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PRIME MINISTER

TORONTO ECONOMIC SUMMIT: POSSIBLE INITIATIVES

Before the next meeting of the Sherpas in Paris on 19-21 May, we need to consider whether we should table:

- (i) a 'UK initiative' for the Summit;
- (ii) subjects for the informal discussion of 'longer term economic issues'.

A UK Initiative

Traditionally, a good initiative has been one in which the Summit pushes forward or re-directs work bogged down in other international fora. The initiative should not lead to more international bureaucracy or to elaboration of the Summit machinery; and obviously a UK initiative must be of clear value in forwarding our national interest, and not just a presentational gimmick.

The Treasury and the FCO are considering what needs to be done before the Summit to prepare the ground for pushing forward the Chancellor's Sub-Saharan debt initiative; and separate advice will be submitted, as necessary. No doubt the Summit leaders will comment on major developments in East/West relations, the Middle East and Afghanistan and some other foreign policy topics in the political communique. But at the moment there does not seem to be scope for a self-standing UK initiative in these areas. Trade and agriculture are already well in hand in the GATT negotiations. Drugs and terrorism hardly merit separate initiatives for the present (though the Summit may be useful in forwarding work following the Kuwaiti hijacking.) Energy is quiet. Nor would we suggest taking the lead on international monetary reform, or debt (apart from the Chancellor's Sub-Saharan initiative) and our approach is cautious towards international environmental issues.

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One possibility might be an initiative to further international co-operation on crime prevention/detection. Machinery is already in existence and, when successful, can have spectacular results. But Sir Clive Whitmore tells me that co-operation in the various international organisations is proceeding satisfactorily, and the Home Office do not feel that a push from the Summit is necessary. There might be difficulty in giving such an initiative real substance.

Another possibility is an initiative to encourage Summit countries to share the costs of large scientific ventures. But it is unclear that it is right for the United Kingdom to be to the fore in pressing this forward at the present time.

Unless we can do something effectively to further the objectives of GATT.
So we would not recommend any of these topics. It would be helpful to know whether you agree that at least for the moment we should not plan to present an initiative.

Pre-dinner informal discussion

This informal discussion "of longer-term economic issues" results from President Reagan's wish for an opportunity for relaxed, informal, discussion between Summit Leaders. It is timed for late afternoon, before dinner on the second day of the Summit. The plan is, I think, for the discussion to be completely informal with no reference to it in the communique, though that is obviously not ruled out. The United States Sherpa mentioned at our last meeting, as his first thoughts on possible topics: the effect of changing demography on economies, integrating the USSR into the world economy, and the growing inter-dependence of world markets. I do not think that we need to object to any of these topics if they receive strong endorsement from a majority of my fellow Sherpas.

Possible topics that we might consider for this informal discussion are:

Urban renewal in the 90s: many Summit countries face problems of renewing the old cities. Such a discussion might provide an interesting exchange of views on topics

such as financing renewal schemes, stimulating small business, urban design, inner city crime, etc. President Reagan has taken a personal interest in this subject, particularly in promoting public/private sector partnership. The discussion might provide a useful opportunity to put a little pressure on the Japanese over land reform (e.g. to release agricultural plots in Tokyo for building). Obviously, there are risks for us in raising this subject in that the range and seriousness of inner city problems in France, Germany and Italy are perhaps less than those in the UK. To that extent a discussion might highlight, undesirably, our problems. But I think that risk can be contained.

Health care in the 90s: the provision, cost, financing, etc., of health care are lively issues in many countries. We are in the middle of our health review. So a discussion - by way of an exchange of views - could be interesting. But it would be difficult to crystalise such a discussion into a common way forward, beyond mere platitudes; and unsympathetic treatment of such a discussion by the media could complicate, rather than help, the presentation of the outcome of the NHS review.

Crime control and law and order: each country's policing, judicial and penal arrangements vary. But all suffer problems of rising crime rates, increasing public concern and political imperatives to try to do better. Discussion could focus on community responsibility (and the role of the citizen) in relation to crime prevention, with international co-operation (highly relevant and already on some Summit agendas, e.g. drugs) in relation to both prevention and detection. Such a topic might offer scope for useful public presentation afterwards if it was felt that something had to be said in the communique. (This topic might be ruled out of order since it may not be sufficiently "economic".)

It would be something if they were prepared to discuss the issue of health social security. And the effect on the rest of retirement.

*To get the full
My view (Lester)
on economic problems*

The Economic Condition of the Eastern European countries:
the consequences, political and otherwise, of the Eastern European countries' economic difficulties could provide an interesting discussion. Together with Eastern Europe's attempts to emulate Soviet economic reform, the difficulties could lead to major political instability in one or more Eastern European countries. That would provide the Russians, and the West, with some difficult policy dilemmas. At the limit, renewed Soviet interference in Eastern Europe would seriously damage the present climate of East/West relations. Short of that, we could find the Germans in particular pressing us to help the Eastern Europeans politically by making concessions to them over debt and other matters.

So discussion of Eastern European economies could be controversial with awkward diplomatic consequences if reports leaked out, as they likely would. This may not therefore be a subject for which we should ourselves press to be discussed at the informal discussion, though it may arise naturally at one of the dinners as part of the discussion on East/West relations and the prospects for Gorbachev.

I prefer meeting the demands for health care & retirement provision against a difficult demographic background. We must be in a position to have the way worked out.

You may not wish to suggest a topic for the Leaders' informal discussion. But if you wished to propose a topic, my recommendation would be for either urban renewal or crime control and law and order. I should be grateful for views.

I am sending a copy of this minute to the Private Secretaries to the Secretary of State for Foreign and Commonwealth Affairs ^{and} the Chancellor of the Exchequer, since their Ministers may wish to comment. A copy also goes to Sir Robin Butler.

N. L. WICKS
29 April 1988

N.L.W. Lester that on former rules and co-operation on terrorism and hijacks