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SUBJECT CC MASTER



10 DOWNING STREET

LONDON SW1A 2AA

13 May 1987

*From the Private Secretary*

Dear Tony,

VENICE ECONOMIC SUMMIT

The Prime Minister and the Foreign Secretary had some discussion this afternoon of the Venice Economic Summit. They agreed that the economic conclusions were, in general, emerging in a satisfactory form. It would be important to get robust paragraphs on protectionism and on the need for reforms in agricultural policies, as well as the most specific references possible to the anxieties caused by the United States' fiscal deficit and to the need for the Federal Republic and Japan to pursue policies aimed at faster economic growth. It would also be important to cast the conclusions in such a way as to exert maximum pressure on Japan to speed up its market opening and to encourage imports. We should aim to secure endorsement of the Chancellor of the Exchequer's recent initiative on debt. Proposals on the same subject made by the French Government raised a number of problems and we should try to avoid their acceptance by the Summit.

It was noted that the United States was keen to have a statement on terrorism from the Summit. In many ways it would be preferable to rest on the declaration issued at Tokyo. But it was probably impossible to avoid a further statement. This should at the least reaffirm the commitments undertaken at the Tokyo and London Summits and if possible express them more strongly (while avoiding language which was obviously incompatible with the United States' performance over the hostages in Lebanon).

The Prime Minister expressed a strong preference for avoiding any declaration from the Summit on East/West relations. Such a text would make it harder to resist declarations on other political issues. It would also risk invidious comparisons with the communiqué of the NATO ministerial meeting which would follow immediately after the Summit. The Foreign Secretary recalled that the United States appeared to believe that a text was inevitable and the Japanese had already circulated a draft. While we should certainly not press for a text to be issued, we

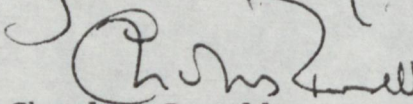
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should be ready with language to ensure that, if others insisted on having one, it was cast in terms acceptable to us.

The Prime Minister would wish Sir Robert Armstrong to make clear at the next meeting of Sherpas that she is opposed to the idea of an East/West declaration and to try to rally support against it, leaving a decision to the Summit itself. If language is discussed, our representative should make clear that we would prefer to avoid a text and that he is participating in any drafting exercise without commitment.

I am copying this letter to Alex Allan (HM Treasury) and to Sir Robert Armstrong.

*yours sincerely*  
  
Charles Powell

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Foreign and Commonwealth Office.