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*From the Private Secretary*

MR. WICKS  
H.M. TREASURY

PARIS ECONOMIC SUMMIT

The Prime Minister was grateful for your minute of 21 March with its round up of the main subjects likely to arise at the Sherpa meeting on 7-9 April. I have confirmed that she attaches importance to having separate sessions for Heads of Government on the first full day of Economic Summits and would hope that the French would agree to abide by this practice.

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

CHARLES POWELL  
23 March 1989

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KK

Prime Minister

FROM: N L WICKS  
DATE: 21 MARCH 1989

PRIME MINISTER

A summary of where matters stand on the main issues to be discussed at the Economic Summit.

PARIS ECONOMIC SUMMIT

Agree that it is best to stick to a Heads of Government only meeting on the day morning, as usual?  
CSP  
22/3  
Yes  
no

Attali has insisted on calling a further Sherpa meeting for the weekend of 7-9 April. He wants his Summit preparations to take account of the outcome of the Spring IMF/World Bank Meetings in Washington and of the Trade Negotiating Committee's discussion on agriculture and trade in Geneva. Sherpas will also consider the Summit discussion of the environment following the London and The Hague conferences. I will generally be guided by the line in my minute of 17 February subject to your comments conveyed in Charles Powell's letter of 20 February. But you may wish to have this brief update on the main subjects likely to arise at the Sherpa meeting. There is a small point on Summit organisation on which I seek your views in paragraph 9.

World Economic Prospects, Debt, Trade etc

2. Since the Sherpas met in February, the world economy has shown further signs of strong growth and there are more indications in some countries of inflationary pressures. There is increasing evidence, too, that the adjustment of the trade imbalances has stalled and signs that the US Budget deficit negotiations have run into, not unexpected, heavy weather. The French may try to argue that these developments support the case for some international economic/monetary initiative. They may possibly have some support from the US. Our line, which is likely to be supported by the Canadians, Germans and Japanese will be to stress the importance of controlling inflation and of sound monetary and fiscal policies and for continued structural reform.

3. The Sherpas will also consider the Interim Committee's discussion of US Secretary Brady's proposals on middle income debt. We are unlikely to want to go beyond what is agreed in the Interim Committee.

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4. Progress on the Uruguay Round depends crucially on agriculture, which will be the main topic for discussion at the TNC in Geneva. If agriculture falls into place, it may be possible to unblock the three unresolved issues (intellectual property, textiles and safeguards) and confirm agreements provisionally reached in Montreal. This should provide a fruitful background for the Summit to urge for early and far reaching action in the rest of the Round. But if the TNC in Geneva fails, and progress is still blocked in July, the Summit may have a role in unblocking the negotiations.

Environment

5. The Summit discussion of environment ought to be a good deal clearer after this Sherpa meeting. The conferences in London and The Hague have taken place. I have circulated the UK paper on the Economics of Environmental Protection (a copy of which is attached). The IAEA Secretary General has sent a paper on "Responses to Global Warming" as a subject for the Paris Summit to most G7 Energy Ministries. It stresses the environmental advantages of nuclear power and suggests that the Paris Summit communique could include words to this effect. I am sure that we should support appropriate wording.

6. The Germans should have more to say about their initiative on a code of conduct for the importers of tropical timber. Tropical timber conservation is likely to be a sensitive issue, particularly in countries like Malaysia, and will need careful handling; we will not want an argument about this with Dr Mahathir at CHOGM. The French may have completed their paper on A Saharan Observatory. The DOE are pursuing the apparent US scepticism, evinced by my US Sherpa colleague, about the scientific evidence of global warming. There is consensus among British scientists that CO<sub>2</sub> emissions are already contributing to higher temperatures.

Money Laundering and Insider Trading

7. Each country should have produced a note for the French on national regulations covering these subjects. This should enable the French to be rather more precise on what President Mitterrand

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had in mind in his suggestion for Summit discussion of these issues. Our object remains to steer international co-operation towards the appropriate existing bodies.

Chemical Weapon Precursors

8. At the last Sherpas meeting the Germans raised, rather tentatively, the idea of greater control over CW precursors. They may bring up their ideas more formally this time. I think that we should support the inclusion of a short passage in the Paris Summit communique, to expand on the line you took at Toronto ("We seek the early establishment of a comprehensive, effectively verifiable and truly global ban on chemical weapons").

Summit Organisation

9. Finally, a point about organisation of the Paris Summit. At both Venice and Toronto there were separate sessions for Heads of Government, Foreign and Finance Ministers on the morning of the first full day. At Paris, a plenary session is planned instead. This will significantly reduce the time available for discussion among Finance and Foreign Ministers and preparation of the relevant parts of the Summit declaration.

	<u>Venice</u>	<u>Toronto</u>	<u>Paris</u>
Day of arrival	-	pm: separate sessions	pm: separate sessions
First full day	am: separate session	am: separate session/ political declaration/ plenary	am: plenary
	pm: plenary	pm: plenary informal session	pm: plenary/ informal session
Second day	am: plenary	am: plenary	am: plenary
	pm: joint declaration	pm: economic declaration	pm: plenary/joint declaration

I shall ask Attali whether this change has any significance. It would be helpful to know whether you, or the Foreign Secretary and

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the Chancellor of the Exchequer, had views on the arrangements for the morning of the first full day.

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

N.L.W.

N L WICKS

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PARIS ECONOMIC SUMMIT: ECONOMIC ASPECTS OF THE ENVIRONMENT

The Problem

1. Environment now a major policy issue. Global issues rightly particularly to the fore. UK favours pragmatic approach based on sound science. But must also have an economic basis to decision-making, since environmental protection incurs costs, uses resources, and entails decisions about priorities.

2. Climate change a classic example. UNEP/WMO already have in hand a research programme to analyse the science, the impacts and the possible responses. Assessments are needed of the implications of adapting to changing climate, of making changes where adapting is not possible and of preventing emissions of greenhouse gases. There are diverse sources of greenhouse gases and a variety of options, with different cost implications, for controlling production and build-up of those gases.

3. UK strongly supports the present scientific approach. But it lacks an economic dimension, which would enable us to cost options, to analyse the benefits of those options in order to produce an order of priorities, to test the sustainability of those options in terms of resource use, and to assess the optimal timing of response measures. Such an approach would enable the world community to make well-informed decisions about:-

a. The trade-off between the acceptable amount of climate warming, and the feasible/economic degree of emission reduction to be achieved.

b. The allocation of emission reductions between different gases, and different countries.

c. The timing of remedial measures.

Major Economic Issues

4. The big issues to be tackled in terms of the economics of climate change include:-

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- a. The extent to which market mechanisms (realistic fuel pricing, carbon taxes and levies, current subsidies to fuels, trading in emission permits, charges, and other financial instruments) can be used to achieve environmental objectives in combination with regulation. We need to develop ways and means of working with the grain in economic terms, allowing sufficient flexibility for the market to play its part in finding least cost solutions to environmental problems.
  - b. How to avoid some countries becoming free-riders, and living off other people's virtuous actions.
  - c. The extent of possible losses of competitiveness for those who act virtuously, and how to avoid them.
  - d. How to square the circle between global environmental interests, and an individual country's national economic interest.
  - e. Whether, and if so how, to use aid mechanisms (bilateral and multi-lateral) and other financial inducements (debt?) to transfer resources to developing countries both for remedial measures (eg forestry) and to encourage environmentally desirable action (eg phasing out CFCs).
  - f. How to achieve the optimal timing of adaptation measures and of arrangements to prevent emissions. This would substantially affect the level of costs incurred by individual countries.
5. The use of the market (item 4(a) above) is particularly important. Price signals need to reflect environmental considerations in order to achieve optimal decisions. At present market mechanisms are probably under-used in environmental protection, and we need to develop ideas about their level and timing. But they cannot be the whole answer. Property rights (see

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paragraph 6(f) below) on which this depends are more difficult to establish at the international than the national level. The free-rider problem (item 4(b)) requires special attention to incentives. The centrally planned economies are less amenable to market pressures. Getting the right balance between market and regulation is crucial.

Methodological Issues

6. Climate change presents conventional economics with a number of problems involving data, technical methods and incentives:-

a. The data is poor, especially when split down to regional or local level. Uncertainty is high. It will take years before matters are improved. So both costs and benefits are difficult to assess accurately.

b. The impacts are distant and uncertain, but very probably irreversible.

c. What is the appropriate precautionary response when dealing with high degrees of uncertainty combined with a possibly catastrophic outcome?

d. The effects are international, and intergenerational. How do we value our children's continued well-being? What do we mean in practice by the Brundtland concept of "sustainable development"?

e. There are many non-quantifiable aspects - including, at present, how to take account of consumption of natural resources.

f. Underlying the economics of the environment is the concept of property rights (to air, for example) and how to allocate them internationally. Can rights to discharge pollutants, for example, be traded between countries and if so how? What is clear is that international externalities require international action.



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7. Techniques such as cost-benefit analysis, discount rates, resource accounting etc need refining for tackling issues having these characteristics. The challenge that faces us is how to develop and present these techniques, on a multi-disciplinary basis, in order to aid the decision-making process.

Diagnosis

8. Need to set analytical work in hand, alongside scientific work, to refine data and analytical methods, so guiding the choice of policies. This should be done well before the deliberations get underway and decisions are due. Several disciplines involved. The centrally planned economies would have particular difficulty in accepting a market-based approach but may appreciate the need for improved incentives. Also we need to reflect the different viewpoints of developed and developing worlds. All this suggests that OECD and the World Bank, both of whom are already working in this area, might be the right agents. But the work should be fed into the UN so that the science and the economics develop together. UNEP are currently not strong on economics, but should perhaps be encouraged to increase their interest in this direction. The European Community might also have a role in working up techniques.

9. The ultimate objective is to incorporate the environmental dimension appropriately and quantitatively into everybody's economic decision-taking.



*Duty Clerk*

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2G/3151/28

21 March 1989

See Distribution

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22/3*

**PARIS ECONOMIC SUMMIT 14-16 JULY 1989  
DRAFT PLAN FOR COMMUNICATIONS FACILITIES**

1. This note describes the communications arrangements which are proposed for the Paris Economic Summit. The arrangements are subject to refinement and revision but no major changes are expected.

## TIMETABLE

2. The following timetable is for the installation and operation of the Communications equipment.

- Tuesday 11 July - Communications Coordinator arrives from UK.
- Wednesday 12 July - Engineer (Local Radio) arrives from UK.  
- Install communications and local radio, and carry out systems test.
- Thursday 13 July - Operating staff arrive from UK  
- Main Party arrive from UK
- Sunday/Monday 16/17 July - Main Party depart for UK
- Monday 17 July - Pack equipment and depart.

## STAFF

- 3. Engineer (Local Radio) - FCO/TSD  
Two Communications Operators - FCO/COD  
Communications Coordinator - Cabinet Office

## SECURE COMMUNICATIONS EQUIPMENT

- 4. On-line Topic cypher (already in situ)  
Brahms Secure Speech  
Secure Facsimile

AIRBORNE COMMUNICATIONS

5. Airborne secure telegraph communications will not be available for this short duration flight.

COMMUNICATIONS CENTRE.

6. The Paris Embassy Communications Centre will be used for mainline communications. It will be operational throughout the period of the Summit and provide a fully secure telegram service.

SECURE FACSIMILE

7. Secure facsimile will be installed in the Communications Centre and a further unit will be installed in the Delegation Offices at the Grande Arche de la Defense. The system can be used for material classified up to and including CONFIDENTIAL with occasional use up to SECRET. Texts can be exchanged between either location and No 10 Downing Street via the Cabinet Office Communications Centre. It will also be possible to exchange texts between the Embassy and the Grande Arche in order to ease the problems with delays on safe-hand runs due to traffic congestion in Paris.

The facsimile equipment at the Grande Arche will be installed at the start of each day and taken back to the Embassy for safe-keeping each evening.

BRAHMS SECURE SPEECH

8. Brahms will be available for use by the No 10 and FCO Private Offices either in the Embassy or in the Grande Arche Delegation Offices and will be installed on demand by technical staff.

TELEPHONE FACILITIES

9. The following facilities will be available :

i. Telephone extensions connected to the Embassy switchboard for those Ministers and Officials accommodated at the Residence.

Normal hotel telephones.

ii. Additional Direct Exchange Lines (DEL) with International Direct Dial (IDD) access in Private Offices, Delegation Offices and in rooms of senior officials.

iii. A direct speech line between the switchboard in No 10 Downing Street and the No 10 Private Office in the Embassy. It will be possible to switch this line to the Delegation Office at the Grande Arche.

iv. A separate direct speech line between the Embassy and the Grande Arche Conference Centre.

## DELEGATION OFFICE

10. The Delegation Offices will be located at the Grande Arche de la Defense which is located about 8 km from central Paris. In addition to the facilities provided by the host country, there will be 5 Direct Exchange Lines (DEL) with International Direct Dial (IDD) access. It will also be possible to route to here the speech private wire between No 10 Downing Street and the No 10 Private office at the Embassy. There will also be a separate speech private wire (tie line) between the Delegation Office and the Embassy.

## PRESS OFFICE AND BRIEFING ROOM

11. The UK Press Office and Briefing Room will be situated at the Grande Arche. In addition to the usual facilities provided by the host country there will be a Direct Exchange Line (DEL) with IDD access and a direct 4 wire music quality line to the COI London.

## SPECIAL COMMUNICATIONS

12. The delegation office will be linked by telewrite to the plenary session room and by direct telephone link to the room of the Head of Delegation.

No details of the telewrite system are yet available.

## LOCAL RADIO

13. Local radio will be provided for the Administrative Team and the No 10 Press Office and clearance for its use will be sought.

Permission has been sought and granted for the installation of temporary vertical whip aerials and repeaters on the roof of the Hotel de Crillon. However alternative sites are being considered.

Protection officers will use hand-held radios and clearance will be sought for their use.

## CELLULAR RADIO

14. If cellular radio is available a small number will be hired to provide portable telephone facilities in the event of difficulties when out of range of the radio repeater.

## COMMUNICATIONS PROVISION BY THE SUMMIT ORGANISERS

15. The Summit organisers have stated that each delegation will be provided with a number of facilities. In the case of the UK delegation these will be:

- i. Four extensions off the PABX at the Grande Arche will be provided in the delegation offices. Calls to Paris from these telephones will be free of charge.

- ii. Direct line between the Delegation Office and the suite of the Head of Delegation, at the Grande Arche.
- iii. Delegation offices will be linked by telewrite to the plenary session room.
- iv. A direct line will be provided between the Delegation Offices at the Grande Arche and the No 10 Private Office at the Embassy (see para 10 above).
- v. An unclassified facsimile machine has been offered for the delegation offices, but we shall ask for this to be transferred to the UK Press Office and Briefing Room.

ADDITIONAL LINES

16. The following additional lines will also be ordered:

AT THE GRANDE ARCHE

- 1 x Speech PW to the No 10 Office in the Embassy
- 5 x DEL/IDD telephones in the Delegation Offices. This includes one DEL/IDD for use with secure facsimile.
- 1 x DEL/IDD telephone in the UK Press Office.
- 1 x DEL/IDD telephone in the UK Press Spokesmans Room
- 1 x 4 wire music quality circuit from UK Press Office to COI London

AT THE EMBASSY

Communications Centre

- 1 x DEL/IDD telephone for use with secure facsimile.

No 10 Private Office

- 1 x DEL/IDD telephone
- 1 x Speech PW to the Arche
- 1 x Speech PW to No 10 Downing Street switchboard

Administration Office

- 1 x DEL/IDD telephone.

AT THE PYRAMIDE DU LOUVRE

Officials Room

- 1 x DEL/IDD telephone

AT THE HOTEL DE LA MARINE

Officials Room

- 1 x DEL/IDD telephone

AT THE HOTEL DE CRILLON

The rooms of the following Officials will each have an additional DEL/IDD telephone:

- Personal Representative
- Chief Press Secretary
- Head of News Dept, FCO

AT THE HOTEL SOFITEL

UK Press Suite  
- 1 x DEL/IDD telephone

TELEPHONES - GENERAL

17. Telephone numbers will be notified by FCO, Protocol Department when they are available.

*R. Hope*

R HOPE  
Telecommunications Secretariat

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