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Foreign and Commonwealth Office

London SW1A 2AH

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N Wicks Esq CBE  
No 10 Downing Street  
SW1

*Dear Nigel,*

ECONOMIC SUMMIT: "ANCILLARY" INITIATIVES AND POSSIBLE TOPICS FOR THE INFORMAL DISCUSSION

1. Your letter of 8 April asked for advice on Sylvia Ostry's trawl for "ancillary" Summit initiatives. Since this overlaps to some extent with our separate correspondence on possible topics for the Monday evening informal discussion of Heads of State and Government (your letter of 15 March and my interim reply of 28 March), I shall take both subjects together.
2. I presume Sylvia meant to exclude traditional foreign policy initiatives since she specifically anticipates discussion of these at the final Sherpas' meeting in June. We would certainly expect Summit leaders to comment on major developments in East-West relations, the Middle East and Afghanistan in the political communique (about which John Fretwell wrote to you on 11 April). But there does not at the moment seem to be scope for a self-standing initiative in these areas, and although they may well come up in informal discussions we would not want to put them forward as particular topics for the pre-dinner discussion on the Monday (which the Canadians want to devote to economic issues).
3. By "ancillary" I take Sylvia to mean issues like science, the environment or drugs on which initiatives have been launched at past Summits. One such candidate for Toronto might be urban renewal; this could cover such topics as the financing of renewal schemes, stimulating small business, urban design etc. It is highly topical in the UK, where policy is developing. It is also of considerable interest in the US: the President has taken a personal interest, particularly in public-private sector partnership. An urban regeneration theme might be made to fit in with the Canadian wish to do something on the environment; and we might use it to put indirect pressure on the Japanese over land reform (eg to release agricultural plots in Tokyo for building).

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4. There are one or two caveats. The French, Germans and Italians have their own urban renewal schemes but the range and seriousness of the problems differs from that in the UK and the US. There is a risk that by raising the issue we might invite attention to the UK's record. We might, to take a more specific example, be vulnerable on drugs policies (DHSS funding for treatment centres in the inner cities), with the US and probably the others too similarly affected by the spread of AIDS among the poorer urban communities. There is no machinery to deal with this sort of topic: and there are well established arguments against creating any new machinery, which I need not rehearse. This problem would arise in considering any practical initiative. However, in this case, there are a number of national organisations (eg Business In The Community) which, with their international contacts, could be brought in to take the initiative forward. On balance, I think it is an idea you might like to consider.

5. My reaction to the suggestion in Geoffrey Littler's letter of 21 March is that the international co-operation angle on crime prevention/detection sounds more promising than a domestic approach. Machinery for pursuing the former already exists and, when successful, can have spectacular results. Support from Heads of Government would give increased impetus to collaboration on crime prevention and also fits in well with the increasing policy emphasis on co-operation through mutual legal assistance. By contrast, it is harder to see how Heads could put across a positive or encouraging message on domestic crime.

6. I shall leave John Fairclough to comment on S and T matters, as you suggested: the Japanese of course already have their own initiative in this area (the Human Frontier Science Programme) on the table - which we think best pursued through normal scientific channels.

7. Going back to our earlier exchange about possible topics for the informal discussion before dinner on the Monday of the Summit, you will have seen that the Canadian "draft format" circulated after the meeting in February indicated that the "unstructured discussion" should be on (undefined) longer term economic issues. To sound a note of warning, this may be the place where the French pursue their interest (as at Venice) in the performance of donor countries in relation to aid targets. We shall provide defensive briefing.

8. I gather that Tom Richardson suggested to you that the Prime Minister might pursue, during the informal discussions, two longer term economic issues: policy towards the NICs, and the economic condition of the Eastern European countries.

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9. The subject of the NICs is likely to form a substantial part of the formal discussion. It figured at the last Sherpas' meeting, and is also becoming an issue at the OECD where it will doubtless be taken up at the Ministerial meeting preceding the Summit itself. I am not sure how much further the Heads of State and Government would wish to pursue the matter at their informal discussions. But it could well be (given for example what Baker has just told the G10 meeting in Washington) that the Prime Minister will find it necessary to emphasise once again that we are opposed to treating Hong Kong in the same way as the other Asian NICs, for well known political reasons. The informal dinner could be an opportunity for that, and in any case we shall need to cover it in the briefing.

10. The political implications of the economic difficulties which the Eastern European countries now find themselves in, are indeed of interest. Together with attempts to emulate Soviet economic reforms, these difficulties could lead to major political instability in one or more East European countries. That would provide the Russians, and therefore ourselves, with very difficult policy dilemmas. At the limit, renewed Soviet interference in Eastern Europe could seriously damage the present climate of East-West relations. Short of that, we could find the Germans in particular pressing us to help the East Europeans politically by making concessions to them over debt and other matters. The discussions could be controversial therefore, and we would need to think about how they might be presented to the outside world through formal or informal briefing. My own feeling is that this subject is not one that we ourselves should press for. It may arise naturally as part of the discussion on East-West relations and the prospects for Gorbachev. In that case well and good.

11. I am copying this letter to Robin Butler, Geoffrey Littler, John Fairclough and to John Fretwell here.

*Yours ever,*  
*Rodric*  
 R Q Braithwaite

cc:

Sir Robin Butler KCB, CVO, Cabinet Office  
 J W Fairclough Esq, Cabinet Office  
 Sir John Fretwell GCMG



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