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cc: PH

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21 November 1990

*Dear Charles,*

**LONDON ECONOMIC SUMMIT: A USSR SCHOLARSHIP INITIATIVE**

When I minuted the Prime Minister on 6 August with first views about possible topics for the London Summit, I suggested that the Summit might be used to launch a USSR scholarship scheme. This could be along the lines of the Rhodes, Harkness or Fulbright schemes, and 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. Its aim would be to create a growing nucleus of Western trained people - throughout all walks of Soviet life - who would have gained experience of Western ideas and approaches at a formative stage of their life. In the light of your letter of 9 August, I have been considering further how such an initiative might be carried forward, if the Prime Minister wished to do so.

First, to give some idea of rough orders of cost; I understand that the Harkness Fund is currently spending about \$1 million a year on roughly 14 scholars. But that would not necessarily provide an exact parallel; their costs vary enormously with family size and with the fees charged by the destination institution, which in the US vary widely. A G7 scheme might exclude dependents - on the grounds that the potential benefit to the chosen scholars would more than outweigh the pain of separation - though that needs careful thought. But the average post graduate tuition fee in the G7 countries is almost certainly substantially lower than the average in the US. Illustratively, the unit costs for a Soviet scholar taking an MBA at a British higher education institution would be around £12,000 - say £6,000 for subsistence (a little more than our current post graduates stipend), £5,000 for fees and £1,000 for travel. Goodwill would be greatly enhanced by adding a little more for subsistence and travel during the period of study; £15,000 per head might be generous.

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The next question is how many scholars would be needed to make an impact. Say 10 per country: that would be £150,000 a year for each of the G7 countries - say a total expenditure of around £1 million a year. So a capital sum would be required to endow a fund which would produce such a level of (inflation proofed) income (plus administration costs) each year - say £20-£30 million, though professional advice would be needed on precise figures.

The organisational issues of getting such a venture off the ground require careful management so as to reconcile the triple objectives of efficient administration, concerted G7 action and substantial private sector support. One possibility might be to establish a small central organisation of satellite bodies, on trust fund lines. But again this is something that needs further thought.

If the Prime Minister is attracted to such a venture, we need to decide how it might be launched. One possibility might be to identify someone who might form the chairman of a G7 steering committee to get the operation off the ground and to raise the necessary contributions. Such a person would have to have drive and determination, financial knowledge and first class international contacts. It will not be easy to find someone willing to devote sufficient time and energy to this role. But one possible candidate would be Sir Michael Butler (though a possible complication here is that Sir David Hancock, a fellow member of the Hambros Board, is associated with the Harkness Fund). If Sir Michael (or someone else) were willing to take the matter on, he might produce an outline scheme and the Prime Minister might then write in the New Year to the other Summit participants saying that this private sector venture - it would need to be emphasised that there was no question of public sector contributions - has her full support, she hopes that other Heads can similarly endorse it and that some announcement could be made before the London Summit. There would also need to be contact with the Soviet authorities to ensure that they were on board.

Clearly the challenges in mounting such an initiative are considerable. But if something like it could be made to work, it could have considerable potential for improving potential in the long term of the Soviet Union. Ten scholarships a year for each G7 country after 10 years would produce 700 students who had been through the scheme. That might have some effect even in a country of the size of the USSR.

I should be glad to know how the Prime Minister wishes to proceed in this matter.

I am sending a copy of this letter to the Private Secretaries to the Chancellor of the Exchequer, the Foreign & Commonwealth Secretary and the Secretary of State for Education & Science and Sir Robin Butler.

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*N L Wicks*

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