

300
CONFIDENTIAL



cc/pc
FROM: N L WICKS
DATE: 11 MAY 1990
Ext : 4369

PRIME MINISTER

HOUSTON ECONOMIC SUMMIT

You will wish to know the line that I propose to take at next weekend's Sherpa meeting in Paris.

East/West Relations

2. The development of relations with Eastern Europe is proceeding fairly smoothly and GEMU is now firmly scheduled for 2 July. So it looks as if the outlook for the Soviet Union will be the focus for discussion at Houston, if not for the communique. The background here is unhappy: there is the situation in Lithuania; the Soviet economy is going from bad to worse; prospects for rapid market based economic reform are receding; and there are divided counsels in Moscow and fears of popular resistance. You will be in a better position to know how to play all this at the Summit after your visit to Kiev.

Trade and the Uruguay Round

3. Recent developments, following the Trade Ministers' recent meeting in Mexico, have confirmed our view that the Summit should focus on dispute settlement, agriculture, new areas and the developing countries. The omens for the Summit and the Round are a bit better. The US has decided not to put any countries except India on this year's Super 301 hit list. Japan is off the list and the EC were not even considered. The atmosphere between the US and the EC on agriculture has improved, though they are still far apart on substance. The Mexican meeting produced a more moderate tone from the developing countries, notably from Brazil following the change of Government, though India remains very sticky.

CONFIDENTIAL

Environment

4. The draft report of the IPCC Working Group on the scientific aspects of climate change offers strong evidence that measures will be needed to reduce emissions of greenhouse gases.

5. Despite the remaining scientific uncertainties, we hope that the US will be more positive about the need for action to limit emissions of greenhouse gases than their discussion paper for the last Sherpa meeting suggested. The Summit could then give a clear indication of industrialised countries' support for an internationally agreed strategy, looking forward to the Second World Climate Conference in October/November. The Germans and other Europeans may want ambitious targets for stabilisation of CO₂ emissions at 1990 levels by 2000 and reductions soon after. I will have in mind an outcome of a consensus at the Summit around our position of stabilisation by 2005, which you have already outlined to President Bush, while maintaining the need for sound science; but I will not show our hand at this Sherpa meeting.

6. We will want the Summit to endorse the results of the meeting of the parties to the Montreal Protocol on the Ozone Layer to be held in London in late June. The Protocol will be revised to strengthen its provisions on CFCs and halons and to add two new ozone-depleting substances: carbon tetrachloride and methyl chloroform. The other major element will be a provision to help developing countries meet the Protocol's requirements. A consensus seems to be developing on setting up a financial mechanism which would provide funding for specific projects. The World Bank has been working up a proposal for a global environmental facility. We shall need a position on this in time for the June London meeting and subsequently for the Summit.

7. On biodiversity, we want to encourage support for an international convention, which you advocated. To help this DoE are working on a note which I could circulate to Sherpas after this meeting. More generally, we will wish to maintain last year's emphasis on environmental economics by calling for more

CONFIDENTIAL

work on economic instruments and market based solutions. We are considering offering a paper to follow up last year's, which I would, of course, clear with you first.

Drugs

... 8. At the last Sherpa meeting I undertook to circulate a report on the World Ministerial Summit in London. This is now attached. We might seek to have the Summit single out some of the key points in the London Declaration, particularly the Demand Reduction Task Force which you launched. *Do you agree I should circulate this report to Sherpas?*

9. The London Declaration also refers to Precursor Chemicals. Departments are still working on a possible UK initiative in what is proving to be a very complex area.

10. We shall still want to press our Summit colleagues to support our call for reform of the UN drug abuse control structure. On this too, we are preparing a paper to be fed into the Summit preparations, subject to Ministerial clearance.

World Economy

11. The focus of attention is still inflation. Consumer price inflation averaged 4.9 per cent in Summit countries in March 1990, still close to its peak of 5 per cent in May 1989. In the US, stronger growth and higher inflation than expected has raised the likelihood of an increase in American official interest rates. But a further increase in Japanese interest rates is less likely. Economic tensions between the US and Japan have been reduced by the signing of an interim agreement in the Structural Impediments Initiative talks. In Germany, negotiations are now underway on the State Treaty to establish GEMU on 20 July. Some inflationary pressures may emerge in the FRG in consequence. Some tightening of monetary policy therefore is a real possibility.

Debt

12. The French are pressing on lower middle income debtors. The Paris Club have a draft plan already prepared, involving longer than normal repayment periods. This is currently blocked by the US, perhaps because they are developing other ideas for the Summit. Officials here in London have been thinking how to respond to the continuing problems of the poorest debtor countries and we may have some ideas to put forward.

Political Issues

13. The meeting of the group of G7 experts on terrorism in Washington on 2-3 April identified aviation security training in the Third World as one area which merited follow-up, particularly in the ICAO. Otherwise, it is still too early to be sure what political issues might be raised in July, except those connected with East/West matters. Arms control might crop up. There might to some discussion of prospects for change in South Africa and the West's response to it. Further escalation of tension between India and Pakistan might call for some discussion. China (but see below) and Hong Kong are not such strong candidates for discussion this time round, but Cambodia and Vietnam may be. European architecture remains of continuing interest.

China and the World Bank

14. The Paris Summit Declaration on China said that:

"Furthermore, each of us has agreed that, in view of current economic uncertainties, the examination of new loans by the World Bank be postponed."

Since then, the Summit's line has been moderated to permit basic human needs loans. The US Treasury Secretary Brady has twice proposed to G7 Finance Ministers that until the Heads review their Paris agreement at the Summit, the World Bank should only make basic human needs loans to China. The US concern is no doubt stimulated by the strong Congressional antipathy to the Chinese

CONFIDENTIAL

Government, which the US Treasury may feel will jeopardise Congressional approval of IDA contributions, new IMF quotas etc.

15. Finance Ministers did not react to Mr Brady's suggestion other than the French, who gave it full support, and the Japanese who expressed willingness to join any G7 consensus. We suggested at the recent G7 meeting in Washington that since this was a Summit issue, it should be considered by the Sherpas at their next meeting.

16. In fact, the US proposal gives us problems. The Paris Summit Declaration cited explicitly as reason for the ban "*current economic uncertainties*" - which were undoubtedly great last July. On 29 May the World Bank Board will consider "a country lending strategy" for China. Its conclusion is likely to be that the undoubted faults in Chinese economic policy are not sufficient to justify restricting lending to basic human needs. We may not have convincing evidence to challenge this conclusion. So it may not be possible to base a ban after 29 May other than on implicit, if not explicit, political grounds. This would contravene our long standing policy that decisions in the World Bank should reflect only economic considerations. There is also the particular UK point that discrimination against China implied by the ban inhibits the development of better bilateral relations, important for policy on Hong Kong.

17. We are trying to persuade another Member State (eg the Italians who are equally unhappy with the US attitude) to raise this issue at the Sherpa meeting. If they do not, I propose to do so. I will take the line that while we appreciate the reason for the US request, it gives rise to some problems: it would conflict with our traditional policy to base World Bank decisions solely on economic criteria; it is an unhelpful complication regarding Hong Kong; and it is unwise surely to put such a divisive and sensitive issue on the Summit agenda. I will do all this in a way which avoids provoking the US in the critical few days before the decision on the EBRD and without pressing for firm national positions. I will then report so that Ministers can come to a view on World Bank lending before 29 May.

Informal Discussion Topic

18. The US have in mind for the informal discussion the topic "Planning for the Year 2000". Quite what they intend here is unclear. They tell me that the White House is planning a small symposium on the subject but the results will not be available until after the Sherpa meeting. They have suggested that we might consider a similar effort and could consolidate the best ideas into a single discussion for the Heads at the next Sherpa meeting. In fact we have been thinking how the theme you favoured of "Science and Government" might be introduced under the Americans' general heading. Following consultation with John Fairclough and Bill Mitchell (Chairman of SERC) we offer the following menu of ideas to choose from.

19. The starting point is that no country can today expect to be technologically self-sufficient, in view of the global nature of markets, the speech with which technologies merge and evolve and their escalating development cost. This raises several groups of issues:

(i) Role of Government in Research and Training

- degree of Government support for basic/strategic science, and Government role in the transfer of knowledge to industry;
- degree of Government support for the training of scientists and engineers;
- how can Government encourage industry to provide long term funding for research?

(ii) Government Role in Standardisation

Do Governments need to contribute to development of standards, where these are needed to provide the basis for broad industrial exploitation?

(iii) General International Science Co-operation

Is there a case

a. for a "global club" for large science projects (eg fusion, particle physics), with massive infrastructure costs and no advantage in duplicating facilities?

b. for variable membership clubs for smaller international science projects, especially where these are capable of subdivision (eg human genome, astronomy, AIDS and other medical research)?

(iv) Mobility of Scientists

Do we need to give greater encouragement to exchanges, especially for young researchers, and for areas hitherto cut off (eg USSR, Eastern Europe), to stimulate further scientific progress through cross-fertilisation?

(v) Positive Public Perception of Science

Should Government do more to convince the public and notably the young, of the benefits flowing from scientific and technological research?

20. Do you agree with this menu; and if so, would you like to push some items more than others? One possibility would be to give the US and maybe other Sherpas the material in paragraph 19 above as a basis for the Heads' discussion.

21. I am sending a copy of this minute to the Chancellor of the Exchequer, to the Foreign & Commonwealth Secretary and to Sir Robin Butler.

N.h.W.

N L WICKS

HOUSTON ECONOMIC SUMMIT: THIRD SHERPA MEETING: 17-19 MAY

ACTION TO REDUCE THE DEMAND FOR DRUGS - OUTCOME OF THE WORLD MINISTERIAL DRUGS SUMMIT, 9-11 APRIL 1990

Background

1. The British Government, in association with the United Nations, hosted the World Ministerial Summit to Reduce Demand for Drugs and Combat the Cocaine Threat in London from 9-11 April. The opening address was given by the Prime Minister, and presentations were also made at the opening ceremony by the UN Secretary-General and President Barco of Colombia. Delegates from 127 countries, 9 UK dependent territories and a number of UN, regional and other non-governmental organisations attended the Summit. Well over half of the countries were represented at Ministerial level.

Objectives

2. The objectives envisaged for the conference by the UK/UN Steering Group were:

(i) to maintain the momentum of international co-operation on drugs developed at the International Conference on Drug Abuse and Illicit Trafficking (ICDAIT) in 1987, and at the conference which in December 1988 adopted the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances;

(ii) to increase the international commitment to reducing the demand for drugs;

(iii) to strengthen the effectiveness of demand reduction policies through the exchange of experience and expertise of individual governments and non-governmental organisations; and

(iv) to identify ways in which international drugs co-operation could most effectively be targeted to reduce the demand for cocaine and to combat its production and trafficking.

Outcome of the Summit

3. In the view of the British Government these objectives were fully met. At the close of the Summit participants unanimously adopted a political declaration ("The London Declaration", see below). This, along with the discussions themselves, evidenced and increased the momentum behind international cooperation on drugs issues. In according equal weight to the reduction of both supply and demand the Summit broke new ground. Discussion in the two Committees (see below) saw a significant exchange of experience on

/ demand

GINAGK

demand reduction and on ways of more effectively meeting the cocaine threat. Much, of course, will depend on how the Summit is now followed up. Some thoughts on this are given in paragraph 11 below.

Statements of Committee Chairmen

4. The work of the Summit took place in four plenary sessions and four meetings of two committees, tasked respectively to examine the themes of reducing the demand for drugs and combatting the cocaine threat. There were fruitful exchanges of ideas and information in both Committees and each highlighted the need for international assistance and co-operation in the fight against drugs. The Summit rejected outright the legalisation of drugs. The Demand Reduction Committee recognised that reducing demand is a global problem: demand is worldwide. Equal importance must be given to demand reduction and to supply reduction in national strategies. International programmes needed to take account of cultural differences. A variety of useful practical guidance emerged on specific measures that can or should be taken to reduce demand.

5. The Cocaine Committee's consideration of international co-operation at all levels ranged from measures to reduce illicit cultivation to measures designed to tackle the enormous profits deriving from trafficking. The Committee stressed the importance of action to monitor and control the movement of precursor chemicals and prevent their diversion into illicit uses. It also underlined the importance of the UN 1988 Convention in this regard as well as on confiscation of the proceeds of drug trafficking and on money laundering.

British Initiatives

6. In her opening address the Prime Minister announced three British initiatives: the establishment of a demand reduction task force (a new initiative, see below) plus a second tranche (of £4.5 million) of drugs-related assistance to Colombia, (see below) and more money for British Dependent Territories in the Caribbean.

Demand Reduction Task Force

7. The aim of the Demand Reduction Task Force is to provide advice to other countries (particularly developing countries) on ways of reducing the demand for drugs. It will draw on the fund of experience and expertise which is available in the United Kingdom on such measures as community drug prevention initiatives, drugs education and publicity and programmes for treatment and rehabilitation. Details are set out at Annex A.

8. The Houston Summit might consider whether this UK initiative might be developed into an international programme of action (possibly co-ordinated by the UN) to provide

/ assistance

GINAGK

assistance in the field of demand reduction. An international Task Force might be established. Alternatively, other countries with experience of demand reduction programmes might be encouraged to establish similar task forces to operate in parallel with that of the UK.

London Declaration

9. The London Declaration stresses the need to give high priority to prevention and reduction of demand for narcotic drugs at the national and international levels; it also stresses the need for increased resources at the national level for prevention, treatment, rehabilitation and social integration; it emphasises action at local community and neighbourhood levels; it stresses the vital role of education, especially in schools; and it refers to the need for more research into the underlying factors. Important guidance is given on treatment and rehabilitation. The Declaration also stresses the need for local drugs liaison committees and to consider alternatives to prison for drug abusing offenders.

10. On the cocaine side, the Declaration stresses the need for a global strategy for increased support for the UN Fund for Drug Abuse Control (UNFDAC). It emphasises the need to build on the outcome of the Cartagena Summit. It calls for intensified efforts to monitor and control the movement of precursor chemicals and prevent their diversion to illicit uses. It stresses the importance of a greater exchange of drugs intelligence internationally. It makes a renewed call for signature/ratification of the 1988 UN Convention. It reaffirms our commitment to accelerated efforts to negotiate bilateral and multilateral agreements for the tracing, freezing and confiscation of the proceeds of drug trafficking.

Follow-up to the London Declaration

11. In addition to seeking the general views of the Houston Summit on the London Declaration and the higher priority it establishes for demand reduction measures, it would be helpful to identify ways of encouraging countries which adopted the Declaration to implement the specific demand reduction measures which it contains. One way of doing so would be for subsequent international conferences (and a further World Summit is scheduled, following the Cartagena Summit this February, for early 1991) to review progress in this respect.

Home Office
Queen Anne's Gate

Narcotics Control & AIDS Department
FOREIGN & COMMONWEALTH OFFICE
May 1990

GINAGK

UK TASK FORCE ON DEMAND REDUCTION

Aim

1. The aim is to enable the UK to provide advice on drug demand reduction measures to other countries particularly developing countries. The advice would draw on the UK's own experience of drugs education, prevention publicity campaigns, community based drug prevention initiatives, treatment and rehabilitation for drug misusers. The task force would not seek to set up specific programmes but to identify the need and to pass on expertise and information on how such programmes might be developed. The detailed development and implementation of such demand reduction programmes would fall to the country concerned or would need to be assisted from existing aid sources.

Staffing

2. A small core unit is to be established to draw up plans for overseas visits and to consider the type of advice required. This will consist of 3 staff together with perhaps two consultants. The members of the task force will comprise experts in the various aspects of demand reduction drawn from the education and health services, and from the voluntary sector. It could also include academics or specialists in publicity techniques.

3. A large pool of experts will be invited to take part, to be called up from time to time for particular projects. Where the experts were existing public employees the parent department or service would be asked to continue to bear their salary costs whilst they were engaged in a task force project.

Costs

4. Experience with setting up the United Kingdom Customs Overseas Training Unit suggests that an annual cost of some £500,000 would be necessary to cover core staff and related costs, travel and subsistence and fees for those experts who are not public employees.

Future development

5. If the UK task force on demand reduction proves successful we might wish to suggest that other developed countries consider providing a similar resource leading perhaps to an international team working through the United Nations or else to separate anglophone, francophone and hispanophone task forces.

