



PRIME MINISTER

## TORONTO SUMMIT: FINAL SHERPAS MEETING

The Sherpas, accompanied by Finance and Foreign Affairs Sub-Sherpas and Political Directors, met in Toronto at the weekend to make the final preparations for the Economic Summit on 19-21 June.

The Political Statement

The draft of the Political Statement, attached to this minute was agreed, with some difficulty. Most countries were content with the Canadian suggestion that this statement should be confined to East/West matters. We argued strongly for passages on the Middle East and terrorism. In the end it was agreed to include paragraphs on these subjects in the text so that they were available if the Heads agreed they should be included. My feeling is that in the end the Heads will accept reference in the text to the Middle East and terrorism, though we will need to press hard for the language we want on terrorism.

The draft meets, I believe, our interests. Some particular points:

i. Paragraph 1: The French insisted on the inclusion of the phrase in line 5 "... within the framework of our existing alliances" so as to confine to Treaty (NATO) alliance partners the statement about standing together in solidarity and cohesion. They would not countenance any language which looked to cover the Japanese. A silly point, but one to which the French stuck with theological tenacity.

ii. Paragraph 2: The French accepted, after a struggle, the second part of the second sentence, inserted at US insistence, about the inherent limitations of the Soviet social and economic system forcing changes in Soviet policies. They may try to reopen the point at the Summit.

- iii. Paragraph 5: A French reserve on the first three sentences because, according to the French, such statements have never been said before at the Summit.
- iv. Paragraphs 9 and 10: An agreed text on the Middle East if it is agreed that it should be included.
- v. Paragraphs 11 to 15: An agreed text on Terrorism, again if it is agreed it should be included, except for the bracketed sentence in paragraph 13. We insisted on this sentence's inclusion; others, led by the Germans, argued that such detail, on work in hand on ICAO, was inappropriate for the Political Statement.

Besides reading this Political Statement, the Canadian Foreign Minister will read a summary of other political issues discussed, including regional issues.

#### The Economic Declaration

The Canadians will circulate in the middle of this week a "thematic paper" for the summit, which can provide a quarry for the Economic Declaration. Unfortunately, and unusually, the Canadians were unable to complete the final draft last weekend. It will now be finalised by the Canadians on the lines of our discussion.

There is wide agreement that the thematic paper, for the last summit in this cycle, should take a broad perspective - both backwards (drawing attention to the better economic performance over the last few years helped by improved economic policies) and forwards (emphasising the continuing challenges of continued control of inflation, reducing imbalances and making national economies and the world trading system more efficient).

There is still a wide difference between the Commission and the US on trade and agriculture on well rehearsed lines. The

Summit may see a stalemate between the two camps. But there may be scope for the leaders to forge an agreement which can take forward the discussions on trade and agriculture. There is a possibility that this week's discussion in the Paris Club will come to a satisfactory conclusion on African export credit debt which we can present as a notable victory for the Chancellor's debt initiative. The Germans, Japanese, and possibly the French will be making statements at, and just before, the Summit on debt.

### Surprises

No "surprise" initiatives are expected though the French may present proposals on international monetary reform. A telegram just in from Ottawa suggests Mr. Mulroney may float an initiative on middle income debt. Both issues are likely to be unwelcome to us.

### Other issues for the Economic Declaration

Passages on the Environment, the Human Frontier Science Programme, (dear to the Japanese hearts) and Bioethics (dear to the Italians) will be suggested. Language should not cause us difficulty. The US circulated to Sherpas a detailed note on a drugs initiative, stimulated no doubt by the attention which this issue is receiving on the Presidential campaign. They are likely to suggest at the Summit a drugs task force, under US leadership, of the Summit Seven to consider further international action against the production, trafficking and financing of the illicit drugs trade. We should be able to support this initiative.

### Other matters

1. Publicity: So as to prevent publicity on the Economic Summit being swamped by political issues, Mr. Mulroney plans formal public statements as follows:

- a. The Canadian Finance Minister, Mr. Wilson, will give

journalists an open briefing on the first session, on economic issues, on the Sunday afternoon, on the bans of a report given to him by Mr. Mulroney.

b. The Canadian Foreign Minister, Mr. Clark, will read the Political Declaration and the summary of political issues after the Heads' working lunch with Foreign Ministers on the Monday.

c. Mr. Mulroney will read the Economic Declaration at the close of the Summit on Tuesday afternoon. He does not plan to deal with political issues then.

This is very much for the Canadian hosts, but looks to cause us no problems.

2. Discussion of Longer Term Issues: I said that you no longer wished to discuss health, social security and demographic issues (because such a discussion might impinge on the US Election campaign). This caused great mystification among many US colleagues and they may revert to the issue. But so far as we are concerned the topic is off the table, and discussion will centre on the French topic of training and education on which President Mitterrand will lead off. President Reagan may propose a topic.

I confirmed to the Canadian Sherpa that you were very ready to open the discussion at the first session, on Sunday afternoon, on economic issues. Mr. Mulroney hopes you can speak without notes. I will provide some material for your intervention.

A detailed agenda for all the Summit discussion is attached.

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

N. L. W.

(N. L. WICKS)

6 June 1988



10 DOWNING STREET

LONDON SW1A 2AA

*From the Principal Private Secretary*

6 June 1988

*Dear Geoffrey,*

**TORONTO SUMMIT: STRUCTURAL ISSUES**

There is the text which we gave to the Canadians for the Thematic paper on structural reform in the United Kingdom.

"In the United Kingdom, there has been a substantial programme of tax reform, de-regulation, the opening up of markets and the privatisation of state industries. This programme will continue. There will also be further measures to improve the flexibility of the work force, through education, training and other actions."

I am sending a copy of this letter to Rodric Braithwaite (Foreign and Commonwealth Office).

*Nigel Wicks*

(N. L. WICKS)

Sir Geoffrey Littler, K.C.B.,  
HM Treasury.

*SN*