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cc Mr. Ingham

PRIME MINISTER

VENICE ECONOMIC SUMMIT

I attach the final version of the thematic paper for the Venice Economic Summit, together with Sir Robert Armstrong's covering note. It seems generally satisfactory, although once again the Japanese have escaped being singled out by name.

The Summit's eventual Economic Declaration will be carried by television here on the eve of the polling day and in the press on polling day itself. We shall want to ensure that it provides the strongest possible endorsement of the sort of economic policies pursued by the Government; and a reasonably optimistic and upbeat account of future prospects. On the basis of the thematic paper, there should be no problem about the former. But I see a risk that if the economic declaration reflects the thematic paper on the prospects, the overall impression will be pessimistic and even mildly alarming (e.g. para 1.2. "... domestic demand in Summit countries as a whole is expected to slow to below three per cent.."; the list of negative factors in the same paragraph; the reference in paragraph 2.5 to the need "to avoid a further slow-down in economic activity"). There seems quite a risk of getting the wrong headlines at the wrong time. You might ask the Chancellor to work up some language to counter this, which we would work to get included in the Economic Declaration?

We also need to set ourselves some targets which we can subsequently point to as distinctive British achievements at the Summit. These might include:

- ✓ A / - a specific and approving reference to our economic performance (this would need to be proposed by someone else);
- ✓ - a stronger reference in the Economic Declaration than any yet achieved to Japan's resolve to reduce its external surplus;

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- ✓ - endorsement of the Chancellor's debt initiative;
- commitment to action to deal with agricultural surpluses;
- a robust statement on terrorism. We already have a good text, but you should be identified closely with it;
- an explicit endorsement by the Summit Seven that nuclear weapons will continue to have a vital role in the West's defence (in the East/West declaration if there is one); /B

Agree to instruct the Foreign Secretary, Chancellor and Sir Robert Armstrong to work for these as clear British goals from the Summit?

Yes - its really is a
ridiculously large
statement

C.D.P.

(C. D. POWELL)

20 May 1987

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File

SH



c/c

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

19 May 1987

Dear Tony,

VENICE ECONOMIC SUMMIT: BILATERAL WITH PRESIDENT REAGAN

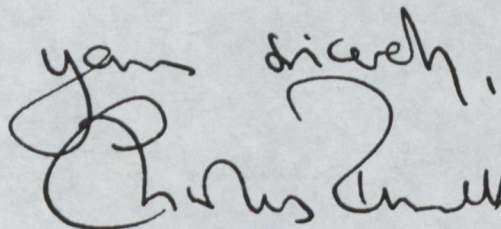
We have agreed with the Americans that the Prime Minister and President Reagan will have a bilateral on the morning of Tuesday 9 June at President Reagan's hotel, and then travel on together to the opening session of the Economic Summit. We have not yet fixed a precise start time, but it is likely to be about 0830. We have also told the Americans that the Prime Minister would like it to be a very restricted meeting. She will be accompanied only by a Private Secretary. No further action is required on this for the time being, although we shall need in due course to tell the Italians so that they can make the necessary arrangements for transport and security.

We shall also need to tell the Italians in due course of the Prime Minister's arrival and departure plans, but I would prefer to leave this for a few days yet.

The main subjects which the Prime Minister will want to pursue with the President are:

- the US economy and the deficit;
- the INF negotiations;
- Syria and terrorism;
- Arab/Israel; and
- any issues likely to arise on the Economic Summit final declaration

I should be grateful if briefing could be put in hand on these points.

Yours sincerely,

C. D. POWELL

A. C. Galsworthy, Esq., C.M.G.,
Foreign and Commonwealth Office

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SRW