deep into procedures. M. Paye agreed that one should be cautious and well prepared - but he did not want OECD to be immobile.

The debt scene

9. With Mr Wicks and Sir Geoffrey Littler, M. Paye said OECD was not the place for financial engineering. But OECD members should be reminded of their responsibility to maintain steady growth, open markets and free flows of direct investment and technology, to help ease debt problems. This approach found favour. Mr Maud suggested OECD Ministers should say more about help for the poorest debtors, especially interest rate relief. Sir Geoffrey Littler confirmed that the Chancellor would pursue his debt proposals at the Washington IMF/IBRD meetings; they were already noted as a theme for the Toronto Summit. African debtors deserved quite different treatment from the Latin Americans, as their economic prospects were so much worse. The Governor added his support to this approach.

10. While other interlocutors did not see additional strains over Latin American debt, citing better behaviour by Brazil, Sir David Scholey and his team at Warburgs took a more radical view. They believed that the approaches pursued since the Mexican debt crisis of 1982 had successfully bought time. But time was now running out; banks were not providing new money; and debtors were reaching the limits of their capacity to adjust. Warburgs believed that a more far-reaching strategy was now needed, with the banks providing debt relief in return for further adjustment efforts by the debtors. Banks had made a start with creating provisions against bad debts, but would have to go much further. If, as seemed possible, the US moved into recession in 1989, pressures on the debtors would get even worse. African indebted countries were in an even more serious condition and for them some debt forgiveness would be required. Warburgs were putting proposals together for the African Development Bank.

11. All this was rather striking. But I note that unlike Lloyds and Midland who have major loans outstanding to developing countries, Warburgs are largely engaged in offering debt management advice to debtor countries.

Financial markets

12. A note on these discussions will follow, after I have compared notes with Mr Witherell of the Secretariat, who accompanied M. Paye. The discussion got rather technical at times.

N. P. Bayne

8 April 1988

N P Bayne

Foreign and Commonwealth Office

London SW1A 2AH

30 March 1988

N Wicks Esq
No 10 Downing Street

Dear Mr Wicks,

You said that you did not want any special briefing for the Secretary-General of the OECD's call on you next Thursday at 10. But Paye will no doubt have an eye on the contribution that the OECD Ministerial can make to the Economic Summit.

You may like to glance at the enclosed papers:

A	personality note on Jean-Claude Paye
B	first draft of the agenda for the OECD Ministerial on 18-19 May
C	record of Paye's call on the Secretary of State on 24 February
D	record of Paye's call on the Chancellor
E	exchange of letters between Geoffrey Littler and Rodric Braithwaite about Paye's ideas for contact between the OECD and the NICs.

Please let me or (in my absence on leave and at the Spring IMF/IBRD meeting) Nicola Brewer (270 2571) know if you would like any further papers.

Yours sincerely

Nicola Brewer

pp T L Richardson
Economic Relations Department

NB1AMF

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JEAN-CLAUDE PAYE

Secretary-General of the OECD since 1984

Born 1934. Degree in Law; a graduate of the Institut d'Études Politiques and of the Ecôle Nationale d'Administration. Joined the Foreign Service in 1961 and subsequently dealt with Algerian affairs (in Paris and later in Algiers) and space questions. Member of the Cabinet of the State Secretary for Scientific Research, 1965-66, then Counsellor in the Cabinet of the Minister of Social Affairs, 1966-67. Chef de Cabinet to the Vice-President of the Commission of the European Communities (Mr Raymond Barre) 1967-73. Counsellor, French Embassy, Bonn, 1973-74. Deputy Director of the Cabinet of the Foreign Minister, 1974-76. Counsellor for International Affairs in the Cabinet of the Prime Minister (Mr Barre) 1976-79 and concurrently Secretary-General of the Inter-Ministerial Committee for European Economic Cooperation, 1977-79. Director of Economic and Financial Affairs at the Ministry of External Relations 1979-84. Chairman of the Executive Committee in Special Session of the OECD 1980-84. While at the Foreign Ministry, he was a skilful defender of French interests throughout the long battles that opposed France and Britain within the Community, though he showed understanding of the British point of view.

Since taking up his functions in the OECD, he has proved himself to be a dedicated and highly intelligent Secretary-General, very much moulded by the ENA and its philosophy. His commitment to the logical approach, though not always successful, has promoted consistent treatment of the diffuse issues which arise in the OECD. He does not have ambitions for a prominent public role for himself or for the OECD and sees its influence as exerted mainly behind the scenes. He has applied himself seriously to improving staff management. He is austere and puritanical, but with a good sense of humour. He makes up his mind slowly, not always following (or even taking) advice from others, but having decided is hard to move. He undertakes himself the drafting of most of his speeches and papers which issue in his own name and does not necessarily incorporate the views of others, where these have been sought.

If Barre should win the Presidential elections, Paye would be a strong candidate for ministerial office but we gather that he has an understanding with Barre that he would serve out his term at the OECD, ie until September 1989. In any event, he has also hinted that he would not stay for more than one five-year turn.

His wife (Lawrence, nee Jeanneney) is daughter of a former minister and is a senior official in the Ministry of Higher Education.

Three children.

Fluent English, but understanding not flawless.

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ORGANISATION FOR ECONOMIC
CO-OPERATION AND DEVELOPMENT

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Paris, drafted: 18th March 1988
dist: th March 1988
C/MIN(88).

COUNCIL
AT MINISTERIAL LEVEL

Meeting to be held at the Château de la Muette, Paris
on 18th and 19th May 1988, beginning at 9.30 a.m

DRAFT AGENDA

1. ADOPTION OF THE AGENDA

2. IMPROVING PROSPECTS FOR GLOBAL GROWTH AND JOB CREATION: THE ROLE OF ECONOMIC POLICIES

3. CONTRIBUTING TO A SUCCESSFUL URUGUAY ROUND

4. INTENSIFYING STRUCTURAL REFORM: IN PARTICULAR

   a) agricultural reform and rural development

   b) investment: its essential role

   c) technology: a comprehensive approach

5. DRAFT COMMUNIQUE

6. OTHER BUSINESS

Note: The references to agenda documents will be provided later.

RECORD OF CALL ON THE SECRETARY OF STATE BY M. PAYE, SECRETARY GENERAL OF THE OECD, AT 16:50 ON 24 FEBRUARY

Present:

Secretary of State

M. Paye, OECD Secretary General

Mr T Alexander, Chef de Cabinet

Mr N P Bayne, UK Permanent Representative

Mr R Culshaw, Private Secretary

Miss N Brewer, ERD

MPD091/3

1. M. Paye confirmed that his call was in preparation for the May Ministerial Council. It was proving rather early to identify the major topics. GATT was on the threshold of negotiations in Geneva and it was difficult to see how fruitful discussion of trade issues could be. He had heard divergent views in Canada and in the course of calls in London. The Mid-Term Review would obviously be important and would need to be as well prepared as possible. The Secretary of State agreed that the time would probably not be ripe in May for significant consideration of the content of the MTR so not too much time should be spent on it. M. Paye mentioned concerns about protectionist pressures in the US. Agricultural trade was part of the Round, but domestic reform was also necessary. Implementation of last year's principles had been slow. The Community had yielded some results but monitoring of other countries was not very encouraging. The Ministerial should both reaffirm and go beyond the principles. The Secretary of State agreed. The Community had mobilised itself at the last Council but there was a temptation to think that was sufficient. It should not be forgotten that even if prices were reduced they remained way above world prices. We were still Alice in Wonderland, very far from economic sanity. Japan was proud of its reforms but still had massive problems. The OECD had done valuable work on PSEs; it should continue to remind members of how far we still had to go. The Foreign Secretary was intrigued by Paye's idea for a paper on other forms of economic activity in the countryside. In addition to keeping our noses to the grindstone it was important to offer alternatives.

2. The Secretary of State raised the pattern of economic growth in Europe. He contrasted the level of energetic activity in the UK with less virile conditions in the FRG. He asked if the OECD would be looking at the scope for structural change. The argument that the US, Germany and Japan must take action to reduce their imbalances had least value when it was assumed that expansion in Germany would simply do the trick. M. Paye defended the focus on

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imbalances in recent years. The US should maintain its policies but there was little hope for further improvement this year. Japan had taken action maybe a little late but was doing well. Therefore the focus should now be on Europe which was the weakest part of the OECD area (with exceptions like the UK and Spain). If a slowdown were to occur in the US and the dollar to decline further it would be very difficult for Europe to weather the storm. The time was ripe to see what Europe could do jointly. There was not a great deal of room for macroeconomic manoeuvre but on the microeconomic side there was considerable scope for structural improvement. This could contribute to restoring confidence. It offered potential for growth that was not being exploited. Germany appeared unable and unwilling to have a high growth rate and seemed happy with 2% growth. Its economy was marked by progressive structural rigidity. Senior German officials and Ministers were becoming concerned about this lack of dynamism. He was surprised that Germany did not seem to be trying to exploit its presidency of the EC. The Secretary of State agreed that the intellectual thrust of social market economics originally associated with Germany now seemed very weak there. M. Paye wanted the Ministerial Council to highlight the rationale for structural action in Europe. There would also be a few general words on debt. The Secretary of State said that it was imperative that the Chancellor's proposals on sub-Saharan Africa should be sustained; M. Paye suggested that the Ministerial Council could be used to push for this.

3. M. Paye raised the relationship between the OECD and the NICs. There was a widely shared belief in the need to develop this relationship. It was not clear how to do it. The countries we would be interested in would differ according to the subject, although the four Asian "tigers" would of course be important. He hoped that Ministers would exchange views. The Japanese in particular were making noises about trying to expand OECD membership and perhaps to create a Pacific OECD out of the PECC. The Secretary of State said that he could never summon much interest in discussions of the management, location and membership of international organisations; such discussions could waste much time (witness WEU). He did not think that the nature of the OECD should be changed by enlarging it. The present size was manageable. Universality would swamp its personality. But the NICs raised important questions and he was concerned about the prospect of a Japanese based Pacific NIC grouping. A close economic partnership between the Japanese and the Asian NICs could lead to substantial maldistribution, leaving the other OECD members shackled by responsibility for the poorest developing countries. M. Paye said that Japan was currently playing with several ideas, wary of bilateral tensions with the US. However, it could be advantageous to have a few countries like Korea within the OECD if this was possible without affecting the manageability of the organisation, though smaller countries eg the Nordics might get worried. It might be a suitable subject for discussion over lunch, given the right preparation.

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4. The Secretary of State hoped that the Secretariat had enough able British nationals. M. Paye joked that by comparison with other member countries there were too many. Several top British staffers would leave in the next two years. Good candidates were always welcome but he aimed not to give the impression that there was a national allocation. Internal candidates should also be promoted where possible.

5. The Secretary of State said that he hoped to attend part of the Ministerial Council in May.

6. The meeting ended at 17:25.

DISTRIBUTION

Mr Braithwaite
Mr Maud
Mr Richardson, ERD
Mr Cooper, FED
Miss Spencer, ECD(E)
Mr Wall, ECD(I)
Mr Rollo, Economic Advisers
Mr Bayne, UKDel OECD
PS/Chancellor
PS/Mr Clark
PS/Mr MacGregor

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Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

24 February 1988

L Parker, Esq
PS/Secretary of State
Foreign and Commonwealth Office
King Charles Street
London SW1

MFD 091/3

Dear Lyn

MEETING WITH OECD SECRETARY GENERAL

The OECD Secretary General, M. Jean-Claude Paye, paid a courtesy call on the Chancellor this morning. He was accompanied by his Private Secretary, Mr Tom Alexander. Sir Geoffrey Littler and Mr Bayne were also present.

Paye expressed concern about the economic outlook in the United States. He noted that a recession in the United States would have a particularly adverse impact on the German economy, and he expressed surprise at the apparent lack of concern in Germany about this. The Chancellor said there were considerable uncertainties in relation to the prospects for the US economy. On the one hand, there was evidence of an improving trade balance since the turn of the year. On the other, it was worrying that Mr Gephardt had attracted support by playing the protectionist card. He expected some slowdown in US growth this year, though not a recession. But we were cautious about the prospects for 1989. The Chancellor thought that the Germans were more worried about the prospects than they were able to make public. Stoltenberg knew that supply-side measures were required to free up the German economy. But it was politically difficult for him to achieve these (as exemplified by the Germans' obduracy over CAP reforms). Stoltenberg had the consolation, however, that the high living standards and low inflation enjoyed by Germany made slow growth tolerable.

Paye said that the Germans were anxious to hold the ERM together, to avoid further upward pressure on the Deutschmark. But the view was taking hold in France that if holding the ERM together meant slow growth, it was not worth the candle. The Chancellor agreed; he also had the impression that the French increasingly thought the

ERM was run for the benefit of the Bundesbank. The immediate French objective would be to secure improvements in the workings of the ERM, and so build on the improvements already made at Basle and Nyborg. He did not think the French would want to leave the ERM at this stage. But there might be difficulties after the French elections and, in particular, pressures for realignment.

The Chancellor said that Paye should seek to ensure that the OECD secretariat did not produce scenarios which falsely encouraged the view that there should be major devaluations. These were misguided and destabilising. Paye took note.

The Chancellor hoped that the next OECD Ministerial would not devote too much time to discussions of the debt problem. The principal forum for this should be the IMF/IBRD discussions. He would only use the OECD Ministerial as an opportunity to push forward his own Sub-saharan Africa initiative if this fitted the agenda. He would, however, be developing his initiative at the Interim Committee in April, and at the Toronto Summit.

The Chancellor said that the OECD should try to find a role in relation to the problems caused by the Far Eastern newly industrialising countries. Although Singapore and Hong Kong had completely open markets, Taiwan and Korea maintained substantial barriers. Paye said there might be difficulties in using the OECD as a forum. For example, it was debatable whether Korea had a sufficiently democratic system of Government. But there might be scope for an informal gathering under the auspices of the OECD.

I am copying this letter to Shirley Stagg (MAFF) and Marjorie Davies (DTI).

Yours sincerely

Jonathan Taylor

J M G TAYLOR
Private Secretary

29 March 1988

Sir G Littler KCB
Second Permanent Secretary
HMT

RELATIONS WITH THE NICs

Thank you for your letter of 21 March in which you asked for advice on how to respond to Jean-Claude Paye's ideas for an informal WP3 meeting with the NICs.

I have considerable doubts about the meeting Paye has in mind with the four NICs together. What would we expect to get out of it? The four are not homogeneous: on the contrary, they raise very different issues, both economic and political. Two are free traders; two are highly protectionist. One is a UK Dependent Territory; one is unrecognised as a state by any member of OECD. All four have a range of demands to make of OECD members: how could we be sure that discussions would be confined to surpluses and not extend to trade?

The most obvious problem is Taiwan. The Chinese are becoming more relaxed about commercial contacts. But they continue to be very sensitive about political contacts. They reacted sharply when the Prime Minister recently referred - indirectly - to Taiwan as a newly industrialised country. Their views may evolve. Meanwhile, in these circumstances, it would be risky for any UK government representative to sit down with Taiwanese officials to talk about relations between the NICs and OECD. However discreet Paye might hope to be, there would be no chance of keeping the meeting secret. To try to do so would no doubt only arouse Chinese suspicions further. I believe that our partner governments are likely to take a similar view. And I doubt whether Hong Kong Government representatives would wish to attend a meeting that included Taiwan.

Hong Kong's inclusion in such a meeting, with or without the Taiwanese, presents other difficulties. Hong Kong is the freest of free traders, with its trade figures effectively in balance. It runs a deficit with most countries apart from the US. Would it be in our interests to encourage a meeting to stimulate discussion of what in this case is, if anything, a US problem? Would we not risk boosting US pressure to break the link between the Hong Kong and US dollars?

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This leaves Korea and Singapore. We could envisage a private and unpublicised WP3 meeting with these two. But it would make more sense for WP 3 to tackle them one at a time: again, they present very different problems. Our Singapore experts are keen on engaging the Singaporeans in economic talks.

None of the above is intended to suggest that we should ignore the Asian NICs: as we agreed at Wilton Park, they are an issue which will not go away. But the fact that Paye suggested a collective meeting with the four NICs, when a minute's thought would surely have revealed some of the above objections, does suggest to me that the OECD needs to do rather more homework on the whole question. To be acceptable to both sides, the agenda could well need to range beyond current account surpluses to domestic savings and demand, graduation in GATT and the NICs own complaints of OECD members in areas like textiles and VRAs. As you pointed out at Wilton Park, the problems are more complicated than they sometimes seem. My own view is that we need to refine our thinking on the issues, clarify our objectives, and then pursue them one by one, country by country, and in whichever institution meets the bill in the particular case. Thus some issues can be pursued in the GATT negotiations; others (even those concerning Taiwan) can be pursued in discreet bilateral contacts. I therefore think that, before the OECD plunges into a dialogue with the NICs, it needs to be much clearer as to what we expect from it. This is the line I took at the ECSS meeting on 1 February, and also privately with Paye when he subsequently visited London. He agreed at the ECSS to set work in hand. You might ask him how the Secretariat is getting on.

Meanwhile, we are working on a paper on policy towards the NICs, spurred by Huw Evans' work and that of the DTI on objectives in the GATT. It will not be in final form by 7 April; but we shall send you the latest version before you meet Paye.

R Q Braithwaite

TD1ALF

7 Ap.

H M Treasury
Parliament Street London SW1P 3AG
Switchboard 01-270 3000
Direct Dialling 01-270 4369

Sir Geoffrey Littler KCB
Second Permanent Secretary

21 March 1988

Dear Rod,

RELATIONS WITH NICS

I need diplomatic advice please, and hope you can help.

During the WP3 meeting in Paris ten days ago, we had some discussion of the problem of surpluses of the four Asian NICs - happily again with recognition of the important differences among them - and inevitably lamented the lack of channels of effective communication.

Informally and it seemed to me quite genuinely thinking aloud, Jean-Claude Paye began to speculate whether something might be achieved if he were to mobilise with my help as WP3 Chairman a private and unpublicised meeting somewhere discreet outside Paris, between suitably senior representatives of the four NICs and a suitable handful of representatives of WP3.

I and several others reacted with interest. Nobody spoke positively against it. But we all asked for time to reflect and consult. Since my return I have had a word with the Chancellor, who feels that it would be worth trying provided we can get hold of suitably authoritative NIC representatives.

I should be glad to know your general reaction. And more specifically I need to know: whether you see objections to my being involved in this - perhaps in the chair, although that would be clearly in my WP3 capacity; and whether you think we could (as I believe we should) help mobilise representatives of Hong Kong (Piers would be best?) and perhaps also Singapore.

Yours,

Geoffrey

Rod Braithwaite Esq CMG
FCO.

GRS 625

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OECD MINISTERIAL COUNCIL, 12-13 MAY: HIGHLIGHTS

MO

SUMMARY

1. A USEFUL MEETING WHICH BROKE NEW GROUND IN GOVERNMENTS' COMMITMENTS TO AGRICULTURAL REFORM. THE UK SUCCESSFULLY FLAGGD ITS INITIATIVE ON SUB-SAHARAN DEBT. ON MACROECONOMIC POLICY THERE WAS PRESSURE FROM MANY QUARTERS ON THE US, JAPAN AND GERMANY TO DO MORE, NOT FULLY REFLECTED IN THE COMMUNIQUE. GREAT CONCERN ABOUT PROTECTIONISM AND BILATERALISM IN TRADE BUT NO PRESSURE FOR 'EARLY HARVEST' IN THE URUGUAY ROUND.

DETAIL

AGRICULTURE

2. THANKS TO GOOD ADVANCE PREPARATION BY THE OECD SECRETARIAT THE MEETING AGREED COMMUNIQUE LANGUAGE ON AGRICULTURE WHICH (DESPITE GERMAN RESISTANCE) IDENTIFIES THE NEED TO REDUCE PRICE SUPPORT: REFERS TO A STANDSTILL ON NEW MEASURES WHICH WOULD GENERATE FURTHER SURPLUS PRODUCTION OR TRADE TENSIONS: AND GENERALLY POINTS TOWARDS MARKET-BASED SOLUTIONS. THOUGH THE COMMITMENTS ARE IMPRECISE IN PLACES, THEY COULD FORM THE BASIS FOR FURTHER ADVANCES ON AGRICULTURE AT THE VENICE SUMMIT, PARTICULARLY IF THE AMERICANS TAKE A MORE CONSISTENT LINE THAN THEY HAVE DONE HERE.

3. YOU URGED ALL TO RECOGNISE THE ROLE OF GOVERNMENT POLICIES IN CREATING THE PRESENT OVER-SUPPLY. YOU WARNED JAPAN (AND OTHERS) AGAINST CLAIMING THAT THEIR AGRICULTURE WAS A SPECIAL CASE, SINCE THIS COULD ONLY FRUSTRATE THE NECESSARY REFORM. A JOINT EFFORT WAS NEEDED, IN THE FRAMEWORK OF THE URUGUAY ROUND NEGOTIATIONS, IN WHICH THE OECD'S PSES COULD PROVE USEFUL. THIS WOULD BE IN THE LONG-TERM INTERESTS OF THE FARMERS THEMSELVES.

DEBT AND DEVELOPING COUNTRIES

4. IT WAS AGREED TO SEEK URGENT SOLUTIONS TO AFRICAN DEBT PROBLEMS, IN LINE WITH THE PROPOSALS MADE BY THE CHANCELLOR OF THE EXCHEQUER AT WASHINGTON. THIS ATTRACTED MORE ATTENTION THAN THE DEBT PROBLEMS OF MIDDLE INCOME COUNTRIES.

CONFIDENTIAL

MACROECONOMIC.

MACROECONOMIC POLICY

5. THOUGH SECRETARY BAKER SPOKE IN PLENARY OF GERMANY AND JAPAN 'TAKING UP THE SLACK', THE THREE LARGEST COUNTRIES SEEMED TO HAVE AN IMPLICIT NON-AGGRESSION PACT TO AVOID PRESSURE ON THE OTHERS FOR NEW COMMITMENTS TO POLICY CHANGE. SO THE COMMUNIQUE DOES NOT REFLECT THE WIDESPREAD UNEASE ABOUT THE PRESENT STATE OF THE WORLD ECONOMY AND THE HUGE EXTERNAL IMBALANCES. YOU DREW ATTENTION TO THE SUSTAINED GROWTH IN THE UK ECONOMY AS A GOOD EXAMPLE OF THE FRUITS OF STRUCTURAL ADJUSTMENT.

TRADE

6. THE APPROACH TO GATT NEGOTIATIONS DID NOT CREATE PROBLEMS, SINCE THE UNITED STATES AGREED NOT TO PRESS FOR A MID-TERM PACKAGE, FOCUSING ON AGRICULTURE, IN THE URUGUAY ROUND. THE MINISTER FOR TRADE STRESSED THE DANGERS OF GROWING PROTECTIONISM AND BILATERAL TREATMENT OF TRADE ISSUES, SINGLING OUT JAPAN. MANY OTHERS, INCLUDING DE CLERQ (EC COMMISSION), ECHOED HIS CONCERNS.

7. MORE DETAILED REPORT FOLLOWS. COMMUNIQUE BY HAND OF OFFICIALS ATTENDING MEETING AND BY FAX TO ADAMS (ERD).

8. FCO ADVANCE TO:

FCO: - PRIVATE SECRETARY, BRAITHWAITE, MAUD, SHEPHERD (ECD(E)), RICHARDSON, ADAMS (ERD).

TSY: - PS/CHANCELLOR OF THE EXCHEQUER, LITTLER, PICKFORD, EVANS.

DTI: - PS/SECRETARY OF STATE, PS/MINISTER FOR TRADE, HUTTON, MADELIN.

MAFF: - SIR M FRANKLIN, ANDREWS, SIMMONDS.

BAYNE

YYYY

FCO PASS TO SAVING ADDRESSEES. [REPEATED AS REQUESTED]

UDPCAN 0097

FRAME EXTERNAL
ECD(E)
ERD
NEWS D.

(ADVANCED AS REQUESTED)

010

cc PC

UNITED KINGDOM DELEGATION TO THE
ORGANISATION FOR ECONOMIC CO-OPERATION
AND DEVELOPMENT
19, rue de Franqueville,
75016-PARIS
Telephone : 524.98-28

3 January 1986

M L Tait Esq., LVO
Economic Relations Department,
Foreign and Commonwealth Office,
LONDON SWI

CDP.
6/1

Dear Michael

OECD: TWENTY-FIFTH ANNIVERSARY

I enclose a copy of the Secretary-General's acknowledgement of the Prime Minister's letter to him on the occasion of the 25th anniversary of the signature of the OECD Convention. The original of Mrs Thatcher's letter was of course passed to M. Paye as soon as it arrived.

Yours ever

Tim George

T J B George

cc: C D Powell Esq.,
10 Downing Street,
LONDON SW1

Entm.

OCDE

ORGANISATION DE COOPÉRATION
ET DE DÉVELOPPEMENT ÉCONOMIQUES

OECD

ORGANISATION FOR ECONOMIC
CO-OPERATION AND DEVELOPMENT

Téléphone : 524 82.00

Télégrammes : DEVELOPECONOMIE
Télex: 620160 OCDE PARIS

2, rue André-Pascal
75775 PARIS CEDEX 16

Le Secrétaire général
The Secretary-General

JCP/85.505

Paris, 26th December 1985

Dear Ambassador,

I should like to express my thanks and those of the Organisation as a whole for the message of congratulation on the occasion of the 25th anniversary of the signature of the Convention of the OECD. It is a source of great satisfaction that your Government, together with so many others, has marked the occasion in this way, recognising the Organisation's achievements during its first quarter-century and expressing confidence for the future.

May I ask you to convey my sincere thanks to The Right Honourable Margaret Thatcher for her message.

Yours sincerely,

Jean-Claude Paye

Letter to ERD

His Excellency
Mr. Nicholas P. Bayne, CMG
Head of the Permanent Delegation of the United Kingdom
to the OECD
19 rue de Francqueville
75016 PARIS

010

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RESTRICTED

UNITED KINGDOM DELEGATION TO THE
ORGANISATION FOR ECONOMIC CO-OPERATION
AND DEVELOPMENT
19 RUE DE FRANQUEVILLE, PARIS 16E
TELEPHONE 524.98.28

20 December 1985

M L Tait Esq LVO
ERD
FCO

Prime Minister
Per information
MCA 23/12

Dear Michael,

MT

TWENTY-FIFTH ANNIVERSARY OF OECD

The OECD celebrated the twenty-fifth anniversary of the signing of its founding Convention on 18 December with a commemorative Council and a reception at the Quai d'Orsay.

2. I am very grateful for your helpful response to my letter of 10 December about this event. The Prime Minister's message to Jean-Claude Paye arrived in time to be circulated at the Council, together with high level messages received from the great majority of member governments. I shall deliver the signed letter as soon as it arrives.

3. The commemorative Council was a model of economy in both time and resources, lasting less than an hour and including formal approval of the Budget for 1986. There were short speeches from the Secretary General, the Dean, the Chairman of the Executive Committee, the French Ambassador (as host country) and the Chairman of the Staff Association. Paye's remarks covered briefly the history of the organisation as the successor to OEEC. He ended by picking out three major problems which he saw as facing OECD in future:-

a) the trend of employment in the Member Countries;

b) the rôle of the State in the OECD economies;

c) the international economy, specifically the interaction of the OECD with other countries and regions.

The Chairman of the Executive Committee (the Danish Ambassador) and the Chairman of the Staff Association covered current organisational issues from their respective viewpoints.

4. The reception was given in the opulent Salon de l'Horloge,

/where

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where the Convention was signed on 14 December 1960. M. Dumas, the French Foreign Minister, was the host, but being indisposed was not present in person.

5. The Organisation received an unwelcome birthday present in the form of a waspish article by Stephen Marris in the "Tribune de l'Economie", summarised in the Financial Times on 19 December. He claimed that OECD had lost much of its influence. Its forecasts dared not say anything or hid their message so well that only the authors could read it. He suggested a new rôle for OECD as the secretariat for the economic summits.

6. Marris' attack reflects his failure to mould the OECD to his image while he was here. David Henderson's presentation of the December Economic Outlook to the press on 19 December followed his usual cautious, unassuming style.

7. In all these events of the past week the Organisation has adopted a very low public profile. The anniversary celebrations were muted, even a bit lugubrious. There were no grand claims of what it had achieved in the past or what it could do in the future. In a sense, this suits the style of the Organisation and its present Secretary General. But sometimes, I must confess I wish the Organisation had more fire in its belly.

Yours ever,

Nicholas

N P Bayne

cc: C D Powell Esq, 10 Downing Street
M C Scholar Esq, HM Treasury
J Odling Smee Esq, HM Treasury

cc PC

Foreign and Commonwealth Office

London SW1A 2AH

5 February, 1985

NBPM
CDP
57

Dear Charles,

Visit of M. Paye, Secretary-General of the OECD

M. Paye visited London from 22-25 January and called on the Prime Minister on 25 January. The Secretary-General has now written to the Prime Minister to express his appreciation (letter enclosed).

Yours ever,

Colin Budd

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street

OCDE
ORGANISATION DE COOPÉRATION
ET DE DÉVELOPPEMENT ÉCONOMIQUES

OECD
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Télex: 620160 OCDE PARIS
2, rue André-Pascal
75775 PARIS CEDEX 16

Le Secrétaire général
The Secretary-General

JCP/85.51

30th January, 1985

Dear Prime Minister,

I am writing to say that I was honoured that on the occasion of my first official visit to London I was able to call on you.

I greatly enjoyed our conversation and hearing from you on the developments in the British economy. The visit to London was my first official visit as Secretary-General of the O.E.C.D. The programme could not have been better. Both from the point of view of the number of meetings and the value for me of each of them, the visit has set a standard that other countries will find very hard to match.

Yours sincerely,

J.C. Paye

The Rt. Hon. Margaret Thatcher, F.R.S., M.P.,
Prime Minister,
London.

SUBJECT.
cc MASTER JR2AAF
bcPC

10 DOWNING STREET

From the Private Secretary

25 January 1985

PRIME MINISTER'S MEETING WITH SECRETARY GENERAL OF OECD

The Prime Minister met M. Paye this morning. Their discussion was of a general nature and does not require recording in any detail. The Prime Minister told M. Paye that her message to the OECD was that it must not shirk fundamental economic problems and choices but address them boldly.

The Prime Minister was impressed with M. Paye and sees every reason to expect him to be an effective Secretary General.

I am copying this letter to Rachel Lomax in HM Treasury.

(C.D. POWELL)

C.R. Budd, Esq.,
Foreign and Commonwealth Office.

PRIME MINISTER

Meeting with Secretary-General of the OECD

M. Paye will come alone. There is no specific business for the call: it is for M. Paye to introduce himself.

You will want to give him a short account of your views on economic policy and encourage the OECD to do policy-oriented work.

You might also raise protectionism and the case for a new GATT round; and ask about his review of OECD's priorities.

Brief attached.

CDP.

C. D. POWELL

24 January, 1985

Foreign and Commonwealth Office

London SW1A 2AH

22 January, 1985

Dear Charles,

Visit of OECD Secretary-General: Briefs for the Prime Minister

I enclose briefs for the call by M. Jean-Claude Paye, Secretary-General of the OECD, on the Prime Minister at 10 am on Friday 25 January.

As agreed, M. Paye will be unaccompanied for his call.

I am sending copies of this letter and the enclosure to Richard Hatfield (Cabinet Office).

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

C D Powell Esq
10 Downing Street

OFFICIAL VISIT TO THE UNITED KINGDOM BY THE SECRETARY-GENERAL OF THE OECD: 22-25 JANUARY 1985

CALL ON THE PRIME MINISTER, 10.00 am, 25 JANUARY 1985

Points to Make

1. OECD has our support. Is valuable forum for consultation and source of research. But to be effective must avoid dispersal of effort and retain sharp focus on most important issues. Must concentrate on the central issues of economic policy and progress now facing us. Welcome, therefore, review of Organisation's priorities. All organisations need regular review.

2. Budgetary constraints will remain for all of us and will involve difficult choices, nationally and internationally.

3. April Ministerial should carry on from where last year's Ministerial meeting and London Summit left off. Need to keep attention on the pressing need for budgetary discipline - including in the United States; to maintain our resistance to protectionism; to stress need for structural adjustment.

4. Encouraged by some recent papers on structural and fiscal issues, e.g. that produced last February by the OECD on the growing burden of public expenditure and the case made for reducing the burden. Value work being done on structural rigidities, particularly labour markets. Important that OECD produces practical, policy-oriented work.

5. OECD can have a valuable role in explaining the disadvantages of protectionism and encouraging greater understanding of the need to liberalise trade and obtain commitments from governments.

6. (If raised) Recognise serious difficulties facing developing countries, in particular sub-Saharan Africa, and thus for OECD to give attention to these issues.

Essential Facts

1. M. Paye's first official visit since appointment as Secretary-General of OECD on 1 October 1984. The purpose of the visit is to make contact with those members of the Government and senior officials involved in OECD matters, and to gain an impression of the direction which HMG would like to see taken by the Organisation in its future work and at the April Ministerial meeting.

2. M. Paye will probably concentrate on the current review of the OECD's priorities, a paper concerning which has been discussed by Heads of Delegation and by senior economics officials from Foreign Ministries. Our aim in the review is to produce a leaner, more effective and more focussed organisation. There is room for considerable pruning of the OECD bureaucracy but intergovernmental differences on priorities will make radical change difficult to achieve.

3. We would like to see renewed emphasis on the economic side of the Organisation's work rather than education, environment etc, particularly in areas which are politically difficult for governments and where international research and comparison can make an effective case, as in the papers on the burden of government expenditure.

4. We also wish to emphasise the trade sectors. The OECD Secretariat are currently taking a new initiative to bring forward a Ministerial statement on the disadvantages of protectionism.

5. Mme Paye, a senior official at the French Ministry of National Education, is accompanying her husband to London.

Attachments:

A. Background note on OECD

B. Personality note on M. Paye

C. Programme

OFFICIAL VISIT TO UK BY SECRETARY-GENERAL OECD:
22-25 JANUARY 1985

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT (OECD)

Background Brief

ROLE

1. The OECD is largely a deliberative body. It is the only inter-governmental organisation specialising in the full range of international economic issues and is composed exclusively of the 'Western' group of industrialised countries (plus Turkey and, as a special status member, Yugoslavia). A list of members is attached.

2. The OECD is a respectable and objective research body which directs its efforts towards the major policy issues facing governments. Considerable effort is made to avoid duplicating the work of other bodies, largely successfully. The OECD is one of the more effective and cost-effective international organisations.

ACTIVITIES

3. The sectoral committees of OECD cover a wide range of subjects. The central areas of interest are macro-economics and financial affairs, trade, energy - the International Energy Agency (IEA) and Nuclear Energy Agency (NEA) are organically linked - and relations with developing countries.

STRUCTURE

4. The OECD's chief executive is its Secretary-General, assisted by a multinational Secretariat. The directing authority is the Annual Ministerial Meeting, normally held in May. The Chancellor and an FCO or Trade Minister usually attend from the UK. Ministerial meetings on particular subjects are also held from time to time.

5. Control by member governments is exercised, at official level, by the OECD Council (on which all Ambassadors sit) and by the Executive Committee (consisting of fourteen annually designated Council members). The Executive Committee prepares the work of the Council and sees that its decisions are implemented. The third central body of officials is the Executive Committee in Special Session (ECSS), attended by Economic Directors from Foreign Ministries, where wider policy issues can be discussed.

6. Each OECD sectoral activity (eg. macro-economics, trade, industry) is supervised by a sectoral committee of officials. HMG is represented by the lead Whitehall Department concerned.

BUDGET

7. The UK contribution to the OECD budget last year was around £4.4 million, out of total budget of about £63 million. The bulk of the UK contribution, £3.2 million, comes from the FCO to finance core (Part I) activities and capital works. Part II activities consist mainly of research activities and the IEA: they are financed by the ead Whitehall departments involved.

8. Member countries have been generally successful in keeping the OECD budget under control. The UK has played a leading role in seeking savings. Over the last two or three years, the budget has been kept to virtually zero real growth.

Economic Relations Department
January 1985

1100	Call on The Rt Hon Paul Channon, Minister for Trade
1205	Call on The Hon William Waldegrave, Parliamentary Under-Secretary for the Environment
1245 to 1300	Lunch hosted by Mr Malcolm Rifkind, Minister of State, FCO, at Carlton Gardens
1515	Call on Sir Peter Middleton, Permanent Secretary to the Treasury, and Sir Terence Burns, Head of the Government Economic Service and Chief Economic Adviser to the Treasury
1545	Call on The Rt Hon Peter Rees, Chief Secretary to the Treasury
1615	Call on The Rt Hon Nigel Lawson, Chancellor of the Exchequer (at No 11)
1700	Call on Mr Norman Willis, General Secretary, TUC
	Evening Free

<u>25 January</u>

0800	Breakfast with Mr Knight, Editor of the Economist (hotel)
0915	Call on Sir C Tickell, Permanent Secretary, ODA
1000-1045	Call on The Rt Hon Margaret Thatcher, Prime Minister
1130	Call on The Rt Hon Peter Walker, Secretary of State for Energy
1245	Call on Mr McMahon, Deputy-Governor, Bank of England
1315	Lunch to be hosted by Mr R Leigh-Pemberton Governor, Bank of England
	Depart early evening

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CCPL

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5/xi.

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

5 November 1984

L V Appleyard Esq
Private Secretary to the
Secretary of State for Foreign and Commonwealth Affairs

Dear Len

Thank you for copying to me your letter of 31 October to Charles Powell. The Chancellor would be happy to see M. Paye for half an hour on the 24 January at 3.00 p.m. Sir Peter Middleton and Sir Terence Burns would also welcome the opportunity to meet with M. Paye and would be available for half an hour at 3.30 p.m. following the meeting with the Chancellor. I would be grateful for confirmation that these times fit into the diary you are putting together for M. Paye's visit.

I am copying this letter to Charles Powell, Sir P Middleton and Sir Terence Burns.

Yours ever
David

D L C PERETZ
Principal Private Secretary

PM Oct 84

Mtgs with Van Lennep

OECD Sec Gen

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10 DOWNING STREET

From the Private Secretary

1 November 1984

Official Visit to the UK by the Secretary General of the OECD

Thank you for your letter of 31 October about the visit of M. Paye, the new Secretary General of the OECD.

The Prime Minister agrees to see him at 1000 on Friday 25 January. However, she wishes to put on record that this will be the only occasion on which she will see him during his period of office.

I am copying this letter to David Peretz (HM Treasury).

(C.D. POWELL)

L.V. Appleyard, Esq.,
Foreign and Commonwealth Office.

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(1)

Foreign and Commonwealth Office

London SW1A 2AH

Prime Minister
I think that you ought to see him. Agree?
CD 31/x

— This one — no

31 October 1984

Dear Charles,

Official Visit to UK by Secretary General of the OECD

M. Paye, the new Secretary General of the OECD, has accepted our invitation to visit the United Kingdom and the dates tentatively agreed are 23-25 January 1985. During his visit he would like to call on the Prime Minister, the Foreign Secretary and the Chancellor of the Exchequer.

You will recall that in your letter of 10 July to Roger Bone you mentioned that the Prime Minister was expecting to receive M. Paye and I should be grateful if you could let me know whether she would be able to do this between 23-25 January. As the call on the Prime Minister will be the high point of M. Paye's visit it would be preferable if he could call on her towards the end of it. I should also be grateful if David Peretz could let me know whether the Chancellor would be available for a call.

M. Paye was appointed as Secretary General on 30 September and an early visit will provide a useful opportunity to present United Kingdom policy, to influence his thinking on the role of the OECD and to assure him of our support for him as its Secretary General.

I am copying this letter to David Peretz (HM Treasury).

Yours ever,

Len Appleyard

(L V Appleyard)
Private Secretary

C D Powell Esq
10 Downing Street

Prime Minister: PM's Meeting with V. Lenep. Oct '82

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CDP
27/7

70 WHITEHALL, LONDON SW1A 2AS

01-233 8319

From the Secretary of the Cabinet and Head of the Home Civil Service

Sir Robert Armstrong GCB CVO

Ref. A084/2168

27 July 1984

Dear Geoffrey,

Thank you very much for your letter of 24 July about the idea that Van Lennep might visit London in September. will request if required

I have no doubt that Van Lennep will be gratified that we have taken very seriously the idea of inviting him to London for a farewell visit, and I certainly think that he should be satisfied by what has been done. Thank you very much.

I am sending copies of this letter to Charles Powell and Roger Bone.

Yours ever

Robert

J G Littler Esq CB

PM 1982: Visits of Van Lennep

8

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25/7.

H M Treasury
Parliament Street London SW1P 3AG
Switchboard 01-233 3000
Direct Dialling 01-233 .....

J G Littler CB
Second Permanent Secretary

Sir Robert Armstrong GCB CVO
Cabinet Office
70 Whitehall
LONDON
SW1A 2AS

24 July 1984

Dear Robert

You wrote on 10 July to Peter Middleton, who is away this week, suggesting that the Chancellor might invite Van Lennep to London in September.

2. The Chancellor would have been willing to do this, but knowing that his diary is more than half blocked in September by international meetings, and having heard that Van Lennep himself would be in some difficulties, I thought I would take the opportunity of making enquiries myself in Paris last week.

3. It emerged that Van Lennep is already away or committed during the time when the Chancellor would be free, and also that Van Lennep is not himself going to be in Washington during the week when the Chancellor will be there. We must therefore rule out the possibility of an invitation to London. Indeed, when I saw Van Lennep privately myself for half an hour (of quite interesting and useful discussion about the OECD role), I checked on all this and said that the Chancellor would be disappointed not to have a chance of seeing him again, and said that I was sure he would want me to convey his regrets and very best wishes.

4. I think we might arrange - I will check this with the FCO - that the Chancellor should send him a nice letter towards the end of September.

5. I am copying this to Charles Powell (No. 10) and Roger Bone (FCO).

Yours sincerely, Geoffrey

J G LITTLER

file

bc

bc PC

10 DOWNING STREET

From the Private Secretary

10 July 1984

Visit to the United Kingdom
by the OECD Secretary General

Your letter of 4 July gave advice on the suggestion made by Sir Robert Armstrong that Mr. van Lennep should be invited to pay a farewell visit to the United Kingdom.

The Prime Minister feels that, since she saw Mr. van Lennep as recently as February and is expecting to see his successor in the Autumn, she would not wish to see him again now. However, she would certainly have no objection if the Chancellor wished to invite him, though again she would not think it necessary to see him herself.

Perhaps I could leave this to be settled between the Foreign and Commonwealth Office, the Treasury and Sir Robert Armstrong.

I am copying this letter to David Peretz (HM Treasury) and to Richard Hatfield (Cabinet Office).

C.D. Powell

Roger Bone, Esq.,
Foreign and Commonwealth Office

(1)

Ref. A084/1949

MR POWELL

The Foreign and Commonwealth Secretary's Private Secretary sent me a copy of his letter of 4 July about the possibility of a visit to the United Kingdom by the retiring OECD Secretary General.

2. I know that we did Mr van Lennep the honours as recently as January. But he is a great and lifelong anglophile, and it was clear from the conversation which I had with him that he set great store by an invitation to a farewell visit to London. Given that he is to visit Washington and Tokyo, and the German Ministers are to visit him in Paris, and the French Foreign Minister intends to offer farewell entertainment in Paris, it seems to me that we are in danger of not only appearing to be but actually being less forthcoming than other leading OECD countries if we do not invite him to come to London. I cannot claim that a visit would produce a major political dividend, but I do think that it would be ungenerous, in view of his long record, not to invite him.

The Chancellor, can invite him not

RC

Approved by
ROBERT ARMSTRONG
and signed in his absence

6 July 1984

Prime Minister

You saw Mr. van Lennep in February. His successor will want to pay you an early visit in the autumn. The French are only entertaining him because he is based in Paris. FCO & Treasury see no need for you to see him again. Agree not invite him?

CDP 9/7.

Foreign and Commonwealth Office
London SW1A 2AH

4 July 1984

Dear Charles,

Visit to the United Kingdom by
the OECD Secretary-General

Thank you for your letter of 19 June in which you asked advice about the possibility of the OECD Secretary-General paying a visit to the United Kingdom before he retires on 30 September. This was raised in Sir Robert Armstrong's minute of 18 June recording his visit to Paris to brief OECD Heads of Delegation on the London Economic Summit.

Mr Emile van Lennep visited the United Kingdom at our invitation in January this year and had a full programme arranged for him, including calls on the Prime Minister, the Foreign Secretary and the Chancellor of the Exchequer. At present he plans to pay farewell visits only to Washington and Tokyo and to two or three smaller OECD countries. Apparently, German Ministers intend to visit Paris to say farewell to him there and M. Cheysson intends, as the representative of the host country, to offer some form of farewell entertainment.

In these circumstances we do not consider that we need extend an invitation to Mr van Lennep. If, however, his planned programme of visits were significantly augmented with visits to other major capitals we might need to reconsider this advice in order not to appear to be less forthcoming than other leading OECD member countries.

We would, however, recommend that we invite M. Jean-Claude Paye, who takes over from Mr van Lennep on 1 October, to visit the United Kingdom this year or early next. We would probably wish to give him the sort of high level programme which we arranged for Mr van Lennep earlier this year.

I am sending copies of this letter to David Peretz (HM Treasury) and Richard Hatfield (Cabinet Office).

Yours ever
Roger Bone

(R B Bone)
Private Secretary

C D Powell Esq
10 Downing Street

PM : Van Lennep Oct 82.

cc P.C. J.

10 DOWNING STREET

From the Private Secretary

19 June 1984

Dear Len,

Possible Farewell Visit by OECD Secretary General

Sir Robert Armstrong's minute of 18 June recording his visit to Paris to brief OECD Heads of Delegations on the outcome of the London Economic Summit refers to the retiring Secretary General's wish to be invited to pay a farewell visit to London.

BF

I shall be grateful for advice on whether it is intended to issue an invitation and, if so, whether it will be necessary for the Prime Minister to see van Lennep. It might be more useful to save a call on the Prime Minister for the incoming Secretary General who will no doubt wish to visit London in the autumn.

I am copying this letter to David Peretz (HM Treasury) and Richard Hatfield (Cabinet Office).

Yours sincerely

Charles Powell

Len Appleyard Esq
Foreign and Commonwealth Office.

JR

OCO

Ref. A084/1763

MR POWELL

London Economic Summit: Briefing OECD

I visited Paris on Wednesday 13 June for the purpose of briefing OECD Heads of delegation about the outcome of the London Economic Summit.

2. I do not think that there is anything special to report to the Prime Minister on the briefing. One of OECD's principal concerns was at the remits given both to Ministers and to the Versailles Working Group on Technology, Growth and Employment on the problems of the environment. The OECD is doing its own work in this area, and those countries who were not represented at the Summit were apprehensive that they would be left out of the work done as a result of the Summit initiatives. I hope that I was able to reassure them that:

(a) the remit to Ministers, though formally to Ministers of Summit countries, did not exclude wider consultation and co-operation;

(b) the Versailles Working Group is under a standing remit to keep in close touch with OECD on its work.

3. After the meeting, the retiring Secretary General, Mr Emile van Lennep, took me on one side to remind me that he retires in September. He made it clear that he would very much welcome an invitation to come to London for a farewell visit, during the course of which he could take his formal leave of the Prime Minister, the Foreign and Commonwealth Secretary and the Chancellor of the Exchequer. It seems that a number of other OECD countries are inviting him for such farewell visits; and Mr van Lennep has always held the British in especially high regard.

4. You will wish to consider with the Foreign and Commonwealth Office and the Treasury what if any action to take on this.

5. I am sending copies of this minute to the Private Secretaries to the Foreign and Commonwealth Secretary and the Chancellor of the Exchequer.

RTA

ROBERT ARMSTRONG

18 June 1984

OCDE

ORGANISATION DE COOPÉRATION
ET DÉVELOPPEMENT ÉCONOMIQUES

OECD

ORGANISATION FOR ECONOMIC
CO-OPERATION AND DEVELOPMENT

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2, rue André-Pascal
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Le Secrétaire général
The Secretary-General

EL-4152

3rd February, 1984

Copy to Mr. Done
Mr. Kerr
Mr. Halfield

Prime Minister.

e p.a. A.J.C. 13/2

A.J.C. 13/2.

Dear Prime Minister,

I am writing to say how much I enjoyed our conversation last week. It was very encouraging for me to see how closely you have been following our work here on social expenditures and longer-term economic prospects.

I, too, hope that our two February meetings can come out with a clear and helpful message for governments. I am confident that I will have the support of your representatives at these meetings in trying to achieve this.

I have also made it clear that I am at the disposal of your representatives to discuss any aspects of the follow-up to these meetings which may be relevant to the meeting of Heads of State or Government over which you will be presiding in June.

Yours sincerely,

E. van Lennep

The Rt. Hon. Margaret Thatcher, M.P.,
Prime Minister,
10, Downing Street,
London.

cc MASTER.

FILE

LR/RW

Mtg record.

10 DOWNING STREET

From the Private Secretary

24 January 1984

VISIT OF OECD SECRETARY GENERAL

Mr. Van Lennep called on the Prime Minister at 0935 today. Sir Crispin Tickell was also present.

The Prime Minister said that she was glad that the OECD would be opening up a debate at its February symposium on the costs of the welfare state. These costs were rising rapidly everywhere and must be controlled. She had looked at the papers prepared for the February meeting. It was difficult for national governments to start a debate on this subject. Papers tended to be leaked and to distort the discussion. So it was very helpful that the OECD was itself initiating the discussion. She very much hoped that the meeting would be fully reported in the media. Mr. Van Lennep said that he believed that there would be adequate publicity. He also hoped that OECD would obtain from the meeting a clearer mandate for continued work on these issues. Different countries had differing experiences but Japan was as concerned as the United Kingdom or the Netherlands about the problem of rising welfare costs. Japanese demography would make it very difficult for its present welfare system to be continued after 1990.

The Prime Minister invited Mr. Van Lennep to give his impressions of the world economy. He said that for the first time the out-turn in 1983 had been better than OECD had predicted - better on growth, inflation, trade and employment. As for 1984, he saw a considerable difference between the United States where recovery would continue and Europe where it would remain sluggish. In Europe we had still not created the full conditions for sustained growth either in the public sector or in the private sector. In the latter the profitability of employment-creating investment was still not assured. We needed to continue to work on the functioning of the private sector.

The Prime Minister asked whether one international organisation could properly criticise another. She had in mind the ILO Wages Councils which sometimes kept wages up artificially. Mr. Van Lennep said that he had publicly stated two years ago that the social merits of wage regulation might be apparent so long as the market was ready to follow the various regulatory devices.

/But in a period

NR.

But in a period of recession the market would not follow and in those circumstances the burden of unemployment fell most heavily on the young. He thought that we should increasingly see "jobless growth". The Prime Minister said that presumably there had been such a phenomenon when new technologies had been introduced in the past. Mr. Van Lennep commented that in the short-term new technology tended to destroy jobs but in the longer term to create them. In early February an OECD meeting would consider structural changes in employment and the question of what kind of labour market policies were appropriate for periods of rapid technological change which coincided with a recession or a period of slow growth. Another idea underlying the meeting was that it was time to ask whether it was still true that planning and intervention had a role to play in the industrial democracies or whether it would be best to leave things to the free market. His own answer was that the industrial democracies should move to more market-oriented economies. People sometimes made the mistake of citing Japan as an example of successful intervention. But in fact most Japanese economists agreed that the interventionist policies pursued since the end of the war had been misguided. The industrial policies adopted by many European countries were unsound. There was no evidence that governments had taken better decisions than private firms. Another theme of the February conference would be that of the flexibility of markets. He hoped that the February conference and the OECD Ministerial Meeting in May would produce suitable themes for discussion at the June Economic Summit.

Turning to the US economy, the Prime Minister said that she felt that the dollar must come down in value in due course. The Americans were unlikely to tackle the budget deficit this year. Mr. Van Lennep said that Europe should recognise that the United States had been the only country with sufficient courage deliberately to reduce taxation and show the public what the consequences of this step must be for public expenditure. The Prime Minister said that she was not sure that "courage" was the appropriate term. A similar move had been made in the United Kingdom in 1973 and it had landed us in severe inflation.

Mr. Van Lennep suggested that the issue of trade and protectionism would also be another important matter for OECD discussion in the coming months. He wanted a decision in May on the first phase of the roll-back of protectionism (despite French reservations on even minimum steps) and some forward look at the second phase. We ought to study the relationship between domestic subsidies to industry and GDP. The percentage had increased substantially over the years. Such subsidies should be terminated as recession ended. But this needed a collective effort. Taking up a reference by the Prime Minister to steel problems, Mr. Van Lennep said that these were special. We had to muddle through the coming years in order to avoid the collapse of the steel industry. But somehow we had to work to bring other industries such as shipbuilding and agriculture to the market.

/The Prime Minister

The Prime Minister referred to the changing pattern of world trade and the tendency of the older industries to move East where the countries concerned did not incur the overhead costs caused by the welfare state. Mr. Van Lennep commented that we had induced those countries to move up market by closing to them our own markets for traditional goods such as textiles. This had led, e.g. Korea, to ignore textile production and proceed straight to shipbuilding and areas of high technology. Singapore had done the same. Western policy had been wrong. We ought to open our markets to the less sophisticated products.

With regard to Japan, the voluntary restraint arrangements which limited their exports to Europe were misguided. They enabled the Japanese to sell a guaranteed market share at higher prices than they could otherwise obtain - and this arrangement subsidised their sales to cheaper markets. Again, in the next few years we must return to the market. Even in agriculture, there were possibilities for freer trade on condition that everybody acted together. There had to be decisive moves away from primitive, inward-looking agricultural policies. Some margin had to be left to the less developed countries for those agricultural products where they had a comparative advantage.

In conclusion, Mr. Van Lennep repeated his view that the focus of Western economic discussion should not be on whether economic growth would be two or three per cent this year, but on whether the markets were adequately preparing themselves for job-creating industries.

I am copying this letter to John Kerr (H.M. Treasury), Callum McCarthy (Department of Trade and Industry) and Ivor Llewelyn (Ministry of Agriculture, Fisheries and Food).

Peter Ricketts, Esq.,
Foreign and Commonwealth Office.

Foreign and Commonwealth Office

London SW1A 2AH

23 January 1984

Dear John,

Official Visit to UK by Secretary-General, OECD
22-26 January

Jonkheer Emile van Lennep, Secretary-General of OECD, is visiting the UK from 22-26 January on the invitation of H M Government. This will be van Lennep's last trip to this country before he retires in September after fifteen years in office. His last official visit took place in 1971.

A / I enclose a copy of the programme. The Prime Minister has agreed to see van Lennep at 9.30 a.m. on Tuesday, 24 January. The Foreign Secretary will be in Brussels at that time, but is giving him lunch on 25 January. Sir Crispin Tickell, Deputy Under-Secretary at the FCO, will be available if required to attend the Prime Minister's meeting.

In his talks with the Prime Minister, van Lennep will be particularly keen to ensure that the OECD Ministerial Meeting in May should fit in with the Prime Minister's approach to the Economic Summit. He is expected to focus upon international financial and trade matters, in particular the follow up to the Williamsburg Summit declaration on the rollback of protectionism and the role of developing countries in the economic recovery. The Prime Minister may wish to explain how she views the prospects for the London Economic Summit in the light of developments since Williamsburg. I enclose speaking and background notes for the Prime Minister's use. I also enclose a personality note on van Lennep, and a note on the role and organisation of OECD.

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C /
D /

I am copying this letter to John Kerr (Treasury), Callum McCarthy(Trade and Industry) and to Ivor Llewelyn (MAFF).

Yours ever,

Peter Ricketts

(R B Bone)
Private Secretary

A J Coles Esq
10 Downing Street

OFFICIAL VISIT TO UK BY JONKHEER EMILE VAN LENNEP,
SECRETARY-GENERAL OECD, 22-26 JANUARY 1984

Outline Programme

Sunday 22 January	1830	Arrive London Heathrow, Air France Flight No 818 Dinner with UK Permanent Representative to OECD
Monday 23 January	1000	Call on Mr Raison, Minister for Overseas Development
	1100	Call on Mr Jenkin, Secretary of State for the Environment
	1300	Lunch hosted by Bank of England
	1630	Call on Mr King, Secretary of State for Employment
	evening	Trip to Royal Opera House, Covent Garden
Tuesday 24 January	0930	Call on Prime Minister
	1030	Call on Mr Lawson, Chancellor of the Exchequer
	1230	Lunch hosted by Director General of CBI
	1530	Call on Mr Murray and Mr Basnett, TUC
	1630	Call on Mr Channon, Minister of Trade
	1715	Call on Mrs Fenner, Parliamentary Secretary for Agriculture
	evening	Trip to Royal Festival Hall

TPHAHA

Wednesday 25 January	0900	Call on Mr Tebbit, Secretary of State for Trade and Industry
	1000	Call on Sir G Howe, Secretary of State for Foreign and Commonwealth Affairs
	1130	Call on Mr Buchanan-Smith, Minister of State at Department of Energy
	1245	Official lunch hosted by Sir G Howe
	evening	Trade Policy Research Centre dinner
Thursday 26 January		Depart

TPHAHA

OFFICIAL VISIT TO UK BY SECRETARY GENERAL OECD 22-26 JANUARY 1984

CALL ON THE PRIME MINISTER: 9.30 am, TUESDAY 24 JANUARY

SPEAKING NOTES

(a) World Economy

1. Prospects for sustained growth and lower inflation more encouraging than for many years. Recovery now becoming more established, especially in North America. Europe lags behind despite good performance in UK and Germany. World trade expected to pick up sharply this year. Vital that trade recovery not inhibited by renewed protectionism. Sound progress made on inflation. Essential to maintain prudent monetary and fiscal stance.

2. But risks and uncertainties cannot be discounted. Interest rates too high. Budget deficits must be controlled. US special responsibility. Dollar exceptionally strong but US current account deficit could eventually undermine this.

3. Immediate problems of major debtors eased. Case by case approach justified. OECD recovery will be important factor. In longer term firm adjustment needed by debtors. Bunching of debt service payments in 1985/86 will need to be tackled. Increased direct investment could be great help in increasing resource flows to developing countries. Latter must create right climate for investment.

(b) UK Economy

4. Evidence of strength of UK economy continues to accumulate. GDP up 2.75% in first 9 months of 1983 compared with same period of 1982. Important factor is lower inflation boosting business and consumer confidence. Contribution foreseen (eg by OECD) in 1984 from export investment growth. Signs that rise in unemployment has

levelled off.

(c) Economic Summit

5. Not possible to predict yet precise subjects to be discussed at London Economic Summit in June. Want relaxed and wide-ranging discussion. Likely to focus on prospects for sustained recovery; progress on resisting and reversing protectionism; dealing with international debt problem; practical ways of improving the workings of the international financial system. Will also discuss problems faced by developing countries. As in 1983 hope that OECD Ministerial Meeting in May will signpost issues, especially on trade.

(d) Trade

6. The OECD Ministerial and Williamsburg commitments to halt and reverse protectionism must be honoured; welcome your initiative in September. The EC's December declaration on the first stage is a genuine, if modest, commitment to rollback of protectionist measures.

7. But depressing silence from most other OECD countries Rollback has to be reciprocal, especially by those with highest rates of economic recovery. Too early to make specific proposals on the second stage, although we shall urge the EC to adopt constructive position.

(e) Developing Country Issues

8. Prospects for developing countries enhanced by world recovery now firmly under way. Like us they need non-inflationary and therefore sustainable growth. Economic discussion at Commonwealth Heads of Government Meeting led to a Commonwealth Consultative Group to promote a consensus on the range of issues convered by the Delhi Economic Statement. Commonwealth informality and better atmosphere should be more productive than sterile confrontation.

(f) Agriculture

9. Reform of CAP essential. Must control surpluses both through budgetary constraints and through sensible reform of the various commodity regimes.

10. Also concerned about implications of EC agricultural policy for third countries including USA. Therefore resisting unilateral curbs on imports of cereal substitutes or an oils and fats tax; and looking at ways to reduce subsidy/protectionism in international agricultural trade.

(g) OECD Ministerial Meetings in February and May (if raised)

Paper for this meeting is in the attached folder.

11. Peter Rees, Chief Secretary to Treasury attending February OECD conference on longer-term economic performance. Longer-term focus is right approach in our view. Trust this emphasis will be maintained. OECD Ministerial Meeting in May is appropriate forum to give full consideration to short-term policies to sustain and develop recovery.

(h) Successor to Mr van Lennep (only if raised)

12. Will be sorry to see you go, important to secure smooth transition. Concerned no generally acceptable candidate has yet emerged. Decision by May Ministerial desirable. Have indicated that Sir Kenneth Couzens could be available. A very suitable candidate.

ESSENTIAL FACTS

(a) World Economy

1. Latest OECD assessment confirms improving economic prospects. We can broadly agree with Secretariat's forecasts for growth of 3½-4% in major countries this year with strong US (5%) and Japanese (4%) growth coupled with a more modest European recovery. World trade growth forecast at 5-6% this year. Inflation has fallen in major countries from over 12% in 1980 to 4½% last year but has now bottomed out. OECD expects US inflation to rise only slightly this year, with major OECD countries averaging around 5%.

2. Real interest rates in the US remain historically high. Firmer Fed monetary policy stance and vigorous growth have put short-term rates up to 9-9½%. Long-term bond rates now stand at 12%. US budget deficit is expected to remain just below $200 billion over the period to 1988, equivalent to 5% of GDP compared with 2% in 1970's. US current account has deteriorated sharply to an estimated $40 billion deficit last year. This year the deficit could exceed $80 billion. Japanese surplus around $20 billion expected to widen.

3. Increasing interest rate divergence has been one of factors behind the strengthening of the dollar. Dollar effective rate has risen by 4.2% since the start of 1980. European currencies have fallen to record lows agains the dollar. Non-oil developing countries have cut their current account deficits from around $80 billion in 1981 to $45 billion in 1983. Bank lending to non-oil developing countries slumped in 1982 and probably fell again last year. Not expected to pick up in the short-term.

(b) Trade

4. The Secretary-General wrote to OECD Foreign Ministers in September. Proposing a two stage procedure: simultaneous but unilateral measures by member states to relax trade restrictions, followed by a 3 year period of more systematic dismantling of measures. Initial reactions in the OECD Council were cautiously welcoming but unspecific. The EC's reply to the Secretary-General

referred to its own package. Sir Geoffrey Howe replied by reiterating need for EC to play its full part in efforts to implement OECD undertakings.

5. The EC will contribute to the first phase by advancing one stage of Tokyo round tariff cuts to 1 January 1985 and as far as possible eliminating quantitative restrictions on imports from LDCs, subject to an EC growth forecast for 1985 of 2% though we would have preferred no specific reference to economic growth.

6. Outside the EC only Japan has announced what it proposes to do in phase one of van Lennep's initiative. The Americans have told the EC that they will be introducing parallel rollback legislation in Congress soon. Reluctance of some countries to state how they intend to renounce protectionist measures may be intensified by Prime Minister Nakasone's proposal in November for a new round of wide-ranging multilateral trade negotiations. Van Lennep may resent the extent to which his thunder is likely to be stolen by a new GATT round. It is not yet clear whether he will come forward with his own suggestions for phase 2.

(c) Developing Country Issues

7. Mr van Lennep has recently stressed importance of developing world for OECD economies. They account for 25% of OECD exports. Commonwealth Consultative Group consists of Britain, Canada, Fiji, India, New Zealand, Tanzania, Trinidad and Tobago, and Zimbabwe, together with the Secretary-General (Mr Ramphal). First meeting in London on 16-17 January concentrated on procedures rather than on issues.

(d) Agriculture

8. The GATT Ministerial Meeting in the Autumn of 1982 set up a Committee on Trade in Agriculture to report in 1985 on all factors affecting agricultural trade. While the work of this committee is in progress, the OECD is not the best forum for further discussion: it may distract the attention of some countries who may prefer to opt out of the GATT instead of working towards liberalisation of

agricultural trade.

(e) OECD Ministerial Meetings in February and May

9. An OECD conference on the longer-term economic performance of OECD countries is to be held on 13-14 February. The Chief Secretary to the Treasury, Mr Rees, will attend and is expected to concentrate on the role of public expenditure. The idea of a special conference was first raised by M. Delhors at the 1983 Ministerial Meeting, through the then more shorter-term objectives for it. The Annual OECD Ministerial meeting in May traditionally sets the scene for the discussion on maco-economic and trade policy at the Economic Summit. Last year commitments were made at the OECD Ministerial (and Williamsburg) on resisting and reversing protectionism (paragraphs 3-5 above). Mr van Lennep will be concerned that the OECD Ministerial this year should contribute sensibly to the preparations for the Economic Summit.

(f) Successor to Mr van Lennep

10. Mr van Lennep may mention the question of the appointment of his successor. He is due to retire on 30 September 1984. No candidate has yet been formally proposed to succeed him. Last time, in 1981, Mr van Lennep's term of office was renewed when no generally accepted candidate was available. We are concerned to avoid a similar impasse on this occasion. In July 1983 the Prime Minister agreed that Sir Kenneth Couzens (Permanent Secretary, Department of Energy) should be floated as a possible UK official candidate. We have not actively lobbied in support of Sir Kenneth but we have indicated that, if it was thought that a senior official rather than a political figure would be appropriate, Sir Kenneth Couzens could make himself available. Reactions from other countries have only been lukewarm, No other serious candidate has yet emerged.

JONKHEER EMILE VAN LENNEP - BIOGRAPHICAL NOTE

1. As Secretary General of OECD, van Lennep, a Dutchman, presides over the meetings at official level of the OECD Council, composed of the Permanent Representatives of the Organisation's twenty-four member countries. He is also the representative of the Organisation in its relations with both member and non-member countries and with other international organisations.

2. Born 20 January 1915. Secretary-General of the OECD since 1 October 1969. For want of an agreed successor was given a further extension in 1983 for a half term, ie until 30 September 1984. He started his career in the Foreign Exchange Institute, and later joined the Netherlands Bank. In 1948-50 he was Financial Controller to the Dutch Representative in Indonesia. Before coming to OECD he was Treasurer-General of the Netherlands and, as such, was responsible for the formation of Dutch economic policy. He also acted as Chairman of the Monetary Committee of the EEC and Chairman of the OECD Economic Policy Committee's Working Party No 3, which deals with balance of payments questions.

3. He has the interests of OECD very much at heart and wishes to see it as the intellectual power-house of the industrialised world. Well disposed therefore to widening the Organisation's role in, eg studying East-West economic relations. He also sees value in the 'horizontal approach' to economic problems, and actively supports OECD involvement in policy questions related to, eg education, the environment, which are not always central to OECD's main task.

4. Van Lennep speaks good English.

OFFICIAL VISIT TO UK BY SECRETARY-GENERAL OECD:
22-26 JANUARY

ORGANISATION AND ROLE OF THE OECD

Background Brief

ROLE

1. The OECD is purely a deliberative body. It is the only inter-governmental organisation specialising in the full range of international economic issues and is composed exclusively of the 'Western' group of industrialised countries (plus Turkey and, as a special status member, Yugoslavia). A list of members is at Annex A.

2. The OECD is a respectable research body which directs its efforts towards the major policy issues facing governments. Considerable effort is made to avoid duplicating the work of other bodies, largely successfully. The OECD is one of the more cost-effective international organisations.

ACTIVITIES

3. The sectoral committees of OECD cover a wide range of subjects. The central areas of interest are macro-economics and financial affairs, trade, energy - the International Energy Agency (IEA) and Nuclear Energy Agency (NEA) are organically linked - and relations with developing countries.

/Structure

RLSAFA

STRUCTURE

4. The OECD's chief executive is its Secretary-General, assisted by a multinational Secretariat. The directing authority is the Annual Ministerial Meeting, normally held in May. The Chancellor and an FCO or Trade Minister usually attend from the UK. Ministerial meetings on particular subjects are also held from time to time.

5. Control by member governments is exercised, at official level, by the OECD Council (on which all Ambassadors sit) and by the Executive Committee (consisting of fourteen annually designated Council members). The Executive Committee prepares the work of the Council and sees that its decisions are implemented. The third central body of officials is the Executive Committee in Special Session (ECSS), attended by Economic Directors from Foreign Ministries, where wider policy issues can be discussed.

6. Each OECD sectoral activity (eg macro-economics, trade, industry) is supervised by a sectoral committee of officials. HMG is represented by the lead Whitehall Department concerned.

BUDGET

7. The UK contribution to the OECD budget last year was around £3.2 million, out of a total budget of about £52 million. The bulk of the UK contribution, £2.5 million, comes from the FCO to finance core (Part 1) activities and

/capital

capital works. Part II activities consist mainly of research activities and the IEA: they are financed by the lead Whitehall departments involved.

8. Member countries have been generally successful in keeping the OECD budget under control. The UK has played a leading role in seeking savings. Over the last two or three years, the budget has been kept to virtually zero real growth.

Economic Relations Department

20 January 1984

LIST OF OECD MEMBER COUNTRIES

Annex A

Australia
Austria
Belguim
Canada
Denmark
Finland
France
Germany
Greece
Iceland
Ireland
Italy
Japan
Luxembourg
Netherlands
New Zealand
Norway
Portugal
Spain
Sweden
Switzerland
Turkey
United Kingdom
United States
Special Status Country:
Yugoslavia

RLSAFA

Central Office of Information

With the compliments of

A.J.C.

Moya Willis

h.a.

Hercules Road, London SE1 7DU

Telephone 01 - 928 2345 Ext 748

OV2/6

Programme of arrangements made by the
Central Office of Information for the
Foreign and Commonwealth Office

Mr Emil VAN LENNEP
Secretary General, Organisation for Economic Co-operation and Development

Paris

FRANCE

22 - 26 January 1984

Accompanied by Mr K J Uffen CMG, United Kingdom Permanent Representative OECD
Mr Val Koromzay, Counsellor Planning and Liaison, Department of Economic Affairs and Statistics; and Mr Michael Robinson, Assistant Private Secretary; and Miss Nora Doogan, Central Office of Information.

Sunday 22 January	ARRIVAL IN BRITAIN
1830	Arrive London, Heathrow Airport on Air France flight AF 818.
	Received at the Hounslow Suite by Sir David Muirhead KCMG, CVO, Special Representative of the Secretary of State for Foreign and Commonwealth Affairs, Mr K J Uffen CMG, United Kingdom Permanent Representative, OECD and Miss Moya Willis, Central Office of Information.
	Continue in car with Mr Uffen and Miss Willis to the Hyde Park Hotel, Knightsbridge, SW1 (Tel: 01-235 2000) where accommodation has been reserved.
Later	Dinner in the hotel with Mr Uffen.
Monday 23 January	PROGRAMME DISCUSSION OVERSEAS DEVELOPMENT ADMINISTRATION DEPARTMENT OF THE ENVIRONMENT BANK OF ENGLAND LUNCH DEPARTMENT OF EMPLOYMENT ROYAL OPERA HOUSE
0930	Met in Mr Van Lennep's suite by Mr Dennis Smith, Director, Overseas Visitors and Information Studies, and Miss Willis, Programme Organiser, Central Office of Information for a brief discussion on the programme.
	Mr Peter Freeman, Assistant, Economic Relations Department, will represent the Foreign and Commonwealth Office.
0945	Leave hotel with Mr Uffen and Miss Nora Doogan, Central Office of Information who will accompany Mr Van Lennep to his appointments.
1000	Arrive at Overseas Development Administration, Eland House, Stag Place, SW1.
	Received by Rt Hon Timothy Raison MP, Minister of Overseas Development.
1040	Leave Stag Place in car.
1100	Arrive at the Department of the Environment (North Tower) Marsham Street, SW1.
	Received by Rt Hon Patrick Jenkin MP, Secretary of State for the Environment.
1200	Leave Marsham Street in car.
1230	Arrive at the Bank of England, Threadneedle Street, EC2.
	Received by Mr J S Flemming, Head, Economics Department.

Monday 23 January Cont'd

	Discussions with Mr Flemming, Mr L A Dicks-Mireaux, Special Adviser, Economics Department and Mr R D Clews, Adviser.
1300 for 1315	Lunch as guest of the Bank of England. Host: Mr C Williams McMahon, Deputy Governor.
1430 approx	Discussions with the Deputy Governor and Mr J C Dow, Adviser to the Governor.
Later	Leave Threadneedle Street in car.
1630	Arrive at the Department of Employment, Caxton House, Tothill Street, SW1. Received by Rt Hon Tom King MP, Secretary of State for Employment.
Later	Return to hotel in car.
1840	Leave hotel in car with Mr and Mrs Uffen.
1900	Arrive at the Royal Opera House, Covent Garden, WC1 and proceed to the King's Smoking Room. Joined by Sir Crispin Tickell KCVO, Deputy Under Secretary, Foreign and Commonwealth Office, Lady Tickell, Sir Peter Middleton KCB, Permanent Secretary to the Treasury and Lady Middleton.
1930	Attend a performance of the ballet "Sleeping Beauty". Supper will be served during the two intervals in the King's Smoking Room.
Later	Return to hotel in car.

Tuesday 24 January

THE PRIME MINISTER
THE CHANCELLOR OF THE EXCHEQUER
CONFEDERATION OF BRITISH INDUSTRY LUNCH
TRADES UNION CONGRESS
DEPARTMENT OF TRADE AND INDUSTRY
MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
ROYAL FESTIVAL HALL

0910	Leave hotel in car.
0930	Arrive at 10 Downing Street, SW1. Received by the Prime Minister, Rt Hon Margaret Thatcher FRS MP.
Later	Leave 10 Downing Street.
1030	Arrive at 11 Downing Street.

Tuesday 24 January Cont'd

	Received by the Chancellor of the Exchequer, Rt Hon Nigel Lawson MP.
Later	Leave Downing Street in car.
1230 for 1300	Attend a lunch at the Confederation of British Industry, Centre Point, 103 New Oxford Street, WC1.
	Host: Sir Terence Beckett CBE, Director General, Confederation of British Industry.
Later	Leave New Oxford Street in car.
1515	Arrive at the Trades Union Congress, Great Russell Street, WC1.
	Received by Rt Hon Lionel Murray PC OBE, General Secetary, Trades Union Congress and Mr David Basnett, General Secretary, General and Muncicipal Workers Union.
1610	Leave Great Russell Street in car.
1630	Arrive at the Department of Trade and Industry, 1 Victoria Street, SW1.
	Received by Rt Hon Paul Channon MP, Minister of State for Trade.
1700	Leave Victoria Street in car.
1715	Arrive at the Ministry of Agriculture, Fisheries and Food, 3 Whitehall Place, SW1.
	Received by Mrs Peggy Fenner MP, Parliamentary Secretary.
Later	Return to hotel in car.
1855	Leave hotel in car with Mr and Mrs Uffen.
1915	Arrive at the Royal Festival Hall, SE1 (Artists Entrance).
	Received by Mrs Ann Virgin, and escorted to the Ceremonial Box.
1930	Attend a concert given by the London Symphony Orchestra conducted by Andre Previn.
2200	Joined for supper in the Royal Festival Hall by Mr Neil Davies, Vice Chairman, Inner London Education Authority.
Later	Return to hotel in car.

Wednesday 25 January	SECRETARY OF STATE FOR TRADE AND INDUSTRY SECRETARY OF STATE FOR FOREIGN AND COMMONWEALTH AFFAIRS DEPARTMENT OF ENERGY FOREIGN AND COMMONWEALTH OFFICE LUNCH TRADE POLICY RESEARCH COUNCIL
0845	Leave hotel in car.
0900	Arrive at the Department of Trade and Industry, 1 Victoria Street, SW1.
	Received by the Secretary of State for Trade and Industry, Rt Hon Norman Tebbit MP.
0945	Leave Victoria Street in car.
1000	Arrive at the Foreign and Commonwealth Office, Downing Street, SW1 (Ambassadors Entrance).
	Received by the Secretary of State for Foreign and Commonwealth Affairs, Rt Hon Sir Geoffrey Howe QC MP.
Later	Leave Downing Street in car.
1130	Arrive at the Department of Energy, Thames House South, Millbank, SW1 (Door 3).
	Received by Rt Hon Alick Buchanan-Smith MP, Minister of State.
Later	Leave Millbank in car.
1245 for 1300	Lunch at 1 Carlton Gardens, SW1 as the guest of the Foreign and Commonwealth Office.
	Host: Secretary of State for Foreign and Commonwealth Affairs, Rt Hon Sir Geoffrey Howe QC MP.
Later	Return to hotel in car.
Afternoon	Free
1845	Leave hotel in car.
1900 for 1930	Dinner as the guest of the Trade Policy Research Council at the Cafe Royal, Regent Street, W1.
	Host: Sir Reay Geddes, Deputy Chairman, Midland Bank.
Later	Return to hotel in car.
Thursday 26 January	DEPARTURE FROM BRITAIN
	Details later.

Programme Organiser: Moya Willis
Overseas Visitors and Information Studies
Central Office of Information
Hercules Road, London SE1 7DU

Tel: 01-928 2345 Ext 748

18 January 1984

HL

bcc D. Barclay

10 DOWNING STREET

From the Private Secretary

16 November 1983

Official visit to the UK by the Secretary General of the OECD

Thank you for your letter of 14 November.

The Prime Minister has agreed to see Mr. van Lennep at 0930 on Tuesday 24 January.

A. J. COLES

Roger Bone, Esq.,
Foreign and Commonwealth Office.

HL

(1)

Prime Minister.

Agree to see OECD Secretary-General at 9.30 on Tuesday, 24 January?

A.J.C. 14/11

Yes

Dear Bone

Foreign and Commonwealth Office

London SW1A 2AH

14 November 1983

Official Visit to UK by the Secretary General of the OECD

Mr van Lennep, the Secretary General of the OECD, has accepted an invitation to visit the United Kingdom in January 1984. He has asked to see the Prime Minister as well as other Ministers, including the Chancellor of the Exchequer, the Foreign Secretary and the Secretary of State for Trade and Industry.

Van Lennep last visited London in November 1982 when he was Chairman of the Ditchley Park Conference on the West's long term trade policy. The Prime Minister was unable to see him then, but she expressed an interest in seeing him on his next visit. This will be van Lennep's last visit to this country before retiring in September 1984.

The visit will focus on the work being done to implement the commitments in the Williamsburg Declaration on international trade and financial issues. The 1984 OECD Ministerial Council will be an important staging post on the road to the 1984 Economic Summit.

Van Lennep would like to visit the United Kingdom from 23-26 January 1984. I should be grateful if you could let me know whether the Prime Minister would be able to see him during this period.

He has also asked to see the Chancellor of the Exchequer, and Secretaries of State for Employment, Environment, Trade and Industry, Energy and the Ministry for Agriculture. I should be grateful to know whether they will be available.

Yours ever

Roger Bone

(R B Bone)
Private Secretary

A J Coles Esq
10 Downing Street

File SCI
PM

10 DOWNING STREET

From the Private Secretary

26 October, 1982

OECD Secretary-General

Thank you for your letter of 21 October. The Prime Minister regrets that it will not be possible for her to receive Mr. Van Lennep on this occasion. But she would hope that a meeting would be possible the next time he is in London.

A. J. COLES

R. B. Bone, Esq.,
Foreign and Commonwealth Office

10 DOWNING STREET

No - I do not want to see him at all

Prime Minister

Are you sure you want to see Mr. Van Lennep?

I think you will regret it - we really ought to use the spare time for the Banquet speech.

Can I decline politely?

A. J. C. 25/4

Prime Minister

We can only do this if we cut into time set aside for the Lord Mayor's banquet speech.

I suggest you decline, with an offer to see him when he is next in London. Agree?

A.J.C. 22/10

Dear John,

Foreign and Commonwealth Office

London SW1A 2AH

21 October 1982

Not too long. I shall be very busy at that time anyway

OECD Secretary-General

The Secretary-General of the OECD, Mr Van Lennep, is visiting the United Kingdom from 12 - 14 November to chair the Ditchley Park Conference on the West's long-term trade policy. Van Lennep has told our Ambassador to OECD that he would like to call upon the Prime Minister, the Chancellor of the Exchequer and the Foreign Secretary.

The Foreign Secretary and the Chancellor of the Exchequer have both agreed to see him. On this occasion it would be useful if the Prime Minister were also able to receive him briefly. As Secretary-General of a major international organisation, Van Lennep is usually received at Head of Government level in Western countries when he makes a visit. In particular, the OECD is likely to play an increasing role in discussions on East/West economic relations in the context of the pipeline problem. Van Lennep has indicated that he would like to be as helpful as possible in handling these discussions within OECD so as to avoid difficulties with the United States and to ensure that the smaller members of OECD do not raise obstacles. It is very much to our interest to support him in this effort. The OECD is also a key point for the co-ordination of the position of Western Governments in the preparations for the GATT Ministerial Meeting and UNCTAD VI. Van Lennep considers one of his duties to be to speak up firmly for the principles of a free market economy in international discussions of this kind.

I should be grateful to know whether the Prime Minister could find time to see him on the afternoon of 11 November or on 12 November.

Yours ever

Roger Bone

(R B Bone)
Private Secretary

A J Coles Esq
10 Downing Street

Grey Scale #13

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