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10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

23 January 1989

Dear Nigel,

PARIS ECONOMIC SUMMIT

We had a short talk with the Prime Minister this evening about the Paris Economic Summit from which I think three points emerged:

- the Prime Minister suspects that the French may launch an 'expensive' initiative on the environment at the Summit, drawing on the ideas put forward to a number of Heads of Government by Monsieur Rocard. She thinks that we should prepare for this by producing a paper of our own on the economics of environmental protection. This would examine the costs of commitments to deal with specific environmental problems such as car exhaust emissions, reducing dependence on coal and measures to preserve tropical forests. The paper should also look at the consequences for aid policy of additional commitments in these areas. You will want to set a study in train;
- the Prime Minister also wants the Summit to tackle again, and this time more effectively, the problem of persistent structural surpluses in countries like Japan and Germany. She would welcome ideas on how we can best go about this;
- in the same context, but also with an eye to the Anglo/German Summit in late February, she would like a note on our economic and trade relations with the Federal Republic of Germany, the reasons why we have such a substantial deficit in our trade with them and what we can do about it.

The Prime Minister also lamented the substantial deficit in our trade with the Community as a whole, the fact that our farmers seemed to fare worse last year in terms of farm incomes than any other farmers in the Community and the further rise expected in the current year in our net contribution to the Community. In the light of all these, it was hard to construct a case that membership was doing us much good. It might be useful if the Cabinet Office could put together a short factual note dealing with our comparative

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position in these three areas of our economic relations with the EC, illustrating the trends in each case.

I am copying this letter to Alex Allan (Treasury), Stephen Wall (Foreign and Commonwealth Office), Neil Thornton (Department of Trade and Industry), Roger Bright (Department of the Environment), Shirley Stagg (Ministry of Agriculture, Fisheries and Food), Carys Evans (Chief Secretary's Office) and Roger Lavelle (Cabinet Office).

Yours sincerely,
Charles Powell

CHARLES POWELL

Nigel Wicks Esq., C.V.O., C.B.E.

Tessa
M. Tu diary
+ CDP
Diam ✓ 18/1
10 DOWNING STREET



5.00 pm on
Tuesday 24th
January.

Tg.
18/1

Tessa

cd. you please
find a time
for Nigel Woods
to come in to
talk to the PM
about the
Economic Summit,
sometime in the
next 10-14 days.
CDP 13/1