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C/Foreign 1990:

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

22 December 1989

1990 ECONOMIC SUMMIT: OBJECTIVES

The Prime Minister has read your note of 21 December, setting out some general guidelines for the first meeting of Sherpas to prepare for the 1990 Economic Summit. She is content generally with what you propose, subject to two points:

- with Germany and Japan continuing to maintain such large surpluses, she thinks the Summit will have to be more direct than hitherto in calling for action by both countries to remove structural rigidities, subsidies and barriers to imports.
- much of the world remains in an economic mess as a result of the failure of state socialism. The Economic Summit should make a real effort to teach these countries what the market economy is and why it works. There might, for instance, be a separate Summit declaration on this.

I should be grateful if you would take these two points into account.

I am copying this letter to John Gieve (H M Treasury), Stephen Wall (Foreign and Commonwealth Office) and Sonia Phippard (Cabinet Office).

C. D. POWELL

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