

PRIME MINISTER

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LONDON ECONOMIC SUMMIT

The attached note from Nigel Wicks seeks your preliminary views on possible themes and topics for the London Economic Summit, apart from the standard items like the world economy and the world political scene. His suggestions are:

- The future of the Soviet Union. He thinks this is likely to be a major topic next year, particularly since your Aspen speech and the suggestion that the Soviet Union should in some way be associated with the Summit. Nigel suggests two possible initiatives: a scholarship scheme for Russians along the lines of the Rhodes or Fulbright scholarships: and an initiative in the field of training in market related skills.
- Trade and agriculture. He suggests various steps we could take to strengthen freedom of trade, and in particular an initiative on competition policy, perhaps trying to bring it within the GATT.
- Environment. The outcome of the Brazilian Forest pilot project agreed in Houston should be known: and we shall be well into preparations for the 1992 conference on the World Climate Convention.
- Developing countries. Nigel proposes giving prominence to the link in your Aspen speech between development and good government.

It would be helpful to know your reaction to these suggestions and whether you have any others. My only suggestion is that the whole question of oil and the Middle East is likely to assume a much greater prominence over the next few months, and we should be ready for that to feature strongly at the London Summit.

C.D.P.

Very good

MJ

Charles Powell

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c: London (MJ)



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DATE: 6 AUGUST 1990  
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#### LONDON ECONOMIC SUMMIT

You may like to have some first views about possible topics for the London Summit. We have had in mind the eight themes for the Nineties which you outlined in your opening remarks at Houston. Our Summit agenda will clearly need to be worked up in the Autumn with further consultation with the departments concerned. So what follows is very preliminary. It does not deal with perennial Summit items like the world economy or the world political scene where it is too early to come to sensible judgements.

#### Soviet Union

2. There is a strong probability that the future of the Soviet Union will be the main agenda item for the London Summit. You will want to use the Summit to carry forward some of the points raised in your Aspen speech about bringing the Soviet Union into the world economy, associating the Soviet Union with the international institutions and with the Economic Summit process. This last point will raise the issue of President Gorbachev's attendance at the Summit on which the Foreign Office will be providing advice in due course.

3. One particular aspect of help for the Soviet Union on which the Summit might focus is education and training. One possibility here is to use the Summit to launch a scholarship scheme, perhaps along the lines of the Rhodes, Harkness or Fulbright scholarships financed entirely from private sector sources in the G7 countries, to enable the brightest Soviet students to study in the West and become exposed to Western methods and attitudes. If you wish, we could consider how to launch such a proposal. Another possibility in the field of training is for the Summit

countries, together with other OECD countries, to initiate a programme which would begin to help retrain the Soviet Union's labour force for a market economy. Their existing training methods are likely to have a skill bias towards traditional craft training and an ideological bias against market related skills. Training techniques and equipment are likely to be outmoded. The first step in reforming such a structure might be through "retraining the trainers". Quite how this should be done would need further thought, but training certainly looks to be a priority area if the Soviet Union economies is to be invigorated. Would you like this to be considered further?

Trade and agriculture

4. Assuming a (mostly) successful Uruguay Round, our strategy thereafter ought to be to push for an even more open world trading system. Four areas seem to be worth consideration for the Summit:

(i) Agriculture: a successful Uruguay Round is likely to require the progressive reduction of agricultural support annually over a number of years. The Summit might want to underline the need for effective compliance with this aspect of the Round and to repeat the reasons why it is fair to ask farming communities to accept a lower percentage of subsidy from their fellow citizens.

(ii) Services: there is likely to be considerable detailed work to do in individual service sectors even assuming a satisfactory treatment of services in the Round. There will inevitably be a good deal of argument next year over the terms of detailed agreements covering individual sectors (eg transport or financial services). The Summit could well give a useful push to this work, or address itself to any areas which might excluded.

(iii) Competition: perhaps the most notable omission from the basic GATT agreement are provisions governing competition, eg equivalent to the provisions governing monopolies, mergers, takeovers, restrictive business

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practices etc national legislation. All G7 governments, including the EC, have legislation of this kind, although it is pretty feeble in Japan. If you wished, we could ask DTI whether some multilateral initiative on international aspects of competition policy would be worth pursuing at the Summit. It would probably be best to launch detailed discussion in OECD before going to GATT, or even to limit it to OECD since that would avoid the developing countries invoking the alleged malpractices of multinationals. Would you like DTI to explore possibilities here?

(iv) International issues and GATT rules: there is a real possibility that the Round will endorse the principle of developing GATT into a Multilateral Trade Organisation as a more effective body to exercise the wider powers conferred by the Round, leaving the detail to be negotiated in 1991. The Summit could commend this work and the strengthened dispute settlement mechanism which should emerge from the Round, as a contribution to strengthening the multilateral trading system and avoids any relapse into blocks.

5. Finally, from the limited perspective of trade policy in Central Europe (Czechoslovakia, Hungary and Poland), the Summit may want to consider how best to encourage the development of their exports, creating the market opportunities they will need and otherwise integrating them into the world trading system. By next July the EC should have negotiated association agreements with these three countries.

Environment

6. Environmental issues are likely to high on the international agenda next year, in particular the negotiations on climate change, but also on forestry and biodiversity. The outcome of the Brazilian Forest pilot project agreed at Houston should also be known. In view of the activity on all these subjects during the next few months, it is difficult to judge now and what could usefully be taken up at the Summit. One important role is certain to be to give impetus to the preparations for the 1992 conference on the World Climate Convention.

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Developing countries, Debt and Aid

7. The issues which required attention at Houston are likely to continue to be topical in London. We will want to give prominence to the link between development and good government, including human rights. If we are to be effective in this field, we will need to collaborate with other aid donors and the Summit could be helpful in this regard. On debt, the Chancellor may launch an initiative at September's Commonwealth Finance Minister's Conference on help for the very poorest countries. If the initiative has been accepted by the Summit, credit can be taken in the communique; if it has not the Summit could be used to push the initiative, as we used the Toronto Summit in respect of an earlier one.

8. Summits can provide useful opportunities to press forward particular schemes, such as the floods in Bangladesh (Paris) and Brazilian Forests (Houston), though care is needed to avoid focusing attention, and possibly resources, on issues not necessarily deserving such global priorities. ODA do not at the moment see anything, at least in Africa or Asia which merits specific Summit attention.

9. There will, of course be a list of other items eg on drugs for the Summit. But these can be followed up later.

10. It would be helpful to know whether you have any particular views at this early juncture.

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

N. L. W.

N L WICKS

