



10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

29 June 1990

HOUSTON ECONOMIC SUMMIT

BF // I enclose a copy of a letter to the Prime Minister from the Australian Prime Minister about the forthcoming Economic Summit. The Prime Minister will wish to reply in due course, but only after the Summit itself. I should be grateful for a draft then.

I am copying this letter and enclosure to John Gieve (Treasury), Stephen Wall (Foreign and Commonwealth Office), Martin Stanley (Department of Trade and Industry) and Sonia Phippard (Cabinet Office).

CHARLES POWELL

Nigel Wicks Esq CVO CBE
Treasury

PL
EM

C: Nigel Wicks

cc PC

1



AUSTRALIAN HIGH COMMISSION

AUSTRALIA HOUSE
STRAND
LONDON WC2B 4LA
01-438

29 June 1990

CA 529/6

Dear Charles,

We have been asked to forward to you the attached advance text of a letter from the Australian Prime Minister, Mr Hawke, to Mrs Thatcher, concerning the forthcoming G7 Summit. The original will be forwarded when it has been received.

Kind regards,

D.W. Evans

(D.W. Evans)
Deputy High Commissioner

Mr Charles Powell,
Private Secretary
to the Prime Minister,
10 Downing Street,
London. SW1



PRIME MINISTER

CANBERRA

CDB
13/7

28 JUN 1990

Dear Margaret,

I am writing to register with you the importance Australia attaches to the contribution the Houston Summit can make in bringing the Uruguay Round to a successful conclusion and advancing other important economic issues.

As you know, Australia has stressed the crucial importance of agriculture in the Round since negotiations began four years ago. This proposition now seems to be accepted by all major parties. I am concerned therefore, that at the recent OECD Ministerial Council Meeting it proved impossible to arrive at agreed communique language on the approach to be taken to agricultural trade reform. The apparent weakness of the EC's commitment to meaningful reform, as revealed during negotiations of the communique, was particularly disturbing.

The disappointing result on agriculture at the OECD meeting makes it even more important for the meeting in Houston to give the strongest possible political push to achieving an acceptable outcome in this area of the negotiations. This goal would be served if the Summit Communique were to recognise the pivotal role of agriculture in the Round and the need for an outcome which encompasses specific policy commitments to reductions in each area of the negotiations: internal support, barriers to market access and export subsidies. It would also be useful if the Summit could endorse the call by the GATT Trade Negotiations Committee (TNC) for a profile of the final outcome in all areas of the negotiations to be finalised in time for the TNC's 23 July meeting. If there is no evidence by 23 July that a significant result on agriculture is in prospect, the adverse reaction by countries committed to the reform of agricultural trade could jeopardise progress in negotiations on other important subjects.

Developments in the Soviet Union and Eastern Europe will undoubtedly be a major issue at the Summit. I hope that in addressing this question G7 leaders recognise that a successful and balanced outcome to the Uruguay Round will have a major impact upon the emergence of the Soviet and Eastern European economies and their effective integration into the international economic community. It is vital that the Summit displays concerted leadership so that these historic opportunities are not lost.

displays concerted leadership so that these historic opportunities are not lost.

The Summit also provides a timely opportunity for G7 leaders to reiterate the importance of continued structural reform and the need to ensure that inflation is being contained. Further structural reform would enhance the productive capacity and flexibility of economies, to grow faster and increase their adaptability to shocks. Indicators from G7 leaders that they are committed to addressing the continuing external imbalance situation, the increasing pressures on world savings, and the requirement for fiscal consolidation in many countries would provide a valuable, reassuring signal to business investors and consumers, so helping ensure continued economic progress.

Please accept my personal best wishes for a successful Summit in Houston.

With warm good wishes
Yours sincerely
M Thatcher

The Rt Hon Margaret Thatcher, MP
Prime Minister of the United Kingdom
LONDON
ENGLAND

(2)

PRIME MINISTER'S
PERSONAL MESSAGE



Prime Minister

SERIAL No. 1143/90

SUBJECT CC MASTER
OPS

Bob Hawke's usual
pre-summit letter.

28 June 1990

mb

CBM
29/6.

Dear Margaret,

I am writing to register with you the importance Australia attaches to the contribution the Houston Summit can make in bringing the Uruguay Round to a successful conclusion and advancing other important economic issues.

As you know, Australia has stressed the crucial importance of agriculture in the Round since negotiations began four years ago. This proposition now seems to be accepted by all major parties. I am concerned, therefore, that at the recent OECD Ministerial Council Meeting it proved impossible to arrive at agreed communique language on the approach to be taken to agricultural trade reform. The apparent weakness of the EC's commitment to meaningful reform, as revealed during negotiations of the communique, was particularly disturbing.

The disappointing result on agriculture at the OECD Meeting makes it even more important for the meeting in Houston to give the strongest possible political push to achieving an acceptable outcome in this area of the negotiations. This goal would be served if the Summit communique were to recognise the pivotal role of agriculture in the Round and the need for an outcome which encompasses specific policy commitments to reductions in each area of the negotiations: internal support, barriers to market access and export subsidies. It would also be useful if the Summit could endorse the call by the GATT Trade Negotiations Committee (TNC) for a profile of the final outcome in all areas of the negotiations to be finalised in time for the TNC's 23 July meeting. If there is no evidence by 23 July that a significant result on agriculture is in prospect, the adverse reaction by countries committed to the reform of agricultural trade could jeopardise progress in negotiations on other important subjects.

Developments in the Soviet Union and Eastern Europe will undoubtedly be a major issue at the Summit. I hope that in addressing this question, G7 leaders recognise that a successful and balanced outcome to the Uruguay Round will have a major impact upon the emergence of the Soviet and Eastern European economies and their effective integration into the international economic community. It is vital that the Summit displays concerted leadership so that these historic opportunities are not lost.

2.

The Summit also provides a timely opportunity for G7 leaders to reiterate the importance of continued structural reform and the need to ensure that inflation is being contained. Further structural reform would enhance the productive capacity and flexibility of economies, to grow faster and increase their adaptability to shocks. Indicators from G7 leaders that they are committed to addressing the continuing external imbalance situation, the increasing pressures on world savings, and the requirement for fiscal consolidation in many countries would provide a valuable, reassuring signal to business investors and consumers, so helping ensure continued economic progress.

Please accept my personal best wishes for a successful Summit in Houston.

With warm good wishes,

Yours sincerely,

Bob Hawke

The Right Hon. Margaret Thatcher, MP,
Prime Minister,
10 Downing Street,
London.