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10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

29 July 1990

*Dear Simon,*

**HOUSTON ECONOMIC SUMMIT:  
REPLY TO MR. HAWKE'S MESSAGE**

The Prime Minister has signed the enclosed reply to Mr. Hawke's message before the Economic Summit. I should be grateful if you could arrange for its delivery as soon as possible.

*Yours sincerely,*

(C. D. POWELL)

Simon Gass, Esq.,  
Foreign and Commonwealth Office.

*EA*



10 DOWNING STREET  
LONDON SW1A 2AA

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cc FCW

THE PRIME MINISTER

29 July 1990

SUBJECT CC MASTER  
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PRIME MINISTER'S  
PERSONAL MESSAGE  
SERIAL No. T173/90

Dear Bob

Thank you for your letter of 28 June about the Houston Summit. I have also seen the conclusion of the Cairns Group meeting in Santiago which urged agreement on agriculture at Houston. I believe that the outcome of the Summit is one which we should both welcome.

As you will have seen, the economic communiqué recognises the pivotal role of agriculture in the Uruguay Round. The Summit participants reaffirmed their commitment to the long-term objective of agricultural reform, to allow market signals to influence agriculture production and to establish a fair and market-oriented agricultural trading system.

The communiqué also recognised that the negotiations on agriculture should be conducted in a framework which includes a common instrument of measurement, provides for commitments to be made in an equitable way among all countries, and takes into account concerns about food security. The framework should also contain specific assurances that, by appropriate use of the common measure as well as other ways, participants would reduce not only internal support but also export subsidies and import protection in a related way. The European Community have thus shown themselves ready to envisage reductions of support covering internal regimes, market access and export subsidies, whilst the United States have endorsed the use of a common

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instrument of measurement.

You suggested in your letter that the Summit should 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. This is also explicitly recognised in the communiqué. Indeed, we went further by commending to our negotiators the text submitted by the Chairman of the Agricultural Negotiating Group as a means to intensify the negotiations. We also expressed our intention to maintain a high level of personal involvement and to exercise the political leadership necessary to ensure the successful outcome of these negotiations.

I believe that this result will have given the necessary strong political push to the Round and will have sent a clear signal that the G7 countries are ready to take the hard political decisions needed to achieve success at the end of the year. I also believe this result will be very welcome to other countries, including developing countries, and will open the way to resolving the remaining problems in the GATT negotiations. Most importantly, it will give a clear signal that we are determined to go on with the liberalisation of world trade, which has contributed so much to growth and prosperity.

Of course, although agriculture is the hardest problem facing the Round, it is not the only one. The Summit gave a political push across the board, including textiles; new areas like services; involving the developing countries in the world trading system; and better dispute settlement, which should permit commitments by all to use only multilateral rules in trade disputes.

You mentioned in particular the hope that G7 leaders would recognise that a successful and balanced outcome to the Uruguay Round would have a major impact upon the Soviet and Eastern European economies and their effective integration into the

international economic community. This, too, is recognised in the communiqué. We welcomed unreservedly the spread of multi-party democracy, free elections, freedom of expression and assembly, respect for human rights, the rule of law and the increasing recognition of the principles of the open and competitive economy, not only in Europe but in many parts of the world. We committed ourselves to support their effort with our experience, resources and goodwill.

Finally, you referred to the importance of continued structural reform and the need to ensure that inflation is contained. The Summit, whilst rightly welcoming the duration and sustainability of current economic expansion, warned of the need to maintain vigilance on inflation, to foster savings, and to encourage structural reform, including the reduction of subsidies. We recognised that there had been good progress in reducing the Japanese surplus and the US deficit; we believed the German surplus would diminish with unification. Countries with external surpluses were urged to sustain non-inflationary demand growth, and to promote structural reform; countries with external deficits were urged to reduce fiscal deficits and to encourage private saving. I very much share your view that these commitments by G7 leaders should provide a reassuring signal to both business investors and consumers.

You will also have seen in the communiqué the important commitments made, in particular on environmental issues, as well as the references to our discussions on developing countries, debt and drugs. The Summit also discussed some of the principal international political issues and agreed statements on securing democracy, on terrorism and on the growing problem of proliferation in nuclear and other fields.

Finally, as I said in my statement to the House of Commons on 12 July, I believe that the great achievement of these Summits has been to make it easier for all of us to reject short-term soft options in favour of longer-term real solutions;

in favour in particular of sound economic policies, freer competition, open markets, and tackling new problems (such as drugs and the environment) through international cooperation. The world looks to the Summit for a lead, and I believe that the G7 countries have once again provided just that, particularly on trade.

Warm regards.

Yours ever

Margaret

The Honourable R.J.L. Hawke, A.C., M.P.



Foreign and Commonwealth Office

London SW1A 2AH

27 July 1990

Dear Charles,

*attached*

Houston Summit: Letter from the Australian  
Prime Minister

Your letter of 29 June enclosed a copy of a  
letter from Mr Bob Hawke about the Houston  
Summit. I now enclose a draft reply.

*Yours ever,  
S L Gass*

(S L Gass)  
Private Secretary

C D Powell Esq  
10 Downing Street

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DRAFT LETTER FROM THE PRIME MINISTER

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The communique also recognised that the negotiations on agriculture should be conducted in a framework which includes a common instrument of measurement, provides for commitments to be made in an equitable way among all countries, and takes into account concerns about food security. The framework should also contain specific assurances that, by appropriate use of the common measure as well as other ways, participants would reduce not only internal support but also export subsidies and import protection in a related way. The European Community have thus shown themselves ready to envisage reductions of support covering internal regimes, market access and

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cm

The Honourable R J L Hawke AC MP