



Foreign and Commonwealth Office

London SW1A 2AH

N Wicks Esq  
Principal Private Secretary  
No. 10

5 February 1988

*Jean Nijss*

TORONTO SUMMIT: BACKGROUND PAPERS

1. As promised in my letter of 26 January, I now attach a further folder of Summit papers. You will see from the covering list that it includes a range of recent declarations as well as current papers on key issues such as debt, the Uruguay Round and agriculture. You may also be interested in a few back papers on the Japanese proposals for a meeting of trade Ministers, although the idea of any link with the Summit seems to have been squashed for the moment. I have added a copy of the briefing letter we provided for the Sherpas meeting in November, and a short minute on potential tension between the key Canadian officials involved in Summit preparations.
2. We discussed telegram distribution at our meeting on Wednesday; I can confirm that we have added your name to the Monetary, Frame Economic and Frame External distribution lists. If you would like a personal copy of the Lankester (ex-Lavelle) Group papers on debt, I will arrange for an extra set to be sent to Number 10.
3. You mentioned organisation of the Sherpas meeting at Leeds Castle in May. We have been in touch with our Conference Section, who will be happy to pass on whatever advice they can. If your staff would like to draw on their experience, perhaps they could contact Bill Kilby in this department in the first instance.

*Yours ever  
Tom*

T L Richardson  
Economic Relations Department

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88 SUMMIT PREPARATION: SIGNIFICANT PAPERS, 1986/87

- A OECD Ministerial Communiqués 1987  
1986
- B IMF/World Bank Development Committee Communiqués: September 1987  
April 1987
- C IMF Interim Committee Communiqué: September 1987  
April 1987
- D Louvre Statement: February 1987
- E G7 Statement: April 1987
- F G7 Statement: September 1987
- G G7 Statement and Annex: December 1987
- H Ministerial Declaration on the Uruguay Round: September 1986
- I Cairns Group Ministerial Meeting - September: May 1987
- J Summary of recent EC, US, Cairns Group and Japanese proposals on Agriculture
- K European Council - Draft Conclusions. December 1987.
- L Guidance telegram: Debt: Mexico and the banks: January 1988
- M Guidance telegram: Debt: Sub-Saharan Africa: December 1987
- N Japanese proposals for a Trade Minister's meeting at the Summit:  
(i) Teleletter from Tokyo, 24.12.87  
(ii) Minute Richardson, PS 30.12.87  
(iii) Minute Spencer (ECD(E)), PS 18.1.88  
(iv) Telno 157 from Washington 23.1.88  
(v) Telno 256 from UKRep 26.1.88
- O Doucet - Ostry: Confusion of Roles: Minute Richardson-Brewer, para 5: December 1987
- P Briefing letter, First Meeting of Personal Representatives for 1988 Summit: October 1987

ECONOMIC RELATIONS DEPARTMENT  
5 February 1988

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ANNEX

US Proposal on Agriculture in GATT

US proposal aims at complete reduction by year 2000 of all agricultural support affecting trade. Proposals exclude income aids decoupled from production and marketing, and food aid; and envisage two-stage approach:

- (i) Agreement on a measuring device such as OECD Producer Subsidy Equivalent (PSE), an idea UK strongly supports; and commitment to reductions in aggregate levels to zero (unrealistic);
  - (ii) Each country to select specific policy changes to meet this commitment (UK supports this approach).
- EC response recognised importance of US proposal while expressing doubt about realism of seeking to remove all forms of support by 2000.

EC Proposal on Agriculture in GATT

- Draft proposal contains a number of positive elements:
- o Commitment to reductions in support in short and long term.
  - o Credit for reforms already implemented.
  - o Endorses use of an aggregate measuring device (eg PSE).
  - o Recognises the need for short term action (which the US proposal did not).
- Some aspects of the proposal are unwelcome:
- o Linkage between "rebalancing" (ie increasing protection in some sectors) and reductions in overall support.
  - o Linkage between long and short term action.
  - o Linkage between internal EC reforms and reforms by trading partners.
  - o Concentration on action on specific commodities in surplus.

Cairns Group Proposal in GATT

- Cairns Group have put forward comprehensive proposal including long and short term measures.

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1. Overall objective: long term framework supported by new GATT rules covering market access, subsidies, health regulation, consultation and surveillance.

2. Programme of reform: including reductions in aggregate support; priority treatment for export and other subsidies related to exports and import access; only limited exceptions (eg for structural adjustment); agreement on rules for health measures, consultation surveillance and dispute settlement.

3. Specific early relief measures:

- o Freeze on access barriers, production and export subsidies, unjustified health regulations.
- o Political commitment to stock disposal.
- o Concerted multilateral steps to tackle existing distortions (eg commitment to reduce subsidies by X%, commitment to increase access).

- The proposal also underlines need for differential and more favourable treatment for developing countries.

**JAPANESE PROPOSAL IN GATT**

- Proposal recognises need to tackle import barriers as well as export subsidies but the emphasis is firmly on the latter. There are clear statements of the need to respect the principles of food security and the specific problems of agriculture.

- The proposal covers all agricultural fishery and forestry products.

- Emergency measures: major exporting countries should freeze export subsidies at current level.

- Other proposed measures:

- o tariff reductions by request and offer procedure.
- o removal of QRs and other import restrictions: discipline for exceptions to be improved.



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- o review of general exceptions to restrictions on exports at time of critical shortage.
  - o subsidies: export subsidies to be frozen. Other government subsidies affecting trade should be brought under GATT control (with exceptions for infrastructure improvement, social welfare etc).
- 
- Rejection of aggregate measures such as PSE which is not designed to compare levels of agricultural protection, nor does it take account of eg food security.
  - Proposal recognises need to reduce sanitary and phytosanitary restrictions while recognising particular conditions of each country.
  - Special and differential treatment for developing countries.

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FCO TELNO 57 TO TOKYO: JAPANESE PROPOSAL FOR MEETING OF TRADE

MINISTERS  
 SUMMARY

1. US OPPOSE JAPANESE IDEA FOR A MEETING OF TRADE MINISTERS FROM THE G7 COUNTRIES PLUS THE COMMISSION.

DETAIL

2. YEUTTER TOLD LORD YOUNG TODAY (22 JANUARY) THAT THE JAPANESE PROPOSAL FOR A MEETING OF TRADE MINISTERS FROM THE G7 COUNTRIES PLUS THE COMMISSION WAS A LOUSY IDEA. HE (AND DE CLERCQ) HAD TOLD TAMURA SO IN TERMS IN BALI. THERE WAS NO NEED FOR ANOTHER GROUPING OF TRADE MINISTERS IN ADDITION TO NARROWER QUADRILATERAL MEETINGS (US, CANADA, JAPAN, COMMISSION) AND THE WIDER INFORMAL MEETING OF THE KIND DUE TO TAKE PLACE IN KONSTANZ IN MARCH. HE HAD SAID THAT THE ONLY CONTEXTS IN WHICH IT MIGHT MAKE ANY SENSE WOULD BE IF TRADE MINISTERS WERE TO MEET AS PART OF THE SUMMIT, OR IF TRADE AND FINANCE MINISTERS WERE TO MEET TOGETHER TO DISCUSS TRADE/FINANCE LINKS. BUT A MEETING IN THE MARGINS OF THE SUMMIT WAS A MATTER FOR HEADS OF GOVERNMENT, AND HE HAD TOLD TAMURA THAT IF, THE JAPANESE WISHED TO PURSUE IT, TAKESHITA SHOULD TAKE UP THE IDEA WITH MULRONEY.

3. YEUTTER SAID THAT TAMURA HAD PUT HIMSELF OUT ON A LIMB. NOTHING WAS LIKELY TO COME OF THIS. LORD YOUNG AGREED. A TRADE MINISTERS MEETING IN THE MARGINS OF THE SUMMIT WAS A PARTICULARLY BAD IDEA.

4. SMITH (DEPUTY USTR) SPOKE TO ROBERTS (DTI) LAST NIGHT ON SIMILAR LINES. HE WAS DAMNING BOTH ON THE IDEA OF A SEPARATE G7 PLUS COMMISSION TRADE MINISTERS MEETING, AND THAT OF A MEETING IN THE SUMMIT MARGINS.

5. COMMENT: YEUTTER LEFT US WITH THE IMPRESSION THAT HE MIGHT HAVE BEEN LESS THAN CLEAR WITH TAMURA THAT HE REGARDED HIS CONDITIONS FOR A TB MEETING AS IN PRACTICE IMPOSSIBLE TO MEET. WHETHER THIS ACCOUNTS FOR TAMURA'S OPTIMISM ABOUT THE US VIEW WE CANNOT JUDGE.

6. FCO PLEASE REPEAT TO DTI FOR HUTTON (EEP DIVISION).

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● FRAME EXTERNAL

MY 3 IPTS (NOT TO ALL)

MY CALL ON DE CLERCQ: MITI PROPOSAL FOR A TRADE MINISTER'S MEETING  
 1. DE CLERCQ CONFIRMED THAT HE AND YEUTTER HAD SAT FIRMLY ON TAMURA'S PROPOSAL FOR A T8 MEETING. IT WOULD ONLY CAUSE TROUBLE FOR THE EC (BECAUSE OF THE RESTRICTED MEMBERSHIP) HE WAS OPPOSED TO A PROLIFERATION OF THESE MEETINGS WHETHER OR NOT LINKED TO THE SUMMIT.

2. I SAID THAT BRITISH MINISTERS HAD REACTED COOLLY TO TAMURA'S PROPOSAL. WE WOULD CERTAINLY NOT AGREE TO ANY LINK WITH THE SUMMIT.

HANNAY

● YYYY

DISTRIBUTION 245

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FRAME EXTERNAL  
 ECD (E)  
 NAD

FED  
 MR FEARN  
 MR MCLAREN

*Handwritten notes:*  
 PR  
 Mr. Brown  
 L. Brat  
 Coos  
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ADDITIONAL 1

FRAME

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Mr. Richardson

Ms Brewer

Draft Submission attached  
I am drafting a short reply  
for Mr Braithwaite to Sir R. Armstrong  
separately.

cc: Mr Braithwaite  
Mr Maud  
Mr Fowler, NAD

MAFO 091/14  
13/11/87

N. Bryson 8/12

16/11/87  
SS

TORONTO ECONOMIC SUMMIT

1. You will have seen Ottawa telno 742, giving Doucet's views on how Mr Mulroney may be approaching the Toronto Summit. We have been asked to let Ottawa know if there are any special markers that we would want the High Commissioner to put down if and when Doucet gives a lunch for Summit Ambassadors before Christmas.
2. To take the mechanics first, I am clear that we shall need to consult No 10, through a Private Secretary letter, on Doucet's two main proposals: a retreat for Heads of Government during the Summit, and less pre-cooking of the communique. The first step, however, is to obtain Sir Robert Armstrong's views. I have asked Mr Woolley to elicit them, and I hope to have an answer from him today. As the Prime Minister and Foreign Secretary will both be in Copenhagen from tomorrow afternoon until Saturday evening, I think we should aim to submit to Private Office next Monday 7 December, by which time I shall be back from Paris.
3. The Prime Minister strongly dislikes the idea of the retreat, and Sir R Armstrong made her position clear at the first meeting of Personal Representatives. I am sure she will stand firm against it.
4. Doucet's other idea is somewhat trickier. The Prime Minister will probably be attracted by "informal exchanges" at the Conference proper (not at a retreat). But summits last for little more than 48 hours, and if too much of the communique is left open until the evening of the first day, it may prove exceedingly difficult to get a text approved before the summit breaks up. Subject to Mr Braithwaite's views, I think we should advise No 10 that there is no need for us to take a firm view at this stage (not least because of doubts about Doucet's own responsibilities, on which see below). But it might be possible to identify in advance two or three important policy areas which require discussion at Head of Government level, and on which the draft communique would not be set in concrete.
5. Glen Bailey of the Canadian High Commission told me in strict confidence - which should be respected - that we could expect some friction, and confusion of roles, between Doucet and Mrs Ostry. Doucet is Ambassador for International Summits, and was responsible for the organisation of the francophone meeting and CHOGM, as he will be for Toronto. Mrs Ostry is Personal Representative. Doucet is an old university friend of Mr Mulroney, and was his Principal Policy Adviser for the first 2½ years of the Conservative Government. He was criticised for failing to manage issues in a way that avoided political embarrassment to the government, and resigned. But he still breakfasts with Mr Mulroney once a week.

\*  
Promised -  
probably  
to Mr  
Braithwaite

and  
Sir R  
Armstrong's

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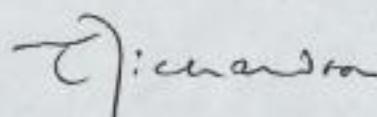
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6. Mrs Ostry is working on her own proposals for the organisation of the Summit, in the light of the first meeting of Personal Representatives. She is "moving very cautiously", so as not to be out of step with Doucet and the Prime Minister. I gather that she and other Canadian officials have doubts about the retreat idea (because of lack of time), but are keener on not pre-cooking the communique.

7. All of this suggests that we and the High Commission should handle Doucet respectfully but cautiously. Bailey has offered to give us private advice as and when we get discordant noises out of Ottawa. No doubt the High Commission are aware of this problem; but it should be possible to refer to it in guarded terms in any telegram of instructions that we send them once the Prime Minister has been consulted.

8. Finally, you will note that the Secretary of State has minuted on the telegram that "some thought is needed about this as part of Anglo/Canadian relations". Mr Calshaw confirms that he has in mind relations between Mr Mulroney and the Prime Minister. So far as the economic agenda for the Summit is concerned, I agree with Doucet that there is "a close coincidence between Canadian and UK positions"; and I made a point of saying so to Mr Bailey.

2 December 1987



T L Richardson  
Economic Relations Dept

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