

# PREM19

# 28

ECONOMIC POLICY

(Tokyo G7)

(Part 2)

SECRET

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Part Two

236

Confidential Filing

Tokyo Economic Summit, June 1979 —  
Policy.

ECONOMIC

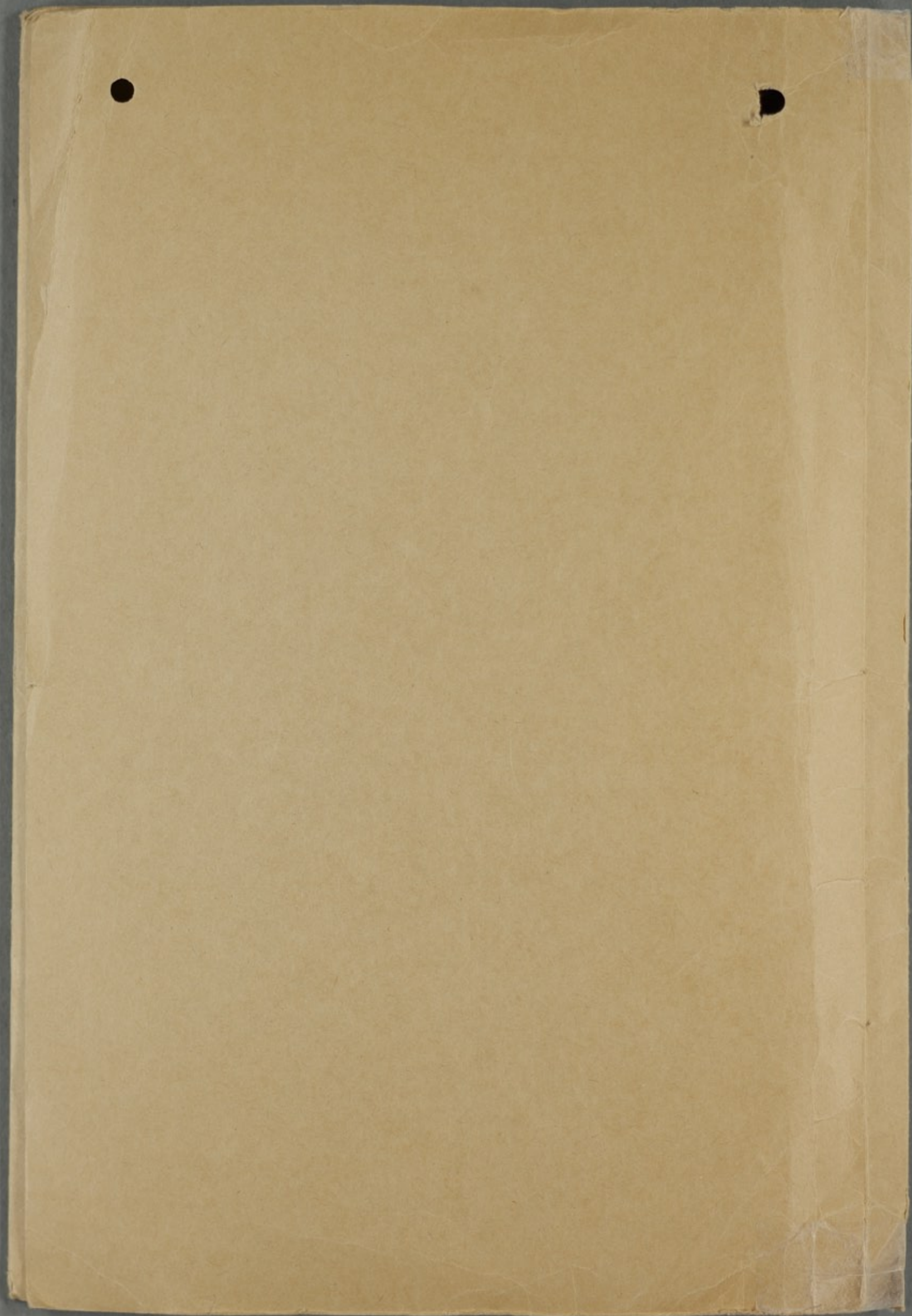
POLICY

Part 1 : May 1979

Part 2 : June 1979

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
<del>6-7-79</del>							
<del>24-7-79</del>							
4-10-79							
18.10.79							

PREM 19/28



● PART 2 ends:-

PtC to Pres<sup>t</sup> Carter 18.10.79

PART 3 begins:-

RTA to Fco 3.1.80



10 DOWNING STREET

PRIME MINISTER'S

THE PRIME MINISTER

PERSONAL MESSAGE

SERIAL No. 7123c/1795

cc FCO  
CO

cc Mr Melton, US  
Embassy

18 October, 1979.

Dear Mr. President,

Thank you for your message of 4 October which Ambassador Brewster passed to me about support for the work of the Consultative Group for International Agricultural Research.

I do indeed recall the Tokyo decision to intensify our efforts to overcome hunger in the developing countries and I confirm the importance I attach to research on an international co-operative basis as a contribution to this end. The work of CGIAR has played a significant part in raising food production and it has had strong support from this country from the start.

Our support will continue taking into account both the general limitations imposed by our economic circumstances on the scale of our aid programme and the strains that rapid expansion of the CGIAR system would put upon its management structure.

Warm regards.

Yours sincerely,

(SGD) MT

The President of the United States of America

*M.*



Foreign and Commonwealth Office

London SW1A 2AH

11 October 1979

*Dear Michael*

Mike Pattison wrote on 4 October enclosing a letter from the US Ambassador to the Prime Minister conveying a message from President Carter about financial support for the work of the Consultative Group for International Agricultural Research (CGIAR).

--- I enclose a draft reply which the Prime Minister may wish to send.

The CGIAR consists primarily of aid donor countries and organisations. It funds and guides the activities of 12 international agricultural research centres with the object of increasing food production in the developing world. The Group was established in 1971, under the co-sponsorship of the International Bank for Reconstruction and Development, the Food and Agriculture Organisation and the United Nations Development Programme when it assumed financial responsibility for the four original centres launched by the Ford and Rockefeller Foundations (which remain among the contributors). The UK and the US were both founder members of the Group, which has grown rapidly to its present size. It has a total budget in 1979 of \$US104 million. The UK contribution in 1979 is £3 million - about 6% of the total. The US has traditionally contributed 25% of total requirements.

The work of the research centres funded by the CGIAR has achieved important successes in raising the yield potential of some of the world's major crops including rice, wheat and maize and the Consultative Group itself has been an economical mechanism for attracting funds and of guiding and coordinating the work of the research centres. However, this mechanism was established at the inception of the Group to meet the needs of a fairly modest organisation and we believe it could benefit from some revision before the present rate of expansion can be accelerated with confidence. It also needs to do more to help developing countries' own research organisations to adapt the work of the centres to local needs; this is in hand and we think has the highest priority in any expansion.

When the Consultative Group meets in Washington at the end of October we do not expect to be able to increase the UK pledge in real terms, or to make a firm commitment to a five-year plan. Continued success is not simply a matter of money, but more funds could certainly be beneficially employed, and we would not wish to discourage other donors from playing a bigger part.

I am copying this letter and enclosure to Martin Vile (Cabinet Office).

*Yours etc*  
*Paul*  
 (P Lever)

M O'D B Alexander Esq  
 10 Downing Street

DRAFT LETTER FOR SIGNATURE BY THE PRIME MINISTER

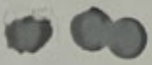
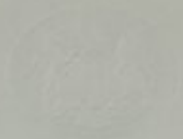
ADDRESSED: President Carter

Thank you for your message of 4 October which Ambassador Brewster passed to me about support for the work of the Consultative Group for International Agricultural Research.

I do indeed recall the Tokyo decision to intensify our efforts to overcome hunger in the developing countries and I confirm the importance I attach to research on an international co-operative basis as a contribution to this end. The work of CGIAR has played a significant part in raising food production and it has had strong support from this country from the start.

Our support will continue taking into account both the general limitations imposed by our economic circumstances on the scale of our aid programme and the strains that rapid expansion of the CGIAR system would put upon its management structure.

*Am*



12 OCT 1979

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RF 1204

10 DOWNING STREET

MR. ALEXANDER (o.r.)

I have acknowledged Ambassador Brewster's letter of 4 October, enclosing a message from President Carter seeking increased support for the International Agricultural Research System.

This seems to be a round robin, and I have sent it to FCO asking for a draft reply to reach you by 12 October. Perhaps no need for the Prime Minister to see it until there is a draft reply?

*MAP*

4 October 1979



file, BK

BF 13/10/79

10 DOWNING STREET

*From the Private Secretary*

4 October 1979

I attach a copy of a letter to the Prime Minister from Ambassador Brewster, covering a message from President Carter about financial support for the International Agricultural Research System.

I would be grateful if you could let us have a draft reply for the Prime Minister to consider. It would be helpful if this could reach Michael Alexander by 12 October.

I am sending a copy of this letter and enclosure to Martin Vile.

M. A. PATTISON

Paul Lever, Esq.,  
Foreign and Commonwealth Office

v6



file EK

10 DOWNING STREET

*From the Private Secretary*

4 October 1979

I am writing to acknowledge your letter of 4 October to the Prime Minister, enclosing a message to her from President Carter.

I will bring this to the Prime Minister's attention as soon as she returns from her visit to Rome tomorrow.

M. A. PATTISON

His Excellency  
The Honourable Kingman Brewster

VB

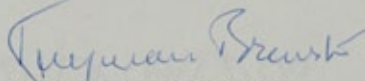
EMBASSY OF THE UNITED STATES OF AMERICA  
LONDON

October 4, 1979

Dear Prime Minister:

I have been asked to deliver the attached message to you from President Carter, which we have just received by cable.

Sincerely,

  
Kingman Brewster  
Ambassador

Enclosure

The Rt. Hon. Margaret Thatcher, M.P.,  
Prime Minister,  
10 Downing Street,  
London, SW1.

Subject

T108/79T

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PRIME MINISTER'S

PERSONAL MESSAGE

SERIAL No. T108/79T

Dear Prime Minister:

You will recall that at Tokyo we decided to intensify our efforts to overcome hunger in the developing nations. Our declaration stressed increased bilateral and multi-lateral aid to agricultural research. Our delegations at the U.N. Conference on Science and Technology for Development reaffirmed these commitments.

The World Bank has called my attention to a forthcoming opportunity to fulfill these pledges. The Bank's Chairman of the Consultative Group in International Agricultural Research has sent to all members his 1979 report including a proposed five-year plan for expanding the scope and intensifying the activities of the International Agricultural Research Centers. The plan would increase the resources made available to these highly successful research and training programs over the next five years by about 10 per cent annually in real terms. This is a somewhat lower rate of growth in the Consultative Group's budget than was achieved in the past five years. While we have not yet fixed the levels of future U.S. contributions, my advisers believe the proposed pace of growth is realistic.

I think the developing nations will attach great importance to our action on this matter when the Consultative Group meets October 31, as evidence of the Economic Summit Governments' willingness to fulfill their Tokyo commitments. Positive action by our Governments also will encourage greater support by other countries able to contribute to the International Agricultural Research System. This would mark a major advance in international cooperation to end world hunger.

Sincerely,

/s/ Jimmy Carter

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PRIME MINISTER'S

PERSONAL MESSAGE

SERIAL NO. 115111

CONFIDENTIAL

4 OCT 1978

10 11 12 1 2 3 4 5 6 7 8 9

Dear Sir,

I am pleased to hear that you are continuing your research into the development of a new generation of computers. The work you are doing is of great importance and I am sure that your efforts will lead to significant advances in the field of computer science.

I am sure that your research will be of great value to the country and I am sure that you will continue to make significant contributions to the field of computer science.

I am sure that your research will be of great value to the country and I am sure that you will continue to make significant contributions to the field of computer science.

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I am sure that your research will be of great value to the country and I am sure that you will continue to make significant contributions to the field of computer science.

Sincerely,

James Callaghan

CONFIDENTIAL

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FM WASHINGTON 242202Z JUL 79

TO PRIORITY FCO

TELEGRAM NO 2058 OF 24 JULY

Prime Minister  
 [Signature]  
 2/7.

## MEETING WITH PRESIDENT CARTER

1. AFTER THE EXCHANGE OF FORMALITIES AT THE CREDENTIALS CEREMONY TODAY, PRESIDENT CARTER SPOKE ABOUT ONE OR TWO PARTICULAR ASPECTS THAT I AM REPORTING SEPARATELY.
2. HE BEGAN OUR TALK BY SPEAKING OF THE GREAT IMPORTANCE TO HIM OF RELATIONS BETWEEN THE TWO COUNTRIES. HE WAS GLAD THAT SUCH A GOOD BASIS HAD BEEN ESTABLISHED WITH THE NEW BRITISH GOVERNMENT. HE GREATLY ADMIRERD THE WAY THE PRIME MINISTER WAS TACKLING THE VARIOUS PROBLEMS CONFRONTING HER. HE, AND THE OTHERS AT TOKYO, HAD BEEN IMPRESSED BY HER CONTRIBUTION THERE: IT WAS THANKS TO MRS THATCHER'S INITIATIVES THAT THE TOKYO SUMMIT HAD SUCCEEDED.
3. THE PRESIDENT SAID ALSO THAT HE HAD BEEN TOLD OF THE USEFUL CONVERSATIONS THAT THE SECRETARY OF STATE FOR DEFENCE HAD HAD LAST WEEK WITH DR HAROLD BROWN.
4. I RECIPROCATED WITH SOME GENERAL REMARKS ABOUT THE IMPORTANCE THAT THE BRITISH GOVERNMENT ATTACHED TO RELATIONS BETWEEN WASHINGTON AND LONDON. I SAID THAT IN THE BRITISH GOVERNMENT'S VIEW THERE WAS NO INCOMPATIBILITY BETWEEN CLOSE RELATIONS WITH EUROPE AND CLOSE RELATIONS WITH WASHINGTON. INDEED THEY WERE COMPLEMENTARY. THE NEW BRITISH GOVERNMENT WERE ADOPTING A SOMEWHAT DIFFERENT APPROACH TO THE EUROPEAN COMMUNITY BUT THIS IN NO WAY AFFECTED THE GREAT WEIGHT THEY ATTACHED TO THE TRANS-ATLANTIC RELATIONSHIP.
5. THE PRESIDENT SAID THAT HE WANTED ME TO KNOW THAT HE AND HIS STAFF WERE ALWAYS AVAILABLE FOR CONSULTATION AND HE LOOKED FORWARD TO THE BEST OF RELATIONS.

HENDERSON

FCO/WHITEHALL DISTN.

N AM D

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Evan P



Foreign and Commonwealth Office

London SW1A 2AH

Prime Minister

P.O.  
G.M.  
9/7

I am certain that  
it was the

6 July 1979

Russians, who are always keen to  
show how many Heads of Government are  
trying to visit the Soviet Union. But

Dear Bryan,

Invitation to the Prime Minister to Visit Moscow

6/7

Thank you for your letter of 4 July. Neither the FCO  
nor the Embassy in Moscow were aware of Mr Kosygin's  
invitation to the Prime Minister until the Lobby Correspondent's  
report of it appeared in the Daily Telegraph on 3 July. I  
can therefore confirm without reservation that the story did  
not originate with any FCO or British Embassy sources.

Yours truly

(P Lever)  
Private Secretary

Bryan G Cartledge Esq  
10 Downing Street  
LONDON

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REC'D  
JUL 11 1979  
- 6 JUL 1979

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FM CANBERRA 110700Z JUL 79  
TO PRIORITY FCO  
TELEGRAM NUMBER 400 OF 11 JULY

*But me  
GMI  
12/7*

YOUR TELEGRAM NUMBER 306: MR FRASER'S REPORTED REMARKS ON  
PRIME MINISTER'S TALKS IN MOSCOW

1. HIGH COMMISSIONER SPOKE ACCORDINGLY TO YEEND ON 6 JULY.  
WHEN I CALLED ON YEEND TODAY ON ANOTHER MATTER I SOUNDED HIM  
OUT ON ORIGINS OF THE REPORT. HE SAID THAT MR FRASER'S REMARKS  
HAD BEEN MADE IN CONFIDENCE AND "WERE NOT INTENDED TO GO ANY  
FURTHER". HE SAID THAT MR FRASER HAD CONSIDERED SENDING A  
LETTER OF EXPLANATION TO THE PRIME MINISTER ON THESE LINES  
BUT HAD CONCLUDED THAT THAT MIGHT BE MAKING TOO MUCH OF THE  
INCIDENT. IN VIEW OF OPENING WORDS OF PARAGRAPH 3 OF TUR I LET  
IT GO AT THAT. WE HAVE MADE OUR POINT AND IT HAS, I THINK,  
BEEN WELL TAKEN.

DUDGEON

[COPIES SENT TO NO 10 DOWNING STREET]

FILES

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FS  
FS/LPS  
FS/MR BLAKER  
MR CORTAZZI  
MR MURRAY

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Note:

All records copied to  
Master Set.

FILE  
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10 DOWNING STREET

From the Private Secretary

4 July 1979

Dear George,

The Economic Summit Meeting in Tokyo,  
28/29 June 1979

I now enclose the records of the four  
Plenary Sessions of the Economic Summit  
Meeting in Tokyo on 28 and 29 June.

I also enclose, for the record, copies  
of the final text of the Summit Declaration  
and of the separate Statement on Vietnamese  
refugees.

I am sending copies of this letter and  
enclosures to Tony Battishill (HM Treasury),  
Bill Burroughs (Department of Energy), Tom  
Harris (Department of Trade), Andrew Duguid  
(Department of Industry), Tony Butler (Home  
Office) and Martin Vile (Cabinet Office).

Yours ever,

George Walden, Esq.,  
Foreign and Commonwealth Office.

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THE ECONOMIC SUMMIT MEETING IN TOKYO, 28/29 JUNE 1979

Delegations

Canada

The Rt. Hon. Joe Clark, P.C., M.P.,  
Prime Minister.

The Hon. Flora MacDonald, P.C., M.P.,  
Secretary of State for External Affairs.

The Hon. John Crosbie, P.C., M.P.,  
Minister of Finance.

France

H.E. Mr. Valéry Giscard d'Estaing,  
President of the French Republic.

H.E. Mr. Jean François-Poncet,  
Minister of Foreign Affairs.

H.E. Mr. René Monory,  
Minister of Economy.

H.E. Mr. André Giraud,  
Minister of Industry.

Germany

H.E. Herr Helmut Schmidt,  
Federal Chancellor.

H.E. Herr Hans-Dietrich Genscher,  
Federal Minister for Foreign Affairs.

H.E. Herr Hans Matthöfer,  
Federal Minister of Finance.

H.E. Dr. Otto Graf Lambsdorff,  
Federal Minister of Economics.

Italy

H.E. Hon. Giulio Andreotti,  
President of the Council of Ministers.

H.E. Hon. Arnaldo Forlani,  
Minister of Foreign Affairs.

H.E. Hon. Filippo Maria Pandolfi,  
Minister of the Treasury.

/Japan

Japan

H.E. Mr. Masayoshi Ohira,  
Prime Minister.

H.E. Mr. Sunao Sonoda,  
Minister for Foreign Affairs.

H.E. Mr. Ippei Kaneko,  
Minister of Finance.

H.E. Mr. Masumi Esaki,  
Minister of International Trade and Industry.

United Kingdom

The Rt. Hon. Margaret Thatcher, M.P.,  
Prime Minister.

The Rt. Hon. The Lord Carrington, P.C., K.C.M.G., M.C.,  
Secretary of State for Foreign and Commonwealth Affairs.

The Rt. Hon. Sir Geoffrey Howe, Q.C., M.P.,  
Chancellor of the Exchequer.

United States

H.E. Mr. Jimmy Carter,  
President.

The Honourable Cyrus Vance,  
Secretary of State.

The Honourable W. Michael Blumenthal,  
Secretary of the Treasury.

The Honourable James R. Schlesinger,  
Secretary of Energy.

EC

Mr. Roy Jenkins,  
President.

(Note: In Delegations comprising more than three Ministers,  
two members of the Delegation alternated according to  
the subject under discussion.)

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RECORD OF THE ECONOMIC SUMMIT MEETING HELD IN TOKYO ON  
28/29 JUNE 1979 IN THE AKASAKA PALACE

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FIRST SESSION : 0930-1230

## Opening Statements

Mr. Ohira welcomed the Heads of State and Government to the Economic Summit and said that he was particularly happy to see Mrs. Thatcher and Mr. Clark who, like himself, were attending their first Summit meeting. He hoped that the discussions would be characterised by an open and frank approach. At the last Summit meeting in Bonn Chancellor Schmidt had described those taking part as mountaineers. Since that occasion the countries represented by those taking part had got out of difficult economic troughs and had crossed broken terrain. They had just caught sight of the peak when they had encountered the landslide of another oil crisis. Today's circumstances were, if anything, even more serious than those which had prevailed when President Giscard had acted as host at the first Economic Summit meeting. But today we had the wisdom which derived from experience, and we should use that wisdom in order to co-operate with each other to work our way out of the present predicament. Our attitude must be firm and positive and we should be resolute in deciding our long-term policy and in then carrying it out.

Against that background he suggested that the meeting should discuss, in order, the macro-economic situation; energy (on which the personal representatives of the Heads of State and Government were already meeting to prepare a passage for the communique); the position of the developing nations; the world trade position: the monetary situation; and, finally, the adoption of the communique. But before beginning on this agenda he invited each Head of State or Government to make a short opening statement which would serve to provide the overall guidelines for their discussion.

President Carter said that the eyes of the world were focussed on the Summit meeting. There were many matters to be

/discussed,

# CONFIDENTIAL

discussed, and the foremost of these was energy. He hoped that the meeting would be bold, specific and united in what it said in its communique about energy. For the short-term, he would prefer to see countries adopt individual targets based on specific figures and commit themselves firmly to meeting those targets. He also believed that there should be an undertaking to achieve targets in the longer-term, though he accepted that the more distant future was more uncertain. Any plan to reduce the consumption and import of oil should be equitable and should take account of the internal problems of individual countries. The meeting should also address such problems as the operation of the spot market, the stockpiling of oil at a time of tight supply, and the development of alternative sources of energy such as coal, tar sands and shale, and solar energy. It would be important that immediate reductions in oil imports should be followed up with strict conservation measures, which should, in turn, be supplemented subsequently by the introduction of alternative sources of energy. He also hoped that the meeting would agree upon the means of consultation with members of OPEC. The present lack of consultation had had grievous consequences for the countries represented at the meeting.

He believed that the IMF should retain its basic purpose and he hoped that the monetary system could be stabilised. The developing countries should be encouraged, through the World Bank and other means, to do more to meet their own needs for raw materials, including oil, and other supplies. He welcomed the satisfactory conclusion of the MTNs and he hoped that the necessary approval would be obtained from Congress in August. He proposed that the problem of South East Asian refugees should first be considered by Foreign Ministers and that, in the light of their advice, the Heads of State and Government should then decide what should be said on this issue in the communique. It would be a mistake if the Summit Meeting did not issue a statement on the refugee problem, just as it would be unfortunate if they did not make plain their support for the developing countries.

Signor Andreotti said that although their meeting was dealing primarily with energy, it was important that the public image which

/they presented

they presented was that of a meeting of a political, and not technical, character. They should confirm what had been decided at Bonn but should also bring out clearly the changed circumstances between now and then. Their discussion should not be internal to the seven countries represented at the meeting, but they should rather assume a general guiding role and stress the inter-dependence of all countries in facing today's problems. At the same time it was important to bear in mind the deep differences between the situations of individual countries: Canada, for example, was self-sufficient in energy, while Italy and Japan were very heavily dependent on external sources of fuel. In their approach to OPEC the seven would be all the stronger if they took account not only of their own requirements but also those of the developing countries, whose prospects were harmed most by constantly rising oil prices.

All countries were hampered in the search for alternative sources of energy and especially the development of nuclear power by serious obstacles of a psychological character which were being exploited by a demagogic opposition. It would help Governments to carry forward their national nuclear power programmes if the meeting issued an agreed statement advocating the greater use of nuclear energy. It might be particularly appropriate if word were to come from Japan on the need for the peaceful use of nuclear energy.

Mr. Ohira said that he believed that nuclear energy was the most reliable alternative to oil. Japan was now pursuing a policy of developing nuclear power and was engaged in arrangements for technical co-operation with the United States, Canada, France and other countries. Ensuring safety was of cardinal importance in the use of nuclear energy, and his Government intended to be absolutely thorough about this. The Japanese nuclear power programme was not as far advanced as he would wish, and they were trying to catch up.

President Giscard said that the Summit meeting should bear in mind its economic purpose. They were meeting because they had a

/role in



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- 4 -

role in the solution of the world's economic and monetary problems. The press had speculated about the value of such meetings and there had been occasional criticism of them. The Bonn Summit had, in his view, been useful, and the developments that had flowed from it demonstrated its positive nature. He hoped that this Summit would be equally valuable.

The main economic problem facing the meeting was the energy crisis and in particular the problem of oil supplies. This was an issue which affected the short, medium and long terms, and the meeting had to be able to show that they had proposals which were relevant to all the timescales. The European Economic Community had prepared for the Summit meeting at the meeting of the European Council the previous week. But the decisions which had been taken then would only make sense and have an impact on the problem if they went hand in hand with similar decisions by the Community's partners represented at Tokyo. They would be successful in tackling the problem of oil demand and supplies only if they could agree upon quantified targets for oil imports which were as specific as possible. In this way they would show their determination to make a lasting reduction in their imports from OPEC countries. If, on the other hand, there were no targets, the meeting would be seen as vague and disappointing. The meeting should also agree on concrete action on prices and in particular on the excessive prices on the spot market.

In the short term the only alternative sources of energy were coal and nuclear power, and on these the meeting should express its determination to increase production. Everybody was concerned about the safety of nuclear power, but this should not be an absolute pre-condition of nuclear development, for otherwise there would be long delays in making greater use of nuclear power.

The meeting's statement on the developing countries should be as factual and credible as possible. The energy problem bore very hard on the non-oil producing developing countries, but the seven were not responsible for the increases in oil prices:

/ indeed,

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indeed, because of them, it was more difficult for the Seven to step up their aid programmes. They should not make statements suggesting that the effects of increases in oil prices on the economies of developing countries could be offset. While we should do what we could to help the poorer nations, there was no way in which we could solve this problem entirely.

It was important for the stability of the financial markets that the meeting arrived at solutions to the energy problem. Each country would need to defend its national interests, but it was important to take an overall view of the problem if the worst effects of the oil crisis on national economies were to be avoided. France would play a full part in this process.

Chancellor Schmidt said that he believed that the sequence of Economic Summits had had a benevolent influence on the development of the world's economic structure and processes. The meetings had not accomplished great reforms and improvements but had helped to avoid major catastrophes which otherwise might have happened. They had prevented lapses into the beggar my neighbour policies of the 1930s. It was not necessary for each Summit to produce great new schemes every year, and the meetings should avoid the temptations of adopting misguided policies in response to external pressures, including those exerted by national Parliaments.

At the Bonn Summit Germany had been asked to promote quicker growth by deficit spending, and his Government had taken the necessary measures within 8 weeks of the Summit meeting. As a result he expected the German economy to grow by about 4% during 1979. This meant, however, that the money supply had increased, and public borrowing in the Federal Republic was now 3.7% of GNP, a higher level than that for the United States and France. Another inevitable consequence of the implementation of the undertakings which Germany had entered into at the Bonn Summit was that price increases in 1979 were higher than those for 1978, and the repercussions of this would be seen in the next wage round in Germany. Problems had also arisen in the capital and credit markets: interest rates had gone up by 12½% in the last 12 months, and though he hoped that this rise had now stopped, he could not be certain that it had.

He urged the meeting not to enter into undertakings on energy which could not be fulfilled. If the meeting indulged in gimmicks, these would soon be demolished by public opinion or by the OPEC leaders. On the other hand, Germany would be ready to co-operate in the implementation of realistic decisions. He thought it likely that the OPEC meeting had been adjourned the previous day because they wanted to see whether the Seven were serious in their determination to tackle the energy crisis or whether they could do no more than produce new rhetoric. It was also clear that OPEC were finding it more difficult to agree amongst themselves: some of their members understood the effects on the world economy and in particular on the developing countries of further explosions in oil prices and they wanted to be moderate. On the other hand, those who wanted quicker price increases were not acting entirely out of selfishness, for they were right in their view that only such increases would make the industrialised nations conserve oil. He was confident that all those attending the Summit meeting would agree on the need to reduce the aggregate demand for oil imports both by conservation and the substitution of alternative fuels. The Federal Republic had allowed the price mechanism to work to a large extent, with the result that during the period 1973-78 Germany had imported less oil than in the years before 1973 despite the growth of her economy. In 1979, however, oil imports had been a little higher than those for 1973. His Government's expenditure on incentives to conserve oil was running at a high level, and the use of coal, which was difficult and expensive to mine in Germany, was very heavily subsidised. A good indication of the success of the measures which his country had taken was that only 9% of Germany's electricity production was now based on oil.

There was, however, considerable opposition to the policy of switching from oil to other fuels. The environmentalists sought to prevent the greater use of coal, and they were also fighting, with the help of some court decisions, his Government's plans to increase the production of nuclear energy. He hoped that the meeting's communique would carry a clear message advocating greater use of both coal and nuclear power, for this would help his and other Governments in their efforts in this field. If the industrialised

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nations were seen to be taking credible measures to reduce oil demand not only in the immediate future but also in the medium and long terms, this would strengthen the hand of the OPEC moderates. Even so, he had no doubt that for the rest of the century oil prices would have to go up at regular intervals. Governments would have to spend far more than hitherto on pure and applied research on alternative energy sources so that by the turn of the century we were using not only nuclear energy but solar energy and, possibly, geothermal energy. He personally foresaw that in the early part of the next century there would be pressure not to use hydro-carbons any more because of the dangers of over-heating the outer atmosphere.

When the meeting turned to energy, he hoped that although it was to be expected that the Heads of State and Government would express their national interests in clear terms, their approach would not be a nationalistic one. It was important to avoid verbal compromises and the pursuit of national interests hidden behind fine words. Otherwise, the meeting would be pointing the world towards deeper monetary instability than before, higher levels of unemployment and a greater lack of food and other basic necessities in the developing countries than they had experienced hitherto.

The Prime Minister said that the prospects for the world economy and the energy problem were inter-related and that one could not be discussed without considering the other. We were now only half way through 1979 but we had already seen prospects for the world economy deteriorate month by month. We had started the year with a good chance of a better balance of growth between the major countries and a less exaggerated balance of payments surpluses and deficits. The currency situation was also more stable, but because of what had happened on oil the prospects in all these areas were now much worse: this was especially true as regards inflation.

This was the second time in five years that we had been made to realise how vulnerable the world was to developments on oil. This was a problem that was not going to go away, and it had to be tackled in relation to both the short and medium terms. The economic growth which we had formerly taken for granted was now a fragile thing.

**CONFIDENTIAL**

/We had

**CONFIDENTIAL**

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We had to revise all our previous ideas about growth. It was bad for the industrialised nations but worse for the developing countries. They would suffer through increased oil prices, reduced world economic activity and because the developed nations would be less able to help them. All this meant more instability in the world, both economic and political. This was the background against which the Summit meeting was taking place. The world was looking to the meeting for guidance and leadership. She believed that the countries of the free world had the resilience to surmount these difficulties, but we should recognise that the room for manoeuvre in economic policy had been reduced. We should not, however, help either ourselves or other countries unless we were realistic about what could and could not be done. If the meeting failed to face facts or took refuge in pious platitudes, the world would say that the Summit had failed and the position would be worse than before the meeting. This was a heavy responsibility.

The need for realism and candour was nowhere greater than in the field of energy. Not only was there a severe immediate problem, but we had to face a long haul too. Our efforts to reduce oil demand had to be sustained year after year. The supply of nuclear energy took a long time to develop, and large-scale supplies of energy from other sources such as the sun and tides could not be expected before the end of the century. So both short term and long term measures were needed. It was essential that we let the price mechanism work in full, for this was the most telling way of reducing demand. But there were also other steps that should be taken: we must reduce consumption in the public sector and improve tax incentives for conservation measures such as improved insulation. We should also reduce oil demand by switching to other sources of energy. 70 per cent of Great Britain's electricity was produced from coal and only 15 per cent from oil. In the longer term we must make much more use of nuclear energy.

The meeting should also be realistic about how to tackle inflation. The lesson of the years since 1974 was that we should not seek to accommodate the inflation produced by oil price increases by deficit financing and printing money but we should instead fight it. We should make it plain that this course meant a loss of

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/real income

real income that was unavoidable in the short term. But this did not mean giving up all hope of growth in the future. It was true that the prospects for growth had been damaged by oil price increases. But we should look elsewhere - for example, to greater efficiency in industry, agriculture and commerce and to improvements in their ability to adapt to change - for prospects of renewed growth. If we adopted this kind of realistic approach to the fight against oil price inflation and its consequences we would be better able to inspire confidence that our policies were on the right lines.

If we were to achieve a balance of supply and demand in oil, we must reach some understanding with the oil producing countries. We had to show OPEC that if prices went up too quickly, the repercussions would be very serious for the Western nations and for the world economy as a whole.

The Prime Minister said that perhaps these precepts applied more to the United Kingdom than to some other countries. We were a major energy producer but we saw our interests as closely identified with those of consumer countries. We were therefore making determined efforts to save energy. Moreover, we had a particular problem in the need to rebuild the strength of our industries and to make them competitive. What she had said about fighting inflation and adapting to change applied even more strongly to the United Kingdom than to some other countries.

The purpose of the Summit meeting was to give a lead. To do that we must adopt a realistic approach on energy and the world economy and we should not cloak our meaning with soft phrases. If our approach to these problems was clear and realistic, this would inspire much greater confidence throughout the world.

Mr. Roy Jenkins said that a fair amount of progress had been made since the Bonn Summit. The MTNs had been brought to a successful conclusion in April, though it remained crucial that there should now be full implementation of them. The agreement on growth which had been reached at Bonn had been very largely fulfilled. While we should not exaggerate what had happened in the monetary field,

we had seen the American stabilisation measures and the putting into position of the European Monetary System. It was perhaps in the field of North/South relations that there had been least progress, but even here negotiations on the renewal of the Lomé Convention had just been concluded. But all these modest achievements were overshadowed by what had happened in the energy field. This was the problem which dominated the Summit. There was nothing which could prevent substantial economic damage being suffered as a result of the events of the last six months. Inflation was bound to go up, and growth would be reduced. The balance of payments cost for the OECD countries as a whole would be \$20 billion a year. The central question was how far we added self-inflicted and avoidable wounds to the inescapable injuries which resulted from the oil situation. The oil market would presumably balance itself in the next year or so. He agreed that oil prices would go up, but we must not encourage unnecessary price increases and we must do all we could to see that price rises were gradual and not sudden. If there was no voluntary agreement to restrain oil imports and no drive towards substitution, we should find that we were saving energy in the most expensive way - by recession. If that happened oil prices would stabilise at a very high level and would then remain there. This would be likely to produce a glut of oil, and it would then in turn become more difficult to bring home to people the need for conservation measures. In this way an even worse energy crisis than the present one would build up in the 1980s. This prospect made it necessary to agree upon measures to deal with the problem in both the short and longer terms.

Mr. Clark said that he agreed that the Summit's undertakings on energy must be seen to be serious ones and the meeting should restrict itself to adopting goals which were achievable. If they went for unattainable objectives, this would result in scepticism and failure. The effect of the Summit's conclusions on public opinion would be very important. An expression of serious concern about the energy situation would help Governments like his own who had to introduce unpopular conservation measures. Alternative sources of energy often raised environmental problems. There was, for example, evidence in

/ Canada

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Canada  
/ of acidic rain resulting from the use of coal. It would be important for the Summit to take account in setting goals of the different circumstances of individual countries. There were major regional differences of wealth in Canada. Some areas, which were often those where there was abundant energy, were very wealthy, but there were also regions with little or no local energy sources which were much poorer. These internal differences meant that there were limits on the speed with which the price mechanism could be applied in full in Canada. The Canadian Government was actively developing an energy policy for the 1990s embracing substitution and conservation.

Mr. Ohira said that events had shown that the view taken of the Middle East situation at the Bonn Summit had been naive and that that meetings's approach to fundamental and long term measures to deal with the oil problem had not been adequate. We must now be firm in coping with future oil price increases and we must show that we were serious about long term conservation measures. Since the first oil crisis there had been some improvement in growth, some reduction in inflation in some countries and a better balance of payments surplus and deficits. But in other areas, particularly that of employment, serious problems remained so there was still substantial scope for improved economic performance. In Japan there was a considerable demand for an improvement in the quality of life, and his Government were trying to give rural communities urban amenities and at the same time to reduce the worst features of life in the cities. Japan was giving serious thought to the implications of the oil crisis for the coming winter as well as to the means of solving the longer term problems arising from the shortage of oil.

/ Macro-Economic Situation

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Macro-Economic Situation

Prime Minister Ohira, resuming after the adjournment, recalled that Heads of Government had touched on the relationship of energy policy to macro-economic policies in the Opening Session. He invited further contributions on the world economic situation.

The Prime Minister suggested that Heads of Government should give more attention to the need to fight inflation. Even before the oil price increase the rate of inflation had been rising in many countries. The oil price increase had made the problem more urgent. People had come to expect living standards to rise, without differentiating between rising money incomes and increases in real purchasing power. Difficulties stemmed from the emphasis on Keynesian policies with their emphasis on deficit financing. Control of inflation required strict control of the money supply; but that was not enough. Inflation cheated elderly people out of the value of their savings. It represented a transfer of resources from the retired to the working population. Inflation could not be left unattended simply because the world had become so preoccupied with the problem of energy.

Mr. Ohira agreed with the Prime Minister on the importance of sustaining the attack on inflation. The countries represented at the Summit had to be concerned about the choice between inflation and growth. These were two sides of the same coin. He agreed that the problem of inflation was more acute than ever,

Chancellor Schmidt said he also concurred in the Prime Minister's point of view. He might use different words to express the same philosophy. He feared most the temptations to increase nominal incomes to compensate for higher oil prices. The last 5 years had shown the futility of this. For that reason he liked the sentence in the draft communique which dealt with real incomes (the first sentence under item 3). He wished strongly to underline the thought contained there.

President Giscard mounted a spirited defence of Lord Keynes, arguing that it was unjust to criticise prescriptions which related to the early 1930s to which Keynes had rightly addressed himself.

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If Keynes had been alive now he was sure he would have updated his prescriptions to meet contemporary problems. Picking up Chancellor Schmidt's remarks about the draft communique, he thought that paragraphs 3 and 5 could usefully be combined. He agreed on the need for all countries to adjust to the higher real price of oil. But that did not necessarily imply adopting deflationary policies. In France investment had not been a factor making for economic growth in the last 5 years. Growth had depended more on consumption and on overseas trade. He believed that wisely chosen investment could both be helpful in promoting growth and in conserving energy - in the terms of paragraph 5 of the draft communique. He had in mind measures to conserve energy and to develop new sources of power. He thought these could be beneficial to many countries. He was not satisfied that it was right simply to settle for running the world economy at a lower level simply because of the oil crisis. He felt that the communique should indicate that growth rates should not be tied to the rate of consumption of oil and oil products. That link needed to be broken. He agreed that growth needed to be fuelled by alternative sources of energy supply. In this way, sensible energy measures could reinforce commitments to domestic growth.

Signor Andreotti recalled that the two previous economic Summits had resulted in a message of hope and solidarity, because those countries best able to increase their economic growth had committed themselves to faster growth in order to help those less well placed. As a consequence the actions of others had helped Italy to maintain its growth target at around 4%. He feared that reactions to the twin problems of inflation and energy shortage would lead some countries to overreact in reducing growth more than was strictly necessary. If that happened, it would make it extremely difficult for countries like his own to maintain growth at an acceptable level. He did not wish to minimise the problem of inflation but agreed with President Giscard that the world should not just settle for deflation. The Summit leaders should aim at a coordinated policy to reduce unemployment and achieve their other joint objectives. Without inflating popular expectations they should aim again at a message of hope in the communique.

/ Mr. Jenkins

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Mr. Jenkins noted that the difficulty of the oil price increase lay in the fact that it produced two contradictory effects: a cost-pull effect on inflation together with a simultaneous deficiency in demand. In an ideal world Governments would be able to produce a demand compensation policy which could be progressively reduced as the higher purchasing power of the oil producing countries took up the slack. But this was extremely difficult in present conditions. He wondered, however, whether there might not be a case for developing separate price indices which would distinguish price increases associated with rising energy prices from the rest. This would enable Governments to emphasise the necessary consequences of energy shortages. Separate indices could also help in dealing with formalised systems of wage indexation.

President Carter reviewed the measures taken by the US Administration to respond to the energy shortage. Following the Bonn Summit, he had put in hand de-control of US domestic oil prices. Consequently over the next 18 months oil prices would rise faster in the United States than in the other Summit countries since they would reflect the results of de-control in addition to the OPEC price increases. He did not think US public opinion would accept separate price indices distinguishing energy price increases. But he was hoping to establish a contract with organised labour which would prevent energy price rises passing straight into US wage rates. Throughout his Presidency energy had been of first priority in his domestic programme. A great deal of progress had been made in the last 2½ years. Before 1973 each 1 per cent increase in GNP had been associated with a 1½ per cent increase in energy consumption. That link had effectively now been broken. Since 1973 the energy consumption factor had fallen to 0.37 per cent for each 1 per cent increase in GNP. Other supporting measures had been pursued, including progressive de-regulation (e.g. in aviation) and improved tax incentives for investment. President Carter also mentioned his continuing concern at the fall in the rate of productivity increase in the United States. In a mixture of policies he had tried to combine co-operation in the MTNs with reduced protection at home. He had persisted with this mix although it had not always been successful. President Carter also referred to the high level of R and D expenditure in the Federal Budget.

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/The Administration

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The Administration was also encouraging similar expenditure by private industry. It was important to continue to encourage competition. But the central question for the international community was undoubtedly how to deal with the problem of energy. He feared that press reports of specific attitudes would reduce the flexibility of Heads of State and Government to respond to each other's problems in a way that would produce a constructive response. Above all, he hoped that they would concentrate on reaching agreement on positive commitments to specific measures to meet the energy problem. It was important that collectively they should try to support and approve the proposals of each other. Whatever else might appear in the communique could not substitute for constructive action of this kind. President Carter went on to say that the United States and Canada were less well placed than some other countries to reduce their demands on the world energy market. Partly this was because, for the last 15 years, domestic production had been falling because of reliance on older oil wells. Partly it was because, as an oil producer as well as an oil consumer, the United States had to balance the interests of different groups in adapting to a situation in which public opinion had got used to a cheap source of energy supply. Like the Canadian Prime Minister he had to have regard to the fact that important interests in his country were dependent on oil production and exports. He felt it was easier for those countries without a domestic source of supply. He was prepared to go a long way to accommodate his own policy to the needs of other countries, but if he was to carry US opinion with him he had to be assured that others would join in a common commitment to solve the energy problem. Above all, he did not wish to see the Summit fail. This would happen unless there was sufficient flexibility to accommodate divergent views.

Mr. Ohira then spoke for Japan. He agreed with others on the importance of energy to world economic development. There was anxiety about inflation, slow growth and higher unemployment. The problem was to know how best to tackle this anxiety. Many lessons had been learned. OECD had agreed upon differential demand management / policies.

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policies. The Japanese Government had contributed to this agreement. He recognised President Carter's need to cure United States inflation, but the problem of inflation was common to other countries as well. It was necessary for them all to minimise the effect of inflation in restraining economic growth. Japanese domestic demand had grown by 8 per cent during the 1978 fiscal year. But the current account surplus had been reduced from \$14 b. to \$12 b. Since March the current account had been running at a deficit of \$700 m. Japan now expected a very small current account surplus this year. Whilst therefore, they had not attained the target set at Bonn, progress had been made in reaching towards it. Wholesale prices had moved up sharply to an annualised level of 20 per cent in April and May, though retail prices had moved up less sharply. Inflation remained the central issue in domestic economic policy in Japan. It was important to improve the supply side of the economy. Japan was coming to the end of the period of post-war technological development. There was a need now to renew investment and to stimulate a programme of improved technology.

Before adjourning for lunch, there followed a brief discussion on contacts with the press/<sup>in</sup>which Chancellor Schmidt suggested that Prime Minister Ohira alone should report on their proceedings to the press. This had proved a satisfactory arrangement when he himself had taken the Chair at the Bonn Summit. Mr. Clark seconded this approach and other Heads of Government agreed. The meeting adjourned for lunch at 1215.

28 June 1979

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ECONOMIC SUMMIT MEETING IN TOKYO 28/29 JUNE 1979  
RECORD OF THE SECOND SESSION IN THE AKASAKA PALACE ON 28 JUNE AT 1605

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Vietnamese Refugees

Mr. Ohira said that during lunch the Foreign Ministers had agreed on the matter of refugees from Indochina; the proposed draft statement had been circulated. Was it acceptable?

The Prime Minister said that she was unable to agree with all of the draft and would like to propose some amendments. The UK had already taken in, during the last 15 years, about 2 million immigrants, largely from Asia: this number could well rise to 3 million by the end of the present century. There would be very serious political problems if existing quotas were to be exceeded, as they well might be given the large number of UK ships in South East Asia which were picking up Vietnamese refugees whom the UK was obliged to accept if they were taken to British ports or, frequently, to foreign ports. Despite these political problems, UK ships would continue to pick up refugees. But the present wording of the draft statement would create political difficulties for the British Government unless there was some reference to social circumstances in the receiving countries. She therefore suggested that an amendment should be made to the draft statement to the following effect: "that the Governments represented at the meeting, while taking full account of the social and economic circumstances in their own countries, would as part of an international effort, significantly increase their contributions ... etc". The Prime Minister said that the UK could admit some more refugees but not a substantial number. She nevertheless believed that the Summit meeting should give the same kind of impetus to a solution of the refugee problem as the European Council in Strasbourg had given on the issue of energy conservation. The Tokyo meeting should give new strength to the efforts of the free world to cope with the refugee problem.

President Giscard said that France would have been prepared to adopt a text which went much further in view of the very serious

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humanitarian problems created by the present situation. He nevertheless had no difficulties with the UK amendment proposed by the Prime Minister although he would prefer the reference to "social and economic circumstances" to go at the end of the relevant paragraph, since to introduce it at an earlier stage suggested that it had the force of a pre-condition. However, he had no difficulty with the reference to "an international effort". The Prime Minister said that she had suggested the earlier placing of the reference to "social and economic circumstances" deliberately, since it might otherwise be assumed that the UK would automatically grant admission to a larger number of refugees. The UK would do as much as it could but the problems were formidable, not least because of the large size of the UK merchant fleet and because of the influx of refugees into Hong Kong.

President Carter said that he agreed with President Giscard that the amendment proposed by the UK reduced the force of the draft statement. The words "taking full account" tended to emphasise the escape clause. The US would like to make the statement as strong as possible rather than weaken it. The Prime Minister said she would be prepared to agree to the deletion of the word "full". She could not, however, accept any further changes in view of the large numbers of immigrants from the West Indies, South Asia and Uganda which the UK had already accepted; moreover, there were still large numbers of dependents still to come.

President Giscard said that he would like to be able to accept the UK amendment but feared that, as proposed, it would appear too restrictive. If France were to take account of her social and economic circumstances, which included 1½ million unemployed, 55,000 Vietnamese refugees already accepted and a large immigrant population, she would accept no further refugees at all. The humanitarian factor was such, however, that France believed that she should accept more refugees regardless. President Giscard said that he would nevertheless be prepared to accept the changes proposed by the UK provided that the reference to "social and economic circumstances" appeared at the end of the

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paragraph. The Prime Minister indicated that, in the interests of agreement, she would be prepared to accept this.

Mr. Ohira, having established that the changes proposed by the UK, as amended by France, were acceptable suggested that the Japanese Government should issue a special statement, on behalf of the Summit meeting, in the terms agreed and that this should be done prior to his own press conference later that evening. This was agreed.

### Energy

Mr. Ohira said that the Personal Representatives had worked out an alternative draft text on oil import restraint, which had been discussed over lunch and was now being revised. He therefore proposed that this revised text should be discussed by Heads of Government at a later stage. In the meantime, other aspects of energy policy could be addressed. Chancellor Schmidt suggested that the meeting should try to settle those points under the energy heading which were not in dispute. The FRG draft which had been circulated that morning could serve as a basis for discussion. President Giscard said that the meeting should decide whether the German text was to be accepted by the meeting as a basis for further work, in which case it could be sent to the economic experts for more detailed consideration. Mr. Ohira suggested that the meeting should proceed on the basis of the German draft.

President Carter asked whether the Personal Representatives had already begun work on the German draft: or were other drafts, such as the US draft, under consideration? Chancellor Schmidt said that if there was a US draft, it should be tabled by the US delegation.

Mr. Ohira said that he had received a request from the Personal Representatives concerning Options 1 and 2 in the import restraints draft; they would like guidance from Heads of Government on which of the two Options they should use as the basis for their work. Mr. Ohira said that his own view was that Option 1 contained most of the elements which Heads of Government regarded as essential. President Giscard intervened to say that in order



to clarify matters the French delegation would be able to put forward a new proposal on oil imports, which sought to embody the proposals arrived at during lunch, and that this would soon be ready for circulation. Mr. Ohira repeated that the Personal Representatives were anxious to know whether they should base themselves on Option 1 or Option 2; he repeated that Option 1 seemed to be closer to what the meeting had in mind as a basis of consensus. Mr. Clark suggested that if France was about to circulate a draft which replaced Options 1 and 2, the meeting should wait for this.

President Carter asked whether there was a significant reason for choosing 1978, rather than 1979, as the marker for oil imports up to 1985. It would be confusing if 1978 were chosen as the EEC-base year and 1979 for the other participants. If the meeting could agree to choose either 1977 or 1979 as the base-year, this would remove the main difference between the two groups. President Giscard said that the new French text referred to 1979 since its effect, as a ceiling year, would be the same as 1978. President Carter asked whether Japan or Canada could accept 1979. Mr. Esaki and Mr. Clark confirmed that they could. Mr. Andreotti suggested that the meeting should wait for the new French text. Guidance could be given to the Personal Representatives on all other energy points without a final decision on the text concerning oil imports.

[At this point the meeting informally adjourned for a period of about 20 minutes.]

At 1710, the new French draft on oil imports was circulated. Mr. Clark proposed that the Personal Representatives should be asked to consider the possibility of allowing individual countries who agreed, as proposed in the French text, to specify their import targets, to be allowed also to include an explanatory note on the figure given; Canada, for example, was currently faced with a considerable short-fall in production.

Mr. Ohira suggested that this problem should be handed over to the Personal Representatives. He thought that the new French draft had much in common with Option 1 and suggested that the

/Personal

Personal Representatives should be asked to report on it. President Carter said that he found the new draft satisfactory. The United States would like to specify their import goal for the period up to 1985, while reserving the right to include a footnote pointing out that this goal was less than the import figure for 1977. He suggested that other countries might do the same. Mr. Ohira said that the Personal Representatives should be asked to discuss the draft and to report back; they could also consider the German proposal concerning the spot market and review the Japanese text on other energy matters.

Mr. Jenkins said that some modification would be needed to the statement in the draft that the Community would specify and monitor oil imports for Member countries since this would have to be discussed in advance with those EEC countries who were not represented at the Summit. Mr. Ohira agreed and suggested that the Personal Representatives should be instructed to discuss the point.

Chancellor Schmidt said that he was not sure that he had understood the position correctly. It seemed that the Personal Representatives were now to be instructed to discuss a text on the basis of the new French draft: but this made no sense if they had been given no instructions, since of the seven blank spaces in the French draft only one had been filled, by the United States. No other country had disclosed an import goal and the Personal Representatives would consequently be working in the dark. Moreover, the second paragraph of the French draft needed a footnote urging other countries to set similar goals for themselves. It would be necessary to ensure that the

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measures taken were genuinely effective, taking into account individual circumstances. A simple figure in tonnes for a ceiling on oil imports would impress nobody, least of all OPEC. Chancellor Schmidt noted President Carter's preference for 1979 as the base year but that he could also accept 1978. If 1979 were chosen, however, there would be a rush of purchases during the remainder of this year in order to put the ceiling up and to provide a favourable target for subsequent years. There was no sense in this. A reference to 1979 would amount to an invitation to rush for higher imports during the next five months. It would be better to take a typical year such as 1973 so that countries could pledge confidently to keep their oil imports below the figure for that year. Chancellor Schmidt asked what was the purpose of pressing the Summit participants into a straightjacket. Speaking as an economist, rather than as the representative of the FRG, Chancellor Schmidt said that to choose 1979 as the base year would have many drawbacks, although from the purely national point of view of the FRG it had advantages.

President Giscard said that he accepted the disadvantages described by Chancellor Schmidt of choosing a current year as the marker. He noted that the Community had agreed, in Strasbourg, to use 1978. He would be interested to hear the views of the President of the Commission on the implication of changing this. France, for her part, would be happy to accept either 1977 or 1978.

Mr. Jenkins said that the Community should be able to accept 1978, the year which it had already designated. He commented that it would be difficult to move to another basis without consultation with the Governments of the five EEC Members who were not represented in Tokyo.

President Giscard said that he thought there would be major drawbacks if the communique were to identify a different base year for different countries. He would nevertheless be prepared to accept 1978 so far as the Community was concerned, while agreeing that the US could choose another year. President Carter asked whether 1977

/would be

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would be acceptable to Canada and Mr. Clark confirmed again that it would. Mr. Ohira thought that 1978 would be a satisfactory choice although 1977 would be more favourable to Japan.

The Prime Minister observed that the meeting was coming close to a consensus on Option 1. She was inclined to doubt whether the meeting could agree on a single base year for everybody, partly because the Community would have to consult the five countries not represented in Tokyo on any change from 1978. The Prime Minister suggested that the meeting should go back to Option 1, putting certain passages in square brackets as necessary. She was not in favour of the inclusion of footnotes in the communique; this would help nobody. The Prime Minister said that she was also a little concerned about the nature of the press briefing which would have to be given later in the evening.

Mr. Clark said that, so far as Canada was concerned, either 1977 or 1978 would be acceptable as base years. He thought that it would be helpful if everybody could agree on the same base year. He suggested that the absent EEC Members might be consulted overnight but Mr. Jenkins and Chancellor Schmidt explained that this was impracticable.

The Prime Minister said that she understood that some of the Personal Representatives would welcome guidance on the question of which draft, excluding the passage on import restraint, they were meant to be working on. Mr. Ohira said that he thought that the outcome of the discussion over lunch should be considered further by the Personal Representatives but that they had, in the meantime, sought guidance. His own view was that Option 1 commanded the most support and that the French draft was very close to it. He therefore supported Option 1, together with President Giscard's proposal. These could be pursued further in discussions overnight. In the meantime, he would have to depart for his press conference.

/The Prime Minister

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The Prime Minister repeated her concern over what should be said to the press: would it not be best to say simply that the Summit's discussions on energy would be continued on the following day? Mr. Ohira agreed. President Giscard said that it would be useful if those Energy Ministers who were present could brief the Personal Representatives on what had been said during the morning.

The Prime Minister asked whether the position now was that Option 1 should be embodied in the German text. Mr. Ohira said that it was not. The passage on oil imports should indeed be based on Option 1. The Personal Representatives should be asked to consider this and also the German proposal on the spot market. The Prime Minister said that she understood that the German text on oil imports was now to be fitted into the Japanese text overall. There was no dissent although Count Lambsdorff commented that the German delegation had not received the Japanese text.

Mr. Ohira said that he would be discreet and cautious in briefing the press: the next session would begin at 0930 on the following day, 29 June.

The discussion ended at 1745.

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(4<sup>th</sup> Session Record  
Attached behind.)

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RECORD OF THE THIRD SESSION OF THE TOKYO ECONOMIC SUMMIT :  
0930-1230 ON FRIDAY, 29 JUNE 1979

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Mr. Ohira said that, following the remit given to them at the end of the previous day, the Personal Representatives had worked through the night to produce a complete draft, with passages in square brackets to denote where there were differing views, of the final communique. He suggested that the Meeting should now consider this draft and should concentrate their attention on the passages in square brackets, though it would of course be open to any Head of Government to raise other points on the draft if he or she wished to do so.

The Meeting then went through the draft communique.

The only points not resolved at this third session concerned oil:-

- (i) Japan was still not ready to accept a 1985 target for oil imports and Mr. Ohira said that he and his colleagues needed further time to consider whether they could accede to the view expressed by all other Heads of Government that this was an essential pre-condition to agreement on the oil section of the draft.
- (ii) There was still disagreement about how the target for France, Germany, Italy and the United Kingdom should be expressed, namely whether in the form of national targets or within the context of the EEC target as a whole.
- (iii) There were disagreed points remaining on the section of the draft relating to the spot market.

Mr. Ohira, summing up the discussion, said that the Japanese Government would give further urgent consideration to the question of a target for Japan. As regards the other outstanding points, Energy Ministers and the Personal Representatives would meet during the luncheon break in order to try and resolve them.

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RECORD OF THE FOURTH SESSION OF THE TOKYO ECONOMIC SUMMIT :  
1445-1620 ON FRIDAY, 29 JUNE 1979

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Mr. Ohira said that the Japanese Government was now ready to accept as a 1985 target a level not to exceed the range between 6.3 and 6.9 million barrels a day. Japan would review this target periodically and would make it more precise in the light of current developments and growth projections.

President Carter welcomed this decision which would ensure the success of the Summit. President Giscard also welcomed it though he hoped that Japan would aim at the lower end of the range and Mr. Ohira agreed to this. Similar congratulations to Japan were expressed by Chancellor Schmidt, Mr. Clark and Signor Andreotti.

The Meeting then agreed the paragraph about the spot market.

There was then a protracted discussion about the wording which had been proposed over lunch by Energy Ministers for expressing the targets for oil imports in 1985 for France, Germany, Italy and the United Kingdom. President Carter said that in his view it was essential that there should be a specific target for each of these countries. The Prime Minister drew attention to the inconsistency which this would involve when read against the previous paragraph in the draft communique saying that "France, Germany, Italy and the United Kingdom have agreed to recommend to their Community partners that each member's contribution to these annual levels will be specified". In other words we could specify later but it would create great problems within the Community to specify now. Signor Andreotti said that in any case Italy could not accept her own 1978 figure as her target for 1985 and would require some adjustment within the Community ceiling as a whole. The Prime Minister suggested that the appropriate formulation might be on the lines of "France, Germany, Italy and the United Kingdom will make their contribution within the commitment already agreed by the Community that imports for 1985 should not be higher than in 1978". Signor Andreotti said

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that he could accept this and Mr. Jenkins said that this formulation would be acceptable from the Community point of view. President Giscard intervened however to say that it would represent a major retreat from the position which he thought the Meeting had accepted, namely that all the Summit participants would accept individual national targets at the present meeting. After further discussion it was agreed that:-

- (i) The sentence saying that France, Germany, Italy and the United Kingdom would recommend to their Community partners that each member's contribution to the Strasbourg agreement should be specified would be retained.
- (ii) The sentence reading that for France, Germany, Italy and the United Kingdom the 1985 target would be the 1978 figure should also be retained: but that a footnote should be added saying that Italy's commitment with reference to the 1978 level was accepted in the context of the overall commitment of the European Community.

On this basis the final text of the communique was then agreed.

All the other Heads of Government then expressed their appreciation to Mr. Ohira for the hospitality of the Japanese Government and for the arrangements made to facilitate the success of the present Meeting. They also accepted the invitation of Signor Andreotti that the next Economic Summit should be held in Venice in the summer of 1980.



DECLARATION: TOKYO SUMMIT CONFERENCE

The Heads of State and Government of Canada, the Federal Republic of Germany, France, Italy, Japan, the United Kingdom of Great Britain and Northern Ireland, and the United States of America met in Tokyo on the 28th and 29th of June, 1979. The European Community was represented by the President of the European Council and by the President of the European Commission for discussion of matters within the Community's competence.

1. The agreements reached at the Bonn Summit helped to improve the world economy. There was higher growth in some countries, a reduction of payments imbalances, and greater currency stability.
2. But new challenges have arisen. Inflation, which was subsiding in most countries, is now regaining its momentum. Higher oil prices and oil shortage have reduced the room for maneuver in economic policy in all our countries. They will make inflation worse and curtail growth, in both the industrial and developing countries. The non-oil developing countries are among the biggest sufferers.

We are agreed on a common strategy to attack these problems. The most urgent tasks are to reduce oil consumption and to hasten the development of other energy sources.

Our countries have already taken significant actions to reduce oil consumption. We will intensify these efforts.

The

The European Community has decided to restrict 1979 oil consumption to 500 million tons (10 million barrels a day) and to maintain Community oil imports between 1980 and 1985 at an annual level not higher than in 1978. The Community is monitoring this commitment and France, Germany, Italy and the United Kingdom have agreed to recommend to their Community partners that each member country's contribution to these annual levels will be specified. Canada, Japan, and the US will each achieve the adjusted import levels to which they are pledged in IEA for 1979, will maintain their imports in 1980 at a level not higher than these 1979 levels, and will be monitoring this.

The seven countries express their will to take as goals for a ceiling on oil imports in 1985, the following figures:

- For France, Germany, Italy\*, and the United Kingdom: the 1978 figure.
- Canada whose oil production will be declining dramatically over the period between now and 1985, will reduce its annual average rate of growth of oil consumption to 1%, with the consequent reduction of oil imports by 50,000 barrels per day by 1985. Canada's targets for imports will therefore be 0.6 million barrels per day.

- Japan

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\* Footnote: Italy's commitment with reference to the 1978 level is accepted in the context of the overall commitment of the European Community.

- Japan adopts as a 1985 target a level not to exceed the range between 6.3 and 6.9 million barrels a day. Japan will review this target periodically and make it more precise in the light of current developments and growth projections, and do their utmost to reduce oil imports through conservation, rationalization of use and intensive development of alternative energy sources in order to move toward lower figures.
- The United States adopts as a goal for 1985 import levels not to exceed the levels either of 1977 or the adjusted target for 1979, i.e. 8.5 million barrels per day.

These 1985 goals will serve as reference to monitor both energy conservation and the development of alternative energy sources.

A high level group of representatives of our countries and of the EEC Commission, within the OECD, will review periodically the results achieved. Slight adjustments will be allowed to take account of special needs generated by growth.

In fulfilling these commitments, our guiding principle will be to obtain fair supplies of oil products for all countries, taking into account the differing patterns of supply, the efforts made to limit oil imports, the economic situation of each country, the quantities of oil available, and the potential of each country for energy conservation.

We urge other industrialized countries to set similar objectives for themselves.

We agree to take steps to bring into the open the working of oil markets by setting up a register of international oil transactions. We will urge oil companies and oil-exporting countries to moderate spot market transactions. We will consider the feasibility of requiring that at the time of unloading crude oil cargoes, documents be presented indicating the purchase price as certified by the producer country. We will likewise seek to achieve better information on the profit situation of oil companies and on the use of the funds available to these companies.

We agree on the importance of keeping domestic oil prices at world market prices or raising them to this level as soon as possible. We will seek to minimize and finally eliminate administrative action that might put upward pressure on oil prices that result from domestic underpricing of oil and to avoid new subsidies which would have the same effect.

Our countries will not buy oil for governmental stockpiles when this would place undue pressure on prices; we will consult about the decisions that we make to this end.

3. We pledge our countries to increase as far as possible coal use, production, and trade, without damage to the environment. We will endeavor to substitute coal for oil in the industrial and electrical sectors, encourage the improvement of coal transport, maintain positive attitudes toward investment for coal projects, pledge not to interrupt coal trade under long-term contracts unless required to do so by a national emergency, and maintain, by measures which do not obstruct coal imports, those levels of domestic coal production which are desirable for reasons of energy, regional and social policy.

We need to expand alternative sources of energy, especially those which will help to prevent further pollution, particularly increases of carbon dioxide and sulphur oxides in the atmosphere.

Without the expansion of nuclear power generating capacity in the coming decades, economic growth and higher employment will be hard to achieve. This must be done under conditions guaranteeing our people's safety. We will cooperate to this end. The International Atomic Energy Agency can play a key role in this regard.

We reaffirm the understanding reached at the Bonn Summit with respect to the reliable supply of nuclear fuel and minimizing the risk of nuclear proliferation.

New

● New technologies in the field of energy are the key to the world's longer-term freedom from fuel crises. Large public and private resources will be required for the development and commercial application of those technologies. We will ensure that these resources are made available. An International Energy Technology Group linked to the OECD, IEA and other appropriate international organizations will be created to review the actions being taken or planned domestically by each of our countries, and to report on the need and potential for international collaboration, including financing.

We deplore the decisions taken by the recent OPEC Conference. We recognise that relative moderation was displayed by certain of the participants. But the unwarranted rises in oil prices nevertheless agreed are bound to have very serious economic and social consequences. They mean more world-wide inflation and less growth. That will lead to more unemployment, more balance of payments difficulty and will endanger stability in developing and developed countries of the world alike. We remain ready to examine with oil exporting countries how to define supply and demand prospects on the world oil market.

4. We agree that we should continue with the policies for our economies agreed at Bonn, adjusted to reflect current circumstances. Energy shortages and high oil prices have caused a real transfer of incomes. We will try, by our domestic economic policies, to minimize the damage to our economies. But our options are limited. Attempts to compensate for the damage by matching income increases would simply add to inflation.

5.

5. We agree that we must do more to improve the long-term productive efficiency and flexibility of our economies. The measures needed may include more stimulus for investment and for research and development; steps to make it easier for capital and labor to move from declining to new industries; regulatory policies which avoid unnecessary impediments to investment and productivity; reduced growth in some public sector current expenditures; and removal of impediments to the international flow of trade and capital.

6. The agreements reached in the Tokyo Round are an important achievement. We are committed to their early and faithful implementation. We renew our determination to fight protectionism. We want to strengthen the GATT, both to monitor the agreements reached in the MTNs and as an instrument for future policy in maintaining the open world trading system. We will welcome the full participation of as many countries as possible in these agreements and in the system as a whole.

7. We will intensify our efforts to pursue the economic policies appropriate in each of our countries to achieve durable external equilibrium. Stability in the foreign exchange market is essential for the sound development of world trade and the global economy. This has been furthered since the Bonn Summit by two important developments -- the November 1st 1978 program of the United States in conjunction with other monetary authorities, and the successful emergence of the European Monetary System. We will continue close cooperation in exchange market policies and in support of the effective discharge by the

IMF

of its responsibilities, particularly its surveillance role and its role in strengthening further the international monetary system.

8. Constructive North-South relations are essential to the health of the world economy. We for our part have consistently worked to bring developing countries more fully into the open world trading system and to adjust our economies to changing international circumstances. The problems we face are global. They can only be resolved through shared responsibility and partnership. But this partnership cannot depend solely on the efforts of the industrialized countries. The OPEC countries have just as important a role to play. The latest decision substantially to increase oil prices will also severely increase the problems facing developing countries without oil resources as well as the difficulties for developed countries in helping them. The decision could even have a crippling effect on some of the developing countries. In this situation, we recognize, in particular, the need for the flow of financial resources to the developing countries to increase, including private and public, bilateral and multilateral resources. A good investment climate in developing countries will help the flow of foreign investment.

We are deeply concerned about the millions of people still living in conditions of absolute poverty. We will take particular account of the poorest countries in our aid programs.

Once more we urge COMECON countries to play their part.

We



We will place more emphasis on cooperation with developing countries in overcoming hunger and malnutrition. We will urge multilateral organizations to help these countries to develop effective food sector strategies and to build up the storage capacity needed for strong national food reserves. Increased bilateral and multilateral aid for agricultural research will be particularly important. In these and other ways we will step up our efforts to help these countries develop their human resources, through technical cooperation adapted to local conditions.

We will also place special emphasis on helping developing countries to exploit their energy potential. We strongly support the World Bank's program for hydrocarbon exploitation and urge its expansion. We will do more to help developing countries increase the use of renewable energy; we welcome the World Bank's coordination of these efforts.

cc Vietnam, Pt 2, Refugees.

SPECIAL STATEMENT OF THE SUMMIT  
ON INDOCHINESE REFUGEES

June 28, 1979  
Tokyo

The plight of refugees from Vietnam, Laos and Cambodia poses a humanitarian problem of historic proportions and constitutes a threat to the peace and stability of Southeast Asia. Given the tragedy and suffering which are taking place, the problem calls for an immediate and major response.

The Heads of State and Government call on Vietnam and other countries of Indochina to take urgent and effective measures so that the present human hardship and suffering are eliminated. They confirm the great importance they attach to the immediate cessation of the disorderly outflow of refugees without prejudice to the principles of free emigration and family reunification.

The Governments represented will, as part of an international effort, significantly increase their contributions to Indochinese refugee relief and resettlement - by making more funds available and by admitting more people, while taking into account the existing social and economic circumstances in each of their countries.

The Heads of State and Government request the Secretary-General of the United Nations to convene a conference as soon as possible with a view to attaining concrete and positive results. They extend full support to this objective and are ready to participate constructively in such a conference.

The Heads of State and Government call on all nations to join in addressing this pressing problem.

PPs on  
Vietnam ||  
Refugees Pt 2

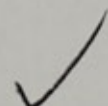
TOKYO SUMMIT

Statement by Prime Minister Ohira  
at the joint press conference  
(Air-Hijacking)

At the request of the Heads of State and Government who participated in the Summit, I, in my capacity of chairman of the meeting, am pleased to make the following statement which concerns the Declaration on Air-Hijacking issued in Bonn in July, 1978.

"The Heads of State and Government expressed their pleasure with the broad support expressed by other States for the Declaration on Hijacking made at the Bonn Summit in July 1978. They noted that procedures for the prompt implementation of the Declaration have been agreed upon and that to date enforcement measures under the Declaration have not been necessary.

They also noted with satisfaction the widespread adherence to the conventions dealing with unlawful interference with international civil aviation. The extensive support for these conventions and the Bonn Declaration on Hijacking reflects the acceptance by the international community as a whole of the principles expressed therein."



STATEMENT

3 July 1979

With permission, Mr. Speaker, I will make a Statement about my visits to Tokyo and Canberra.

On the way to Tokyo we refuelled in Moscow and the Soviet Prime Minister, Mr. Kosygin, came to the airport to meet me. We had about one and a half hours' discussion during the course of which I impressed on him our deep concern about refugees from Vietnam and asked him to intervene with the government of Vietnam. He did not give me much encouragement in this respect but I remain firmly of the view that the refugee problem must be tackled at its source as well as by resettlement. I also told Mr. Kosygin that Her Majesty's Government hoped that the SALT II Treaty would be ratified.

The Tokyo Summit met against a background of rising inflation and higher oil prices: and this was underlined by the decision which OPEC made during the course of the Tokyo Summit to raise oil prices still further. I am glad to report that the Summit faced this situation realistically. We were all determined not to print money to compensate for the higher oil prices and we were united in feeling that if we were resolute in restraining demand for oil in the short term we had all the skills and incentives to enable us to reduce our dependence on uncertain sources of supply in the longer term.

We welcomed and took full account of the decisions reached by the European Council in Strasbourg the previous week: and we agreed upon action designed to align the decisions taken at Strasbourg with corresponding decisions taken at Tokyo by the United States, Japan and Canada.

/Thus

for  
for Australia  
Policy

Thus Britain, France, Germany and Italy accepted a goal for 1985 within the framework of the goal already set at Strasbourg and undertook to recommend to their Community partners that each Member country's contribution to collective annual oil import ceilings for 1980 through to 1985 should be specified: while the United States, Japan and Canada placed a limit on their oil imports in 1980 and agreed goals for import ceilings in 1985. There was also general agreement that domestic oil prices should be at world market levels.

We agreed on a number of measures to ensure that we are better informed about operations in the oil markets.

Finally, we stressed the importance of developing to the full existing and new sources of energy as alternatives to oil. We saw a special need to expand, with safety, nuclear power generating capacity. Without this the prospect for growth and employment would be bleak.

We devoted some time to other matters, in particular the position of the non-oil developing countries who will be hardest hit by rising oil prices. But this was rightly a Summit which concentrated mainly on energy and I believe that the fact that we could take these decisions together will contribute significantly to achieving our objectives in both the short and longer terms.

The Summit also issued a special statement about the plight of Indo-Chinese refugees.

Aside from the formal business of the Summit the presence of the seven Heads of Government in Tokyo provided the opportunity of more informal discussions on matters of mutual concern.

/I had

I had bilateral meetins with President Carter and with the new Prime Minister of Canada: there were also discussions between the European Members of the Summit.

From Tokyo I flew to Australia for two days of talks with Mr. Fraser and his colleagues. - The last time a British Prime Minister in office had paid such a visit was in 1958 and I was particularly glad to be able to visit Australia so soon after becoming Prime Minister myself. I was able to give Mr. Fraser an account of the Tokyo Summit and we discussed a number of other matters with the informality that one expects between two Members of the Commonwealth.

## Cabinet / Cabinet Committee Document

The following document, which was enclosed on this file, has been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate CAB (CABINET OFFICE) CLASSES.

Reference: CC(79) 8th Conclusions. Minute 2 (extract)

Date: 5 July 1979

Signed AWayland Date 24 October 2009

PREM Records Team

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FM F C O 051755Z JUL 79

TO IMMEDIATE CANBERRA

TELEGRAM NUMBER 306 OF 5 JULY.

1. IN A PROMINENT REPORT HEADLINED "REFUGEES - A RUSSIAN RASPBERRY FOR MAGGIE", TODAY'S EVENING NEWS QUOTES MR FRASER AS SAYING IN AN INTERVIEW IN CANBERRA: "MRS THATCHER SPOKE TO THE RUSSIANS ON HER WAY THROUGH TO THE TOKYO SUMMIT, AND, IN SHORT TERMS, GOT A RASPBERRY. SHE WAS TOLD THAT THEY (THE VIETNAMESE REFUGEES) WERE ALL DRUG ADDICTS, CRIMINALS, SUBVERSIVES AND IT WAS AN INTERNAL MATTER FOR VIETNAM".
2. FOR YOUR OWN INFORMATION THE PRIME MINISTER WAS AMAZED AND DISCONCERTED BY THE REPORTED REMARKS. SHE WOULD WISH MR FRASER TO BE AWARE THAT SHE WAS SURPRISED TO READ THEM REVEALING AS THEY DO WHAT HAD TAKEN PLACE IN A CONFIDENTIAL DISCUSSION. HER NORMAL PRACTICE IS TO DIVULGE THE SUBJECTS DISCUSSED ON SUCH OCCASIONS, BUT NOT THE SUBSTANCE. THIS IS WHAT SHE WILL CONTINUE TO DO.
3. WE DO NOT WISH TO BE HEAVY-HANDED IN DEALING WITH THIS, BUT WOULD LIKE YOU TO PASS IT ON IN WHATEVER WAY YOU THINK WOULD BE MOST EFFECTIVE, PERHAPS THROUGH EGGLETON OR YEEND.

CARRINGTON

FILES  
SPD  
EESD  
NEWSD  
PS  
PS/LPS  
PS/MR BLAKER  
MR CORTAZZI  
MR MURRAY

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cc Mr Franklin

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ECOM NO 226

Reference .....



MR. D. LE B. JONES

*ms.*

- cc. PS/Minister of State
- PS/PUSS (Mr. Lamont)
- PS/PUSS (Mr. Moore)
- PS/PUS
- Mr. Lucas
- Mr. Bretherton
- Mr. Priddle
- Mr. Whaley
- PS/Foreign Secretary
- Mr. Hannay - FCO
- Mr. Cartledge - No. 10.

OUTCOME OF THE TOKYO SUMMIT :  
A GERMAN VIEW

*A-D. GJM 9/*

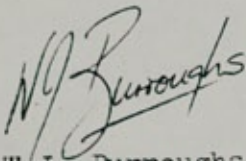
The Secretary of State received a telephone call from Count Lambsdorff this morning. Count Lambsdorff explained that he was calling as a consequence of the Tokyo Summit. He observed that he was satisfied with the result of the meeting which gave the EEC room to manoeuvre and in particular he was grateful for the UK support for the free market economy approach to managing oil supplies.

2. Count Lambsdorff then turned to the consequences of the Tokyo summit. President Giscard d'Estaing had telephoned Helmut Schmidt to seek support for his suggestion that there should be review meetings in the late summer and the autumn by the Energy Ministers of the seven Tokyo summit countries of the progress towards meeting the targets that had been set by the summit. Schmidt's response had basically been to accept this proposal providing that it did not create a special club outside the OECD and EEC. He thought it was important not to institutionalise the Tokyo summit, but he had no objection to reviewing its results on a regular basis. The Secretary of State agreed with this line and said that he would wish to discuss it with his Cabinet colleagues. I would be grateful for your advice on how we should proceed in following up this exchange.

3. In further discussion Count Lambsdorff said that he had received no report from M. Giraud on his meeting with Sheikh Yamani. His own official representative had reported that the outcome of the meeting had not been very impressive. The

Contd/2.

Secretary of State noted that the only direct product appeared to be the arrangement to hold technical discussions between Leonard Williams, EEC Commission, and Sheikh Yamani's technical representative. However, he had been advised by the French Ambassador that a proposal had been raised during the meeting that there might be opportunities for a new producer/consumer dialogue. Count Lambdorff observed that during his visit to Saudi Arabia he had told the Saudis that the Germans were willing to conduct a dialogue in any forum that the Saudis cared to name. It was, however, for them to come up with a proposal as hitherto they had not been forthcoming on any ideas formulated by either the consumers or producers and hence it was for them now to make a proposal.



W.J. Burroughs,  
PS/Secretary of State,  
Rm 1237 THS. Ext. 6402.

3rd July 1979.

SECRET



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JSP

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cc Master Set  
Mid. East (May 79) Sit.  
Iran (Sit<sup>n</sup>) May 79.  
cc HO  
FCO

10 DOWNING STREET

From the Private Secretary

3 July, 1979.

Dear George,

Prime Minister's Conversations at a Quadripartite Breakfast at the French Embassy, Tokyo, on 29 June, 1979, and during the Prime Minister's subsequent car journey to the Akasaka Palace, Tokyo, with President Carter

On the morning of 29 June, the Prime Minister attended a quadripartite breakfast (with President Giscard, President Carter and Chancellor Schmidt) at the French Embassy in Tokyo and subsequently travelled with President Carter from the Embassy to the Akasaka Palace for the Third Session of the Economic Summit. The following is a summary of some of the points which arose during these conversations.

Middle East

President Carter said that he had been surprised by the strength of the Saudi Arabian reaction to Camp David. Earlier contacts with the Saudis had convinced him that they would acquiesce in the Camp David Agreements. The US had put much effort into maintaining close links with the Saudis and in assisting them in the defence and intelligence fields. President Carter was deeply pessimistic about future relations between the consumer countries and OPEC and about the possibility of OPEC blackmail. OPEC had, for example, told Premier Clark that they would withdraw all their deposits from Canada if the Canadian Government transferred their Embassy in Israel from Tel Aviv to Jerusalem. In the face of this threat, Mr. Clark had abandoned his intention of doing so.

President Carter had emphasised to Mr. Brezhnev, at the Vienna Summit, that the US had a special and continuing interest in the Middle East and, in particular, in the Gulf region.

President Giscard revealed that he had refused to see Colonel Ghadafi when the latter had informed him, at 24 hours' notice, that he wished to visit Paris.

All those present at the quadripartite breakfast had expressed concern over the possibility that Saudi Arabia and the Gulf States would decide to reduce their oil production to a level sufficient to meet their own needs alone.

/ President Carter

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- 2 -

President Carter said that Saudi Arabia had urged the United States to take this opportunity of pulling out of the Camp David process: President Giscard had predicted that Sadat would probably do that in any case.

#### SALT and East/West Relations

President Carter had clearly been very pleased with the atmosphere of his Summit talks in Vienna with President Brezhnev. He said that the Soviet Union had done virtually everything asked of them; the Chiefs of Staff of the two sides, for example, had met for the first time since Mr. Eisenhower's Presidency.

President Carter told the Prime Minister that the Soviet Union clearly wished for the maximum participation in SALT III, including China. President Carter had confirmed that a SS20 missile, with two stages and only one warhead, could reach the US from the Soviet Union. President Carter told the Prime Minister that the Soviet Union was prepared to reduce its production of the Backfire bomber to 30 per year.

On MBFR, President Carter had expressed puzzlement at the reasons for the present deadlock, and had indicated that it was up to the Europeans to take the lead. The Russians, for their part, were giving the impression that there could be no negotiations on SALT III until SALT II had been ratified by the US Congress.

President Carter told the Prime Minister that Brezhnev wished to negotiate an agreement on "submarine havens". He did not elaborate, but the Prime Minister had the impression that negotiations on this matter were likely to begin, if they had not already done so.

#### Iran

President Carter acknowledged that he had sent US Generals to Iran during the period immediately prior to the fall of the Shah, but told the Prime Minister that the purpose of their mission had not been (as Mr. Lee Kuan Yew had alleged to the Prime Minister on another occasion) to persuade them to withdraw their support from the Shah; they had, on the contrary, tried to stiffen them. The Shah himself, however, had lost his nerve and his will, and had been determined to abdicate.

#### CTB

In a short discussion of CTB and the problem of the National Seismic Stations, the Prime Minister had told President Carter that the Soviet proposal that the UK should accept 10 NSSs was quite futile. When President Carter asked her whether the UK could accept 4 or 5 stations, the Prime Minister said that this would still be too many.

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- 3 -

I should be grateful if you, and both the other recipients of this letter would ensure that it is given a very restricted distribution indeed, confined, I suggest, to the Foreign and Commonwealth Secretary, the Defence Secretary, Sir John Hunt and one or two senior officials in the Foreign and Commonwealth Office and Ministry of Defence who are directly concerned with the subjects discussed. For internal purposes, you may wish to take extracts as appropriate in order to avoid circulating the complete letter too widely.

I am sending copies of this letter to Roger Facer (Ministry of Defence) and Martin Vile (Cabinet Office).

B. G. CARTLEDGE

G.G.H. Walden, Esq.,  
Foreign and Commonwealth Office.

SJF?

SECRET



cc Master Set  
Rhodesia Sitn (Pt 2)

10 DOWNING STREET

From the Private Secretary

2 July 1979

Prime Minister's Bilateral Meeting with Premier Clark of Canada  
in the New Otani Hotel, Tokyo, on 29 June 1979 at 1900

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By prior agreement, the Prime Minister had a short bilateral meeting with Premier Clark of Canada on the final day of the Economic Summit meeting in Tokyo, 29 June. Premier Clark, accompanied only by his Private Secretary, called on the Prime Minister in her hotel suite at 1900. Much of the conversation was devoted to domestic political matters. The following is a summary of the main points which arose on international issues.

Rhodesia and the CHGM

The Prime Minister summarised for Mr. Clark the security considerations of which she would have to take account in deciding whether to advise The Queen not to travel to Lusaka for her State Visit and for the CHGM. The Prime Minister indicated that, in certain circumstances, she might wish to consult Mr. Clark, among others, and seek his views. Present indications were, however, that President Kaunda was doing his best to implement his undertaking to secure the removal of ground-to-air missiles from the Lusaka area.

The Prime Minister went on to inform Mr. Clark of Lord Harlech's recent tour of the Front Line and other Southern African states. In the British Government's view, the Rhodesian elections had created a new situation; but it was clear that the Front Line Presidents would not accept the totality of the Rhodesian constitution. Lord Harlech would be travelling to Salisbury on 2 July for talks with Bishop Muzorewa and the Bishop himself would subsequently be travelling first to Washington and then to London. The British Government wished to use the advance which had taken place in Rhodesia as a basis for further movement. The Front Line Presidents seemed to believe that a final constitution for Zimbabwe-Rhodesia should be vetted or sponsored by the UK. The Government would try to get as far as they could in advance of the CHGM and would then have some proposals to make at that meeting.

/Mr. Clark

Mr. Clark did not dissent from the Prime Minister's assessment and emphasised that he would like to be kept fully informed of further developments, through whatever channels the Prime Minister wished to designate. He, for his part, would ensure that the Canadian Government was not committed to any firm decision on Rhodesia in advance of the Lusaka meeting. The Prime Minister said that she would ensure that Mr. Clark was kept fully informed, through our High Commissioner in Ottawa. Mr. Clark told the Prime Minister that, although the Canadian High Commissioner in London had urged him to travel to Lusaka via London, he had decided to make his first visit as Premier to Francophone Africa and would therefore be visiting Senegal en route to Lusaka.

#### Canadian Indians

Mr. Clark said that he wished the Prime Minister to be aware of a possible problem concerning the Canadian Indians. The new Governor General of Canada was a member of the New Democratic Party and had in the past been active on the issue of Canadian Indian status. The Indians did in fact have a claim to a special constitutional position and they also had special status in relation to the Crown: they tended to regard The Queen as their own monarch rather than as Queen of Canada. As a result, the Indians sometimes tried to deal directly with The Queen; he had been asked to approve a recommendation that the Indians should be granted an Audience but, like Premier Trudeau, had declined to endorse it. The Indians might, however, come to London anyway and lobby MPs and others. Mr. Clark said that his own advice had been and remained that no formal recognition should be given to Indian status. The Prime Minister thanked Mr. Clark for this warning and indicated that she would be guided by him on the substance of the question.

#### Quebec

Mr. Clark said that the Levesque Government was now beginning to run out of steam, and its popularity was less absolute than it had been. The Progressive Liberal Party, under Mr. Ryan, was now a responsible alternative and an effective force, as Mr. Trudeau had been, for Federalism. Mr. Levesque had delayed the impending referendum, probably because he thought he would lose. The new Canadian Government, on the other hand, had the advantage of novelty and could look towards the referendum with optimism. If Mr. Ryan could win the referendum, he might well go on subsequently to win the election. In general, the situation in Quebec was considerably less alarming than it had been a short while ago.

I am sending a copy of this letter to Martin Vile  
(Cabinet Office).

J.S. Wall, Esq.,  
Foreign and Commonwealth Office.

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Extract: Mtg record AM/PM of Australia, Malcolm Fraser.  
Tokyo Summit Parliament House, Canberra, Sat. 30 June, 1600 hrs

The Prime Minister said that the Economic Summit had begun with a discussion of the general world economic situation. This was now worse than it had been a year ago because of the recent increases in oil prices: the prospects for growth, world trade and inflation were now worse. It was most important that countries did not try to accommodate the growth in inflation by printing money: rather, they should adopt policies designed to fight the new situation.

The greater part of the Summit Meeting had been devoted to the problem of energy. It was ironic that while the Meeting was going on, the news had arrived of the OPEC decision to increase the price of oil. It was OPEC that was putting a strain on the world economic system. For example, Saudi Arabia could supply another 1½ MBD more than now but refused to do so. There was a real risk that the free world would become a hostage to the oil producing Arab States. This development had made those attending the Summit Meeting all the more determined to try to bring oil supply and

/demand

**CONFIDENTIAL**

original on  
Australia, May 79, PMS meetings with Fraser.

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demand into balance, and this required the emphasis to be put more on reducing oil imports than on oil consumption as such. With this objective in mind, France, Germany, Italy and the United Kingdom had gone from the previous week's meeting of the European Council in Strasbourg with a general commitment for the Community as a whole not to import more oil in 1985 than they had done in 1978. When the other three nations attending the Tokyo Summit - the United States, Japan and Canada - had been asked whether they would match the commitment of their European partners, their response had been that they could do so only if the Europeans were treated not as an aggregate but as separate countries. This approach presented problems for the smaller members of the Community, like Holland, whose room for manoeuvre was rather less than that of the bigger members of the Community. On the other hand, the fact that the UK would not need to import oil from 1981 onwards gave the Community as a whole a margin within which to work. Nonetheless, the United States had held out and had said that they could not accept an individual target unless the European countries did the same. It was, therefore, agreed that the four European countries should recommend to their Community partners that each country's contribution to the annual levels of imports should be specified. In return, the Americans agreed to adopt as a goal for 1985 import levels not exceeding the levels either of 1977 or the adjusted target for 1979, i.e. 8.5 MBD. This undertaking might well cause difficulties for President Carter. American oil production was falling by 6 per cent per annum, despite the Alaskan Slope, and they would have to try not to import additional quantities to offset this fall in domestic output. Further, despite the fact that many Americans still refused that there was a genuine oil crisis, he would try to cut down subsidies on consumption. President Carter had been attacked during the Summit Meeting for his \$5 a barrel subsidy on heating oil but he had explained that he had been compelled to take this step in order to bring back to the United States traditional supplies from the Caribbean which had been diverted by higher prices elsewhere. The Japanese had accepted a 1985 target of between 6.3 and 6.9 MBD. Their present consumption was 6.5 MBD, and they had to allow some headroom in their target

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for future economic growth. Japanese per capita consumption was in any case relatively low. Canada was in a particularly difficult situation because her domestic oil production would decline sharply between now and 1985 before it began to rise again as supplies from the Yukon became available. In the short term, therefore, Canada would be making a rather greater demand on the world oil market than previously. Nevertheless, she had agreed to maintain her imports in 1980 at a level not higher than those in 1979.

All the countries attending the Summit Meeting agreed that the most effective means of achieving these targets for oil import levels in the short term would be by letting the price mechanism work in full. Moreover, they all accepted that they must act together, since to do otherwise would simply be to transfer the problem to other countries. In the longer term it was agreed that the free world must make itself less vulnerable to restrictions on its oil supplies. This meant introducing alternative sources of supply. The most important of these would be nuclear energy, the use of which would need to be expanded considerably. It would, however, be essential to ensure that the requirements of safety were properly met. There would probably be a greater use of coal, though it was wrong to think that coal was free of environmental problems. President Carter was anxious that there should be international collaboration on the extraction of oil from coal, but this was likely to be a very costly road to follow.

Mr. Fraser said that it was clear that the oil situation would result in unemployment remaining at a high level and in world trade growing, at best, only very slowly. There would also be serious implications for the developing countries, and he wondered whether this prospect did not offer a card which could be played against OPEC. Hitherto the developing countries, both oil producing and non-oil producing, had shown considerable solidarity, but there might now be advantage in conducting a discreet campaign to show the non-oil producing developing countries that OPEC's price increases were likely to destroy their economies.

/The Prime Minister

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The Prime Minister said that the reaction at the Summit Meeting to the news of the latest oil price increases had been such that a passage critical of OPEC had been included in the communique. She had not been sure about the wisdom of this for the economic investment of OPEC countries in the West was so great that we could not afford to alienate them. It was also true that they could themselves face damaging political consequences domestically if Western economies were seriously hurt.

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PS (No. 10 D/Sr)  
(2)

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Prime Minister

CONFIDENTIAL

gm  
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FM BONN 020615Z JUL 79

TO PRIORITY FCO

TELEGRAM NUMBER 343 OF 2 JULY

INFO WASHINGTON PARIS UKREP BRUSSELS EMBASSY BRUSSELS TOKYO  
ROME OTTAWA

TOKYO SUMMIT.

AT PRESIDENT CARSTEN'S INAUGURAL RECEPTION LAST NIGHT BOTH GENSCHER AND WISCHNEWSKI, MINISTER OF STATE IN THE CHANCELLOR'S OFFICE, SPOKE SPONTANEOUSLY AND WITH WARMTH ABOUT THE PRIME MINISTER'S CONTRIBUTION TO THE DISCUSSIONS IN TOKYO. GENSCHER SAID THAT THE COOPERATION BETWEEN THE BRITISH AND FEDERAL GOVERNMENTS HAD BEEN OUTSTANDINGLY GOOD. WISCHNEWSKI TOLD ME THAT CHANCELLOR SCHMIDT HAD SPOKEN IN GLOWING TERMS OF MRS THATCHER'S CONTRIBUTION. (SCHMIDT, AS YOU KNOW, DOES NOT GLOW EASILY).

WRIGHT

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No. 10 DOWNING STREET

CONFIDENTIAL

# Thatcher 'tried to scuttle summit'

PRESIDENT Carter saved the Tokyo summit from collapse only 30 minutes before it ended, according to informed American officials.

Carter beat back a last-ditch attempt by Britain and Italy to weaken firm commitments on oil import ceilings, they said.

"The Italians started it," one official involved in the two-day summit said. "But it was (British Prime Minister) Margaret

Thatcher who was the most insistent. They tried to scuttle everything we had accomplished just 30 minutes before the summit ended."

But, the officials said, Carter was "firm and insistent" and received "valuable assistance" from French President Valéry Giscard d'Estaing.

The seven major industrial democracies — the United States, Japan, Canada, Britain, West

Germany, France and Italy — agreed Friday to limit their oil imports through 1985.

"The president believed that specific, country-by-country ceilings was the best method to demonstrate sincerity in cutting back consumption," the officials said.

The United States undertook to keep imports below 8.5 million barrels of oil a day. Imports have averaged 8.1 million bar-

rels a day so far this year. The other nations agreed in principle to country-by-country limits.

"This is not a White House public relations campaign to make the president look good," one official said. "Carter was a bulldog."

"Mrs. Thatcher and (West German President Helmut) Schmidt actually thought they could get the summit members to turn their backs on our proposal and go with the more general, fuzzy commitment adopted by the European community," another official said.



Thatcher — accused

# warned

THE Communist party Pravda yesterday warned US Senate opponents of the new SALT II that amendments to the pact would kill chance continued talks.

The warning came in Pravda's international section. It coincided with yesterday's arrival of Senate majority leader Robert Byrd for a fly visit.

Byrd has already warned the Soviets that remarks about the senate will not "guide or encourage" individual senators. Other senators believe Soviet remarks have further damaged SALT II's carbon chances.

Pravda news analyst Arkady Maskaevikov that amendments to the pact would "strip the treaty its present balanced character."

Then his article referred to Soviet Foreign Minister Andrei Gromyko's recent comment that a "difficult situation" would arise if the senate failed to ratify SALT II. Gromyko said that would block further negotiations.

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# Somoza arms plea as rebels close in

SANDINISTA guerrillas yesterday bottled up National Guardsmen in the key southern town of Rivas in preparation for a new assault on Managua while President Anastasio Somoza, desperate for military hardware to stay in power, turned to Israel for arms.

A member of the Sandinista provisional government told UPI the rebels plan to form a giant pincer movement to the North and South of Managua and attack the capital.

"We're going to consolidate all the land between Masaya and the south," Moises Hassan, the only member of the rebel provisional government on Nicaraguan soil, said in Masaya.

"We will isolate Managua from the south and the north and then

attack."

Residents of Rivas, 19 miles north of the Costa Rican border on the Pan American highway, were given guns and ammunition by Sandinista infiltrators and used them to push a detachment of 600 National Guardsmen into the town garrison.

Military sources reported fighting within 50 yards of the garrison yesterday.

## Invaded

The guardsmen are facing the main Sandinista force, which invaded from Costa Rica two weeks ago near Sapoa, 4 miles from the border.

A guerrilla column that pulled out of Eastern Managua under pressure of guard bombing has

regrouped in Sandini Masaya, 16 miles south

agua. The Sandinistas have southern column can through and join the Mas concentration in a final push

agua to oust Somoza. Somoza, relying on the firepower of his National has been unable lately to materials due to inter

repudiation of his regime making desperate over Israel, which provided his present arsenal.

In 1948, Somoza's father then President — proved to Israel, then fighting against British and Palestinians their homeland. Somoza is calling in old debt

*July Daily News 2 July 1975 - no date line*

CONFIDENTIAL

ZZ FCO

GRS 190

CONFIDENTIAL

FM CANBERRA 210805Z JUL 79



TO FLASH FCO

TELEGRAM NUMBER 364 OF 01 JULY 1979

FOLLOWING FROM SIR JACK RAMPTON (PRIME MINISTER'S PARTY)

CANBERRA FOR DAVID JONES, DEPARTMENT OF ENERGY

1. THE PRIME MINISTER INTENDS TO MAKE A STATEMENT ON THE TOKYO SUMMIT IN PARLIAMENT ON TUESDAY, AND WILL BE CONSIDERING A DRAFT ON HER WAY BACK.
2. YOU WILL HAVE SEEN THE REFERENCES IN THE SUMMIT COMMUNIQUE TO ENERGY. THE STATEMENT IN THE COMMUNIQUE THAT THE SEVEN COUNTRIES EXPRESSED THEIR WILL TO TAKE AS GOALS FOR A CEILING ON OIL IMPORTS IN 1985 THE FOLLOWING FIGURES 'FOR FRANCE, GERMANY, ITALY AND THE UK THE 1970 FIGURE' MAY BE OPEN TO DIFFERENT INTERPRETATIONS. IT IS VERY IMPORTANT THEREFORE THAT WE SHOULD KNOW IF POSSIBLE BEFORE THE PRIME MINISTER'S STATEMENT WHAT HAS BEEN OR WILL BE SAID IN PARIS, BOMN AND ROME ABOUT ITS MEANING. INFORMATION ABOUT WHAT HAS BEEN OR WILL BE SAID ON ENERGY MORE GENERALLY BY THESE GOVERNMENTS WOULD ALSO BE HELPFUL.
3. WOULD YOU PLEASE ARRANGE FOR SPECIAL EFFORTS TO BE MADE TO FIND THIS OUT.

MESSAGE ENDS

005701

190

XY 42

File No. \_\_\_\_\_

OUTWARD

Security Classification	
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DESKBY _____	Z

Department \_\_\_\_\_

TELEGRAM

Drafted by  
(Block Capitals) \_\_\_\_\_

Tel. Extn. \_\_\_\_\_

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Despatched (Date) \_\_\_\_\_

(Time) \_\_\_\_\_ Z

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(Caveat/  
Privacy Marking) \_\_\_\_\_

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TO FLASH KCO LONDON  
(precedence) (post)

Tel. No. 364 of 1/7

AND TO (precedence/post) \_\_\_\_\_

AND SAVING TO \_\_\_\_\_

REPEATED TO (for info) \_\_\_\_\_

SAVING TO (for info) \_\_\_\_\_

Distribution:-

[TEXT]

Following from Sir Jack Rampton (Prime Minister's Party) Canberra for David Jones, Department of Energy.

1. The Prime Minister intends to make a statement on the Tokyo Summit in Parliament on Tuesday, and will be considering a draft on her way back.
2. You will have seen the references in the Summit Communique to energy. The statement in the Communique that the seven countries expressed their will to take as goals for a ceiling on oil imports in 1985 the following figures "for France, Germany, Italy and the UK the 1978 figure" may be open to different interpretations. It is very important therefore that we should know if possible before the Prime Minister's statement what has been or will be said in Paris, Bonn and Rome about its meaning. Information about what has been or will be said on energy more generally by these Governments would also be helpful.

Copies to:-



3. Would you please arrange for special efforts  
to be made to find this out.

MESSAGE ENDS

*Handwritten signature* 1/7

NOTHING TO BE WRITTEN IN THIS MARGIN

CANDAR 007/01

ZZ DEPT OF ENERGY (LONDON)

GRS 30

CONFIDENTIAL

FM CANBERRA 011025Z JUL 79

TO FLASH DEPARTMENT OF ENERGY LONDON

TELEGRAM NUMBER ELFU 002 OF 01 JULY 1979

FOLLOWING FOR DAVID JONES FROM SIR JACK RAMPTON

FURTHER TO MY TELNO 364 (TO FCO) OF TODAY, I SUGGEST YOU TALK ALSO  
TO LEONARD WILLIAMS WHO KNOWS THE PROBLEM AND WAS AT TOKYO.

TEBBIT

NNNN

CONFIDENTIAL

OUT



File No. \_\_\_\_\_

007/01

OUTWARD

Department \_\_\_\_\_

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TO FLASH LONDON DEPT. ENERGY Tel. No. ~~364~~ of 1-7-79  
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AND SAVING TO \_\_\_\_\_

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SAVING TO (for info) \_\_\_\_\_

Distribution:-

[TEXT]

Following for David Jones from Sir Jack Rampton

Further to my telno. 364 of today, I suggest you talk also to Leonard Williams who knows the problem and was at Tokyo.

Carol Pedrick  
of Sir Jack Rampton

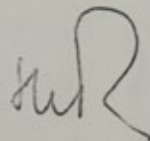
Copies to:-

NOTHING TO BE WRITTEN IN THIS MARGIN

There will need to be a full background note setting  
out:-

1. The targets/Ceilings already agreed in the EEC.
2. The targets/ceilings already agreed in the IEA.
3. Facts and figures about the meaning of the Japanese, Canadian and USA commitments in the light of recent actual import levels and what we were expecting they might have been in the future without the constraints now built in.
4. An explanation of the 1978 import figures for France, Germany, Italy and the United Kingdom.
5. An agreed explanation with these countries of what the new 1985 commitment we have now undertaken really means and of how we reconcile it with the national ceilings to be specified for the Community countries not at Tokyo.
6. An explanation of the Italian reservation.

The material to deal with these points is just not available here. On the question 'what the new 1985 commitment means' it is obvious nonsense for us to accept a national ceiling of the 1978 import level. This level was rather more than 40 million tonnes whereas in 1985 our imports should be less than 0. On the other hand if it is a global ceiling with France, Germany and Italy then these last three will be pre-empting an unreasonable share of the overall ceiling of 470 million tonnes already agreed at Strasbourg. I have tried to deal with the point in the attached questions and answers but it is essential that we, Germany, France and Italy speak with the same voice. Either way it is difficult for us to claim that this splendid new commitment requires no effort on our part whatsoever.



Sir Jack Rampton

1 July 1979

SUPPLEMENTARY QUESTIONS

Q. Why did you agree to specifying national ceilings for 1980 to 1985 when you opposed them in Strasbourg?

A. It was clearly not possible for the USA, Japan and Canada to do other than determine national import ceilings and national goals and the EEC members at the Summit accepted the case for acting in a similar way.

Q. But surely what the four EEC countries have agreed to is inconsistent with the Strasbourg decisions?

A. Not at all. On import ceilings 1980 to 1985 we are recommending to our Community partners that national ceilings should be specified. On goals for 1985 the four EEC members had full regard to the global ceilings for the Community between 1980 and 1985 determined at Strasbourg.

Q. Are the US and Japanese commitments worth anything?

A. I regard them as very important undertakings to do all in their power to maintain and increase their efforts to save oil and constrain imports.

Q. Is the goal for a ceiling on oil imports in 1985 agreed by the four EEC countries global or national?

A. In the first instance global but to be specified within the import ceiling already agreed at Strasbourg for 1985 for the Community as a whole.

Q. What assurance is there that the ceilings and goals agreed will be observed?

A. As you will see, from the communique, these will be carefully monitored by Canada, the United States and Japan and within the Community.

Q. What do these oil ceilings and goals mean for the United Kingdom?

A. They mean that we have played a full part with our EEC and non-EEC Summit partners in accepting courses of action which also have regard to our own position as an oil producer.

UNCLASSIFIED

DESKBY 302330Z

FCO 302130Z JUNE 1979

TO IMMEDIATE KUALA LUMPUR

TELEGRAM NUMBER 178 OF 30 JUNE

AND TO IMMEDIATE CANBERRA (DESKBY 302330Z)

INFO ROUTINE UKMIS GENEVA

FROM RESIDENT CLERK.

FOR PS/S OF S AND PS/PRIME MINISTER.

INDOCHINA REFUGEES.

FOLLOWING IS TEXT OF WALDHEIM'S STATEMENT AS PASSED TO US BY  
UKMIS GENEVA.

BEGINS.

AFTER EXTENSIVE CONSULTATIONS WITH THE UNHCR AND GOVERNMENTS CONCERNED I HAVE DECIDED TO CONVENE AN INTERNATIONAL MEETING TO DEAL WITH THE PROBLEMS OF THE INDOCHINESE REFUGEES AND DISPLACED PERSONS. THIS MEETING WILL TAKE PLACE IN GENEVA ON JULY 20/21. I EXPECT THAT THE MEETING WILL TAKE PLACE AT MINISTERIAL LEVEL. I WISH TO STRESS IN THIS CONTEXT THAT THE MEETING SHOULD DEAL WITH ALL HUMANITARIAN ASPECTS OF THE TRAGEDY IN INDOCHINA. I SHALL INVITE TO THIS MEETING THE COUNTRIES DIRECTLY AFFECTED BY REFUGEE PROBLEMS AS WELL AS REPRESENTATIVES OF PROSPECTIVE DONOR COUNTRIES, THAT IS DONOR COUNTRIES AS FAR AS MATERIAL CONTRIBUTIONS ARE CONCERNED AND ALSO PROSPECTIVE COUNTRIES OF FINAL ASYLUM. AS I SAID IN THE PAST A CAREFUL PREPARATION OF THIS MEETING IS NECESSARY, THEREFORE I WAS IN CONTACT WITH A GREAT NUMBER OF GOVERNMENTS AND OF COURSE THE UNHCR BEFORE DECIDING ON HOLDING SUCH A MEETING, AND ON THE DATE. I HOPE THAT THE TIME BETWEEN NOW AND THE CONFERENCE WILL BE USED BY ALL GOVERNMENTS CONCERNED TO PREPARE THEMSELVES SO THAT THE CONFERENCE WILL BE A SUCCESS. IN OTHER WORDS THE MEETING SHOULD MAKE A DECISIVE CONTRIBUTION TO POSITIVE SOLUTIONS TO THIS GREAT HUMANITARIAN PROBLEM.

ENDS.

CARRINGTON

NNNN



210

cc Mr Franklin

2

SOSOM NO 226



Reference .....

MR. D. LE B. JONES

*ms.*

- cc. PS/Minister of State
- PS/PUSS (Mr. Lamont)
- PS/PUSS (Mr. Moore)
- PS/PUS
- Mr. Lucas
- Mr. Bretherton
- Mr. Priddle
- Mr. Whaley
- PS/Foreign Secretary
- Mr. Hannay - FCO
- Mr. Cartledge - No. 10.

OUTCOME OF THE TOKYO SUMMIT :  
A GERMAN VIEW

*P-D-  
SJM  
9/1*

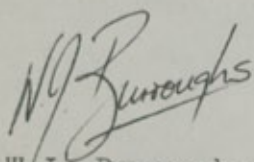
The Secretary of State received a telephone call from Count Lambsdorff this morning. Count Lambsdorff explained that he was calling as a consequence of the Tokyo Summit. He observed that he was satisfied with the result of the meeting which gave the EEC room to manoeuvre and in particular he was grateful for the UK support for the free market economy approach to managing oil supplies.

2. Count Lambsdorff then turned to the consequences of the Tokyo summit. President Giscard d'Estaing had telephoned Helmut Schmidt to seek support for his suggestion that there should be review meetings in the late summer and the autumn by the Energy Ministers of the seven Tokyo summit countries of the progress towards meeting the targets that had been set by the summit. Schmidt's response had basically been to accept this proposal providing that it did not create a special club outside the OECD and EEC. He thought it was important not to institutionalise the Tokyo summit, but he had no objection to reviewing its results on a regular basis. The Secretary of State agreed with this line and said that he would wish to discuss it with his Cabinet colleagues. I would be grateful for your advice on how we should proceed in following up this exchange.

3. In further discussion Count Lambsdorff said that he had received no report from M. Giraud on his meeting with Sheikh Yamani. His own official representative had reported that the outcome of the meeting had not been very impressive. The

Contd/2.

Secretary of State noted that the only direct product appeared to be the arrangement to hold technical discussions between Leonard Williams, EEC Commission, and Sheikh Yamani's technical representative. However, he had been advised by the French Ambassador that a proposal had been raised during the meeting that there might be opportunities for a new producer/consumer dialogue. Count Lambsdorff observed that during his visit to Saudi Arabia he had told the Saudis that the Germans were willing to conduct a dialogue in any forum that the Saudis cared to name. It was, however, for them to come up with a proposal as hitherto they had not been forthcoming on any ideas formulated by either the consumers or producers and hence it was for them now to make a proposal.



W.J. Burroughs,  
PS/Secretary of State,  
Rm 1237 THS. Ext. 6402.

3rd July 1979.



19 JUL 19 3

# CONFIDENTIAL

GRS 330

P S T O P M

CONFIDENTIAL

FM UKDEL NATO 021510Z JUL 79  
TO PRIORITY FOREIGN AND COMMONWEALTH OFFICE  
TELEGRAM NUMBER 128 OF 2 JULY 1979,  
INFO BONN, PARIS, WASHINGTON, UKDEL VIENNA,  
INFO SAVING UKMIS NEW YORK, PEKING.

*Ente ma  
by  
ag/h*

MOSCOW TELNO 1 TO TOKYO: CHANCELLOR SCHMIDT'S STOP-OVER IN MOSCOW.

1. PAULS (FRG) BRIEFED THE COUNCIL ON 29 JUNE. HIS STATEMENT (TEXT FOLLOWS BY BAG) COVERED THE POINTS IN MOSCOW TELEGRAM UNDER REFERENCE, EXCEPT THAT IT OMITTED GROMYKO'S REMARKS ABOUT PARTICIPATION IN SALT III (PARA 2 II) AND SCHMIDT'S REFERENCE TO MINISTERIAL PARTICIPATION IN THE MBFR TALKS (PARA 2 IV).

2. PAULS MADE THE FOLLOWING ADDITIONAL POINTS:

- I) ON "EUROSTRATEGIC" WEAPONS, (PARA 2 III OF TELEGRAM UNDER REFERENCE), SCHMIDT HAD ADDED THAT IF TNF ARMS CONTROL NEGOTIATIONS FAILED TO PRODUCE BALANCED LIMITATIONS ON EURO-STRATEGIC WEAPONS THE WEST WOULD BE OBLIGED TO "ARM ITSELF UP TO THE SAME LEVEL":
- II) SINO-SOVIET RELATIONS. IN ANSWER TO SCHMIDT'S QUESTION, KOSYGIN HAD SAID THAT THE RECENT PROPOSALS FOR CONSULTATIONS IN MOSCOW AT THE LEVEL OF DEPUTY MINISTER HAD NOT YET BEEN ANSWERED BY PEKING. CHINA WAS REVISING HER ECONOMIC PLANS AND THE FUTURE WAS UNCERTAIN. HE DID NOT WISH TO DRAMATISE THE SINO-SOVIET RELATIONSHIP, BUT REMAINED CONCERNED AT THE CHINESE MILITARY BUILD-UP:
- III) INTERNATIONAL POLITICAL PROBLEMS. GROMYKO CONFIRMED THAT THE VIENNA TALKS ON THE MIDDLE EAST AND AFRICA HAD AGAIN DEMONSTRATED THE DIFFERENCES OF VIEW BETWEEN THE SOVIET UNION AND THE UNITED STATES. THE SOVIET SIDE HAD RESISTED THE PRESIDENT'S SUGGESTION THAT THE UNITED NATIONS SHOULD PLAY A ROLE IN THE IMPLEMENTATION OF THE EGYPTIAN-ISRAELI PEACE TREATY.

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13.

# CONFIDENTIAL

3. I ASSUME THAT THE APPROPRIATE FORUM TO FOLLOW UP THE REMARKS ATTRIBUTED TO GROMYKO BY THE GERMAN EMBASSY IN MOSCOW ON PARTICIPATION IN SALT III (PARA 2 II OF TELEGRAM UNDER REFERENCE) WOULD BE THE SPECIAL GROUP. MAY I ASSUME THAT THE PRIME MINISTER AND KOSYGIN DID NOT DISCUSS THIS SUBJECT ?

FCO PLEASE PASS SAVING TO UKMIS NEW YORK AND PEKING.

KILLICK [REPEATED AS REQUESTED]

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cc Master Set  
Rhodesia Sit<sup>n</sup> (H2)

10 DOWNING STREET

From the Private Secretary

2 July 1979

Prime Minister's Bilateral Meeting with Premier Clark of Canada  
in the New Otani Hotel, Tokyo, on 29 June 1979 at 1900

---

By prior agreement, the Prime Minister had a short bilateral meeting with Premier Clark of Canada on the final day of the Economic Summit meeting in Tokyo, 29 June. Premier Clark, accompanied only by his Private Secretary, called on the Prime Minister in her hotel suite at 1900. Much of the conversation was devoted to domestic political matters. The following is a summary of the main points which arose on international issues.

Rhodesia and the CHGM

The Prime Minister summarised for Mr. Clark the security considerations of which she would have to take account in deciding whether to advise The Queen not to travel to Lusaka for her State Visit and for the CHGM. The Prime Minister indicated that, in certain circumstances, she might wish to consult Mr. Clark, among others, and seek his views. Present indications were, however, that President Kaunda was doing his best to implement his undertaking to secure the removal of ground-to-air missiles from the Lusaka area.

The Prime Minister went on to inform Mr. Clark of Lord Harlech's recent tour of the Front Line and other Southern African states. In the British Government's view, the Rhodesian elections had created a new situation; but it was clear that the Front Line Presidents would not accept the totality of the Rhodesian constitution. Lord Harlech would be travelling to Salisbury on 2 July for talks with Bishop Muzorewa and the Bishop himself would subsequently be travelling first to Washington and then to London. The British Government wished to use the advance which had taken place in Rhodesia as a basis for further movement. The Front Line Presidents seemed to believe that a final constitution for Zimbabwe-Rhodesia should be vetted or sponsored by the UK. The Government would try to get as far as they could in advance of the CHGM and would then have some proposals to make at that meeting.

/Mr. Clark

KRA

CONFIDENTIAL

Mr. Clark did not dissent from the Prime Minister's assessment and emphasised that he would like to be kept fully informed of further developments, through whatever channels the Prime Minister wished to designate. He, for his part, would ensure that the Canadian Government was not committed to any firm decision on Rhodesia in advance of the Lusaka meeting. The Prime Minister said that she would ensure that Mr. Clark was kept fully informed, through our High Commissioner in Ottawa. Mr. Clark told the Prime Minister that, although the Canadian High Commissioner in London had urged him to travel to Lusaka via London, he had decided to make his first visit as Premier to Francophone Africa and would therefore be visiting Senegal en route to Lusaka.

#### Canadian Indians

Mr. Clark said that he wished the Prime Minister to be aware of a possible problem concerning the Canadian Indians. The new Governor General of Canada was a member of the New Democratic Party and had in the past been active on the issue of Canadian Indian status. The Indians did in fact have a claim to a special constitutional position and they also had special status in relation to the Crown: they tended to regard The Queen as their own monarch rather than as Queen of Canada. As a result, the Indians sometimes tried to deal directly with The Queen; he had been asked to approve a recommendation that the Indians should be granted an Audience but, like Premier Trudeau, had declined to endorse it. The Indians might, however, come to London anyway and lobby MPs and others. Mr. Clark said that his own advice had been and remained that no formal recognition should be given to Indian status. The Prime Minister thanked Mr. Clark for this warning and indicated that she would be guided by him on the substance of the question.

#### Quebec

Mr. Clark said that the Levesque Government was now beginning to run out of steam, and its popularity was less absolute than it had been. The Progressive Liberal Party, under Mr. Ryan, was now a responsible alternative and an effective force, as Mr. Trudeau had been, for Federalism. Mr. Levesque had delayed the impending referendum, probably because he thought he would lose. The new Canadian Government, on the other hand, had the advantage of novelty and could look towards the referendum with optimism. If Mr. Ryan could win the referendum, he might well go on subsequently to win the election. In general, the situation in Quebec was considerably less alarming than it had been a short while ago.

/I am

I am sending a copy of this letter to Martin Vile  
(Cabinet Office).

J.S. Wall, Esq.,  
Foreign and Commonwealth Office.

CONFIDENTIAL



2

PS (No. 10 D/S) (2)

GPS 90

CONFIDENTIAL

Prime Minister

CONFIDENTIAL

FM BONN 020615Z JUL 79

TO PRIORITY FCO

TELEGRAM NUMBER 343 OF 2 JULY

INFO WASHINGTON PARIS UKREP BRUSSELS EMBASSY BRUSSELS TOKYO  
ROME OTTAWA

GM  
H

TOKYO SUMMIT.

AT PRESIDENT CARSTEN'S INAUGURAL RECEPTION LAST NIGHT BOTH GENSCHER AND WISCHNEWSKI, MINISTER OF STATE IN THE CHANCELLOR'S OFFICE, SPOKE SPONTANEOUSLY AND WITH WARMTH ABOUT THE PRIME MINISTER'S CONTRIBUTION TO THE DISCUSSIONS IN TOKYO. GENSCHER SAID THAT THE COOPERATION BETWEEN THE BRITISH AND FEDERAL GOVERNMENTS HAD BEEN OUTSTANDINGLY GOOD. WISCHNEWSKI TOLD ME THAT CHANCELLOR SCHMIDT HAD SPOKEN IN GLOWING TERMS OF MRS THATCHER'S CONTRIBUTION. ( SCHMIDT, AS YOU KNOW, DOES NOT GLOW EASILY ).

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NAMO.

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Extract: Mtg record AM/PM of Australia, Malcolm Fraser,  
Tokyo Summit

Parliament House, Canberra, Sat. 30 June, 1600 hrs.

The Prime Minister said that the Economic Summit had begun with a discussion of the general world economic situation. This was now worse than it had been a year ago because of the recent increases in oil prices: the prospects for growth, world trade and inflation were now worse. It was most important that countries did not try to accommodate the growth in inflation by printing money: rather, they should adopt policies designed to fight the new situation.

The greater part of the Summit Meeting had been devoted to the problem of energy. It was ironic that while the Meeting was going on, the news had arrived of the OPEC decision to increase the price of oil. It was OPEC that was putting a strain on the world economic system. For example, Saudi Arabia could supply another 1½ MBD more than now but refused to do so. There was a real risk that the free world would become a hostage to the oil producing Arab States. This development had made those attending the Summit Meeting all the more determined to try to bring oil supply and

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original on  
Australia, May 79, PM's meetings with Fraser.

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demand into balance, and this required the emphasis to be put more on reducing oil imports than on oil consumption as such. With this objective in mind, France, Germany, Italy and the United Kingdom had gone from the previous week's meeting of the European Council in Strasbourg with a general commitment for the Community as a whole not to import more oil in 1985 than they had done in 1978. When the other three nations attending the Tokyo Summit - the United States, Japan and Canada - had been asked whether they would match the commitment of their European partners, their response had been that they could do so only if the Europeans were treated not as an aggregate but as separate countries. This approach presented problems for the smaller members of the Community, like Holland, whose room for manoeuvre was rather less than that of the bigger members of the Community. On the other hand, the fact that the UK would not need to import oil from 1981 onwards gave the Community as a whole a margin within which to work. Nonetheless, the United States had held out and had said that they could not accept an individual target unless the European countries did the same. It was, therefore, agreed that the four European countries should recommend to their Community partners that each country's contribution to the annual levels of imports should be specified. In return, the Americans agreed to adopt as a goal for 1985 import levels not exceeding the levels either of 1977 or the adjusted target for 1979, i.e. 8.5 MBD. This undertaking might well cause difficulties for President Carter. American oil production was falling by 6 per cent per annum, despite the Alaskan Slope, and they would have to try not to import additional quantities to offset this fall in domestic output. Further, despite the fact that many Americans still refused that there was a genuine oil crisis, he would try to cut down subsidies on consumption. President Carter had been attacked during the Summit Meeting for his \$5 a barrel subsidy on heating oil but he had explained that he had been compelled to take this step in order to bring back to the United States traditional supplies from the Caribbean which had been diverted by higher prices elsewhere. The Japanese had accepted a 1985 target of between 6.3 and 6.9 MBD. Their present consumption was 6.5 MBD, and they had to allow some headroom in their target

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for future economic growth. Japanese per capita consumption was in any case relatively low. Canada was in a particularly difficult situation because her domestic oil production would decline sharply between now and 1985 before it began to rise again as supplies from the Yukon became available. In the short term, therefore, Canada would be making a rather greater demand on the world oil market than previously. Nevertheless, she had agreed to maintain her imports in 1980 at a level not higher than those in 1979.

All the countries attending the Summit Meeting agreed that the most effective means of achieving these targets for oil import levels in the short term would be by letting the price mechanism work in full. Moreover, they all accepted that they must act together, since to do otherwise would simply be to transfer the problem to other countries. In the longer term it was agreed that the free world must make itself less vulnerable to restrictions on its oil supplies. This meant introducing alternative sources of supply. The most important of these would be nuclear energy, the use of which would need to be expanded considerably. It would, however, be essential to ensure that the requirements of safety were properly met. There would probably be a greater use of coal, though it was wrong to think that coal was free of environmental problems. President Carter was anxious that there should be international collaboration on the extraction of oil from coal, but this was likely to be a very costly road to follow.

Mr. Fraser said that it was clear that the oil situation would result in unemployment remaining at a high level and in world trade growing, at best, only very slowly. There would also be serious implications for the developing countries, and he wondered whether this prospect did not offer a card which could be played against OPEC. Hitherto the developing countries, both oil producing and non-oil producing, had shown considerable solidarity, but there might now be advantage in conducting a discreet campaign to show the non-oil producing developing countries that OPEC's price increases were likely to destroy their economies.

/The Prime Minister

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The Prime Minister said that the reaction at the Summit Meeting to the news of the latest oil price increases had been such that a passage critical of OPEC had been included in the communique. She had not been sure about the wisdom of this for the economic investment of OPEC countries in the West was so great that we could not afford to alienate them. It was also true that they could themselves face damaging political consequences domestically if Western economies were seriously hurt.

B/F GOME 3/7

NOTE FOR THE RECORD

PRIME MINISTER'S CONVERSATIONS AT A QUADRIPARTITE BREAKFAST AT THE FRENCH EMBASSY, TOKYO, ON 29 JUNE 1979 AND DURING THE PRIME MINISTER'S SUBSEQUENT CAR JOURNEY TO THE AKASAKA PALACE, TOKYO, WITH PRESIDENT CARTER

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On the morning of 29 June, the Prime Minister attended a quadripartite breakfast (with President Giscard, President Carter and Chancellor Schmidt) at the French Embassy in Tokyo and subsequently travelled with President Carter from the Embassy to the Akasaka Palace for the Third Session of the Economic Summit. The following is a summary of some of the points which arose during these conversations.

Middle East

President Carter said that he had been surprised by the strength of the Saudi Arabian reaction to Camp David. Earlier contacts with the Saudis had convinced him that they would acquiesce in the Camp David Agreements. The US had put much effort into maintaining close links with the Saudis and in assisting them in the defence and intelligence fields. President Carter was deeply pessimistic about future relations ~~wi~~ between the consumer countries and OPEC and about the possibility of OPEC blackmail. OPEC had, for example, told Premier Clark that they would withdraw all their deposits from Canada if the Canadian Government transferred their Embassy in Israel from Tel Aviv to Jerusalem. In the face of this threat, Mr. Clark had abandoned his intention of doing so.

President Carter had emphasised to Mr. Brezhnev, at the Vienna Summit, that the US had a particular and continuing interest in the Middle East and, in particular, in the Gulf region.

/ President Giscard

President Giscard revealed that he had refused to see Colonel Ghadaffi when the latter had informed him, at 24 hours' notice, that he wished to visit Paris.

All those present at the quadripartite breakfast had expressed concern over the possibility that Saudi Arabia and the Gulf States would decide to reduce their oil production to a level sufficient to meet their own needs.

President Carter said that Saudi Arabia had urged the United States to take this opportunity of pulling out of the Camp David process: President Giscard had predicted that Sadat would probably do that in any case.

#### SALT and East/West Relations

President Carter had clearly been very pleased with the atmosphere of his Summit talks in Vienna with President Brezhnev. He said that the Soviet Union had done virtually everything asked of them; the Chiefs of Staff of the two sides, for example, had met for the first time since Mr. Eisenhower's Presidency.

President Carter told the Prime Minister that the Soviet Union clearly wished for the maximum participation in SALT III, including China. President Carter had confirmed that a SS20 missile, with two stages and only one warhead, could reach the US from the Soviet Union. President Carter told the Prime Minister that the Soviet Union was prepared to reduce its production of the Backfire bomber to 30 per year.

x On MBFR, President Carter had expressed puzzlement <sup>at</sup> to the reasons for the present deadlock and had indicated that it was up to the Europeans to take the lead. The Russians, for their part, were giving the impression that there could be no negotiations on SALT III until SALT II had been ratified by the US Congress.

President Carter told the Prime Minister that Brezhnev wished to negotiate an agreement on "submarine havens". He did not elaborate but the Prime Minister had the impression that negotiations on this matter were likely to begin, if they had not already done so.

Iran

President Carter acknowledged that he had sent US Generals to Iran during the period immediately prior to the fall of the Shah but told the Prime Minister that the purpose of their mission had <sup>not</sup> been (as Mr. Lee Kuan Yew had alleged to the Prime Minister on another occasion) to persuade them to withdraw their support from the Shah; they had, on the contrary, tried to stiffen them. The Shah himself, however, had lost his nerve and his will and had been determined to abdicate.

CTB

In a short discussion of CTB and the problem of the National Seismic Stations, the Prime Minister had told President Carter that the Soviet proposal that the UK should accept 10 NSSs was quite futile. When President Carter asked her whether the UK could accept 4 or 5 Stations, the Prime Minister said that this would still be too many.

*B.M.*



PART 2 begins:-

BCC Note for the record 30.6.79

PART 1 ends:-

Tokyo Tel. 343 29.6.79

DECLARATION: TOKYO SUMMIT CONFERENCE

The Heads of State and Government of Canada, the Federal Republic of Germany, France, Italy, Japan, the United Kingdom of Great Britain and Northern Ireland, and the United States of America met in Tokyo on the 28th and 29th of June, 1979. The European Community was represented by the President of the European Council and by the President of the European Commission for discussion of matters within the Community's competence.

1. The agreements reached at the Bonn Summit helped to improve the world economy. There was higher growth in some countries, a reduction of payments imbalances, and greater currency stability.
2. But new challenges have arisen. Inflation, which was subsiding in most countries, is now regaining its momentum. Higher oil prices and oil shortage have reduced the room for maneuver in economic policy in all our countries. They will make inflation worse and curtail growth, in both the industrial and developing countries. The non-oil developing countries are among the biggest sufferers.

We are agreed on a common strategy to attack these problems. The most urgent tasks are to reduce oil consumption and to hasten the development of other energy sources.

Our countries have already taken significant actions to reduce oil consumption. We will intensify these efforts.

The

The European Community has decided to restrict 1979 oil consumption to 500 million tons (10 million barrels a day) and to maintain Community oil imports between 1980 and 1985 at an annual level not higher than in 1978. The Community is monitoring this commitment and France, Germany, Italy and the United Kingdom have agreed to recommend to their Community partners that each member country's contribution to these annual levels will be specified. Canada, Japan, and the US will each achieve the adjusted import levels to which they are pledged in IEA for 1979, will maintain their imports in 1980 at a level not higher than these 1979 levels, and will be monitoring this.

The seven countries express their will to take as goals for a ceiling on oil imports in 1985, the following figures:

- For France, Germany, Italy\*, and the United Kingdom: the 1978 figure.
- Canada whose oil production will be declining dramatically over the period between now and 1985, will reduce its annual average rate of growth of oil consumption to 1%, with the consequent reduction of oil imports by 50,000 barrels per day by 1985. Canada's targets for imports will therefore be 0.6 million barrels per day.

- Japan

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\* Footnote: Italy's commitment with reference to the 1978 level is accepted in the context of the overall commitment of the European Community.

- Japan adopts as a 1985 target a level not to exceed the range between 6.3 and 6.9 million barrels a day. Japan will review this target periodically and make it more precise in the light of current developments and growth projections, and do their utmost to reduce oil imports through conservation, rationalization of use and intensive development of alternative energy sources in order to move toward lower figures.
- The United States adopts as a goal for 1985 import levels not to exceed the levels either of 1977 or the adjusted target for 1979, i.e. 8.5 million barrels per day.

These 1985 goals will serve as reference to monitor both energy conservation and the development of alternative energy sources.

A high level group of representatives of our countries and of the EEC Commission, within the OECD, will review periodically the results achieved. Slight adjustments will be allowed to take account of special needs generated by growth.

In fulfilling these commitments, our guiding principle will be to obtain fair supplies of oil products for all countries, taking into account the differing patterns of supply, the efforts made to limit oil imports, the economic situation of each country, the quantities of oil available, and the potential of each country for energy conservation.

We urge other industrialized countries to set similar objectives for themselves.

We agree to take steps to bring into the open the working of oil markets by setting up a register of international oil transactions. We will urge oil companies and oil-exporting countries to moderate spot market transactions. We will consider the feasibility of requiring that at the time of unloading crude oil cargoes, documents be presented indicating the purchase price as certified by the producer country. We will likewise seek to achieve better information on the profit situation of oil companies and on the use of the funds available to these companies.

We agree on the importance of keeping domestic oil prices at world market prices or raising them to this level as soon as possible. We will seek to minimize and finally eliminate administrative action that might put upward pressure on oil prices that result from domestic underpricing of oil and to avoid new subsidies which would have the same effect.

Our countries will not buy oil for governmental stockpiles when this would place undue pressure on prices; we will consult about the decisions that we make to this end.

3. We pledge our countries to increase as far as possible coal use, production, and trade, without damage to the environment. We will endeavor to substitute coal for oil in the industrial and electrical sectors, encourage the improvement of coal transport, maintain positive attitudes toward investment for coal projects, pledge not to interrupt coal trade under long-term contracts unless required to do so by a national emergency, and maintain, by measures which do not obstruct coal imports, those levels of domestic coal production which are desirable for reasons of energy, regional and social policy.

We need to expand alternative sources of energy, especially those which will help to prevent further pollution, particularly increases of carbon dioxide and sulphur oxides in the atmosphere.

Without the expansion of nuclear power generating capacity in the coming decades, economic growth and higher employment will be hard to achieve. This must be done under conditions guaranteeing our people's safety. We will cooperate to this end. The International Atomic Energy Agency can play a key role in this regard.

We reaffirm the understanding reached at the Bonn Summit with respect to the reliable supply of nuclear fuel and minimizing the risk of nuclear proliferation.

New

New technologies in the field of energy are the key to the world's longer-term freedom from fuel crises. Large public and private resources will be required for the development and commercial application of those technologies. We will ensure that these resources are made available. An International Energy Technology Group linked to the OECD, IEA and other appropriate international organizations will be created to review the actions being taken or planned domestically by each of our countries, and to report on the need and potential for international collaboration, including financing.

We deplore the decisions taken by the recent OPEC Conference. We recognise that relative moderation was displayed by certain of the participants. But the unwarranted rises in oil prices nevertheless agreed are bound to have very serious economic and social consequences. They mean more world-wide inflation and less growth. That will lead to more unemployment, more balance of payments difficulty and will endanger stability in developing and developed countries of the world alike. We remain ready to examine with oil exporting countries how to define supply and demand prospects on the world oil market.

4. We agree that we should continue with the policies for our economies agreed at Bonn, adjusted to reflect current circumstances. Energy shortages and high oil prices have caused a real transfer of incomes. We will try, by our domestic economic policies, to minimize the damage to our economies. But our options are limited. Attempts to compensate for the damage by matching income increases would simply add to inflation.

5.

5. We agree that we must do more to improve the long-term productive efficiency and flexibility of our economies. The measures needed may include more stimulus for investment and for research and development; steps to make it easier for capital and labor to move from declining to new industries; regulatory policies which avoid unnecessary impediments to investment and productivity; reduced growth in some public sector current expenditures; and removal of impediments to the international flow of trade and capital.

6. The agreements reached in the Tokyo Round are an important achievement. We are committed to their early and faithful implementation. We renew our determination to fight protectionism. We want to strengthen the GATT, both to monitor the agreements reached in the MTNs and as an instrument for future policy in maintaining the open world trading system. We will welcome the full participation of as many countries as possible in these agreements and in the system as a whole.

7. We will intensify our efforts to pursue the economic policies appropriate in each of our countries to achieve durable external equilibrium. Stability in the foreign exchange market is essential for the sound development of world trade and the global economy. This has been furthered since the Bonn Summit by two important developments -- the November 1st 1978 program of the United States in conjunction with other monetary authorities, and the successful emergence of the European Monetary System. We will continue close cooperation in exchange market policies and in support of the effective discharge by the

IMF



of its responsibilities, particularly its surveillance role and its role in strengthening further the international monetary system.

8. Constructive North-South relations are essential to the health of the world economy. We for our part have consistently worked to bring developing countries more fully into the open world trading system and to adjust our economies to changing international circumstances. The problems we face are global. They can only be resolved through shared responsibility and partnership. But this partnership cannot depend solely on the efforts of the industrialized countries. The OPEC countries have just as important a role to play. The latest decision substantially to increase oil prices will also severely increase the problems facing developing countries without oil resources as well as the difficulties for developed countries in helping them. The decision could even have a crippling effect on some of the developing countries. In this situation, we recognize, in particular, the need for the flow of financial resources to the developing countries to increase, including private and public, bilateral and multilateral resources. A good investment climate in developing countries will help the flow of foreign investment.

We are deeply concerned about the millions of people still living in conditions of absolute poverty. We will take particular account of the poorest countries in our aid programs.

Once more we urge COMECON countries to play their part.

We

We will place more emphasis on cooperation with developing countries in overcoming hunger and malnutrition. We will urge multilateral organizations to help these countries to develop effective food sector strategies and to build up the storage capacity needed for strong national food reserves. Increased bilateral and multilateral aid for agricultural research will be particularly important. In these and other ways we will step up our efforts to help these countries develop their human resources, through technical cooperation adapted to local conditions.

We will also place special emphasis on helping developing countries to exploit their energy potential. We strongly support the World Bank's program for hydrocarbon exploitation and urge its expansion. We will do more to help developing countries increase the use of renewable energy; we welcome the World Bank's coordination of these efforts.

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ECONOMIC SUMMIT, TOKYO - 28-29 JUNE 1979

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