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PREM 19/1715

PART 21

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Confidential Filing

Tokyo Economic Summit (4-6 May 1986)

ECONOMIC
POLICY

Part 1: May 1979

Part 21: May 1986

(Bilaterals; Statement; Briefing in folders at rear)

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
7.5.86							
15.5.86							
22.5.86							
28.5.86							
PT 21							
ENOS							
PREM 19/1715							

● PART 21 ends:-

CDP to fco 28/5/86

PART 22 begins:-

RTA to PM (A086/2597) 18/9/86



10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

28 May 1986

dated & →
filed on

I enclose a copy of a message to the
Prime Minister from President Chun. No
reply is required.

9.5.86
(T85A/86)

(Charles Powell)

R. N. Culshaw, Esq.,
Foreign and Commonwealth Office.



10 DOWNING STREET

From the Private Secretary

22 May 1986

I am writing to confirm, following your telephone conversation today with the Duty Clerk, that the extract from the record of the meeting between the Prime Minister and President Reagan on 4 May 1986 dealing with EC/US matters may be reclassified from Secret to Confidential.

Charles Powell

Miss P. Buney,
UKRep Brussels

085



Rte MJ
ccfco

10 DOWNING STREET

THE PRIME MINISTER

20 May 1986

My dear Helmut,

Thank you for the letter which you and Mr Fukuda sent me on 16 April, enclosing a recent statement by the Inter Action Council on themes relevant to the Tokyo Economic Summit. Practically all the points in your statement were, indeed, covered in our discussions at Tokyo and I am enclosing - in case you have not received them from elsewhere - copies of our communique on economic matters and of the other statements issued during the Summit.

The texts underline how much we achieved at this particularly good and productive meeting. Among the points particularly relevant to your own statement, I might highlight:

- the commitment to continue and build on a joint economic strategy of non-inflationary growth, sustained by close and continuous co-ordination of economic policies - the emphasis on the importance of strengthening the multilateral trading system and reversing protectionist trends.

- the recognition of the problems facing developing countries, including in many cases the burden of

debt; and agreement that the Summit Seven should work together to support these countries in their efforts to promote economic growth and prosperity.

- recognition of the need to tackle the structural problem of agricultural surpluses and subsidies, on which all members of the Seven will support further work in the OECD.
- the strong and concrete declaration on measures against terrorism.
- the statement of the Chernobyl nuclear accident, which stresses all countries' responsibility for nuclear safety and security, with a view not least to the impact on the environment.
- the general principles for handling East-West affairs set out in the declaration on Western partnership, which gives support to efforts for arms control both in the US/Soviet Geneva talks and elsewhere.

I hope the Inter Action council will note, and lend its support to, these practical and forward-looking policies; and I wish you success in your future work.

I so much enjoyed seeing you again at Gleneagles.

Yours sincerely
Margaret Thatcher

Herr Helmut Schmidt

TOKYO DECLARATION
LOOKING FORWARD TO A BETTER FUTURE

May 5, 1986

1. We, the Heads of State or Government of seven major industrial nations and the representatives of the European Community, with roots deep in the civilizations of Europe and Asia, have seized the opportunity of our meeting at Tokyo to raise our sights not just to the rest of this century but into the next as well. We face the future with confidence and determination, sharing common principles and objectives and mindful of our strengths.
2. Our shared principles and objectives, reaffirmed at past Summits, are bearing fruit. Nations surrounding the Pacific are thriving dynamically through free exchange, building on their rich and varied heritages. The countries of Western Europe, the Community members in particular, are flourishing by raising their cooperation to new levels. The countries of North America, enriched by European and Asian cultures alike, are firm in their commitment to the realization in freedom of human potential. Throughout the world we see the powerful appeal of democracy and growing recognition that personal initiative, individual creativity and social justice are main sources of progress. More than ever we have all to join our energies in the search for a safer and healthier, more civilized and prosperous, free and peaceful world. We believe that close partnership of Japan, North America and Europe will make a significant contribution toward this end.
3. We reaffirm our common dedication to preserving and strengthening peace, and as part of that effort, to building a more stable and constructive relationship between East and West. Each of us is ready to engage in cooperation in fields of common interest. Within existing alliances, each of us is resolved to maintain a strong and credible defence that can protect freedom and deter aggression, while not threatening the security of others. We know that peace cannot be safeguarded by military strength alone. Each of us is committed to addressing East-West differences through high-level dialogue and negotiation. To that end, each of us supports balanced, substantial and verifiable reductions in the level of arms; measures to increase confidence and reduce the risks of conflicts; and the peaceful resolution of disputes. Recalling the agreement between the United States and the Soviet Union to accelerate work at Geneva, we appreciate

the United States' negotiating efforts and call on the Soviet Union also to negotiate positively. In addition to these efforts, we shall work for improved respect for the rights of individuals throughout the world.

4. We proclaim our conviction that in today's world, characterized by ever increasing interdependence, our countries cannot enjoy lasting stability and prosperity without stability and prosperity in the developing world and without the cooperation among us which can achieve these aims. We pledge ourselves afresh to fight against hunger, disease and poverty, so that developing nations can also play a full part in building a common, bright future.

5. We owe it to future generations to pass on a healthy environment and a culture rich in both spiritual and material values. We are resolved to pursue effective international action to eliminate the abuse of drugs. We proclaim our commitment to work together for a world which respects human beings in the diversity of their talents, beliefs, cultures and traditions. In such a world based upon peace, freedom and democracy, the ideals of social justice can be realized and employment opportunities can be available for all. We must harness wisely the potential of science and technology, and enhance the benefits through cooperation and exchange. We have a solemn responsibility so to educate the next generation as to endow them with the creativity befitting the twenty-first century and to convey to them the value of living in freedom and dignity.

Tokyo Economic Declaration

May 6, 1986

1. We, the Heads of State or Government of seven major industrialized countries and the representatives of the European Community, meeting in Tokyo for the twelfth Economic Summit, have reviewed developments in the world economy since our meeting in Bonn a year ago, and have reaffirmed our continuing determination to work together to sustain and improve the prosperity and well-being of the peoples of our own countries, to support the developing countries in their efforts to promote their economic growth and prosperity, and to improve the functioning of the world monetary and trading systems.
2. Developments since our last meeting reflect the effectiveness of the policies to which we have committed ourselves at successive Economic Summits in recent years. The economies of the industrialized countries are now in their fourth year of expansion. In all our countries, the rate of inflation has been declining. With the continuing pursuit of prudent fiscal and monetary policies, this has permitted a substantial lowering of interest rates. There has been a significant shift in the pattern of exchange rates which better reflects fundamental economic conditions. For the industrialized countries, and indeed for the world economy, the recent decline in oil prices will help to sustain non-inflationary growth and to increase the volume of world trade, despite the difficulties which it creates for certain oil-producing countries. Overall, these developments offer brighter prospects for, and enhance confidence in, the future of the world economy.
3. However, the world economy still faces a number of difficult challenges which could impair sustainability of growth. Among these are high unemployment, large domestic and external imbalances, uncertainty about the future behaviour of exchange rates, persistent protectionist pressures, continuing difficulties of many developing countries and severe debt problems for some, and uncertainty about medium-term prospects for the levels of energy prices. If large imbalances and other distortions are allowed to persist for too long, they will present an increasing threat to world economic growth and to the open multilateral trading system. We cannot afford to relax our efforts. In formulating our policies, we need to look to the medium and longer term, and to have regard to the interrelated and structural character of current problems.

4. We stress the need to implement effective structural adjustment policies in all countries across the whole range of economic activities to promote growth, employment and the integration of domestic economies into the world economy. Such policies include technological innovation, adaptation of industrial structure and expansion of trade and foreign direct investment.

5. In each of our own countries, it remains essential to maintain a firm control of public spending within an appropriate medium-term framework of fiscal and monetary policies. In some of our countries there continue to be excessive fiscal deficits which the governments concerned are resolved progressively to reduce.

6. Since our last meeting we have had some success in the creation of new jobs to meet additions to the labour force, but unemployment remains excessively high in many of our countries. Non-inflationary growth remains the biggest single contributor to the limitation and reduction of unemployment, but it needs to be reinforced by policies which encourage job creation, particularly in new and high-technology industries, and in small businesses.

7. At the same time, it is important that there should be close and continuous coordination of economic policy among the seven Summit countries. We welcome the recent examples of improved coordination among the Group of Five Finance Ministers and Central Bankers, which have helped to change the pattern of exchange rates and to lower interest rates on an orderly and non-inflationary basis. We agree, however, that additional measures should be taken to ensure that procedures for effective coordination of international economic policy are strengthened further. To this end, the Heads of State or Government:

- agree to form a new Group of Seven Finance Ministers, including Italy and Canada, which will work together more closely and more frequently in the periods between the annual Summit meetings;
- request the seven Finance Ministers to review their individual economic objectives and forecasts collectively at least once a year, using the indicators specified below, with a particular view to examining their mutual compatibility;

With the representatives of the European Community:

- state that the purposes of improved coordination should explicitly include promoting non-inflationary

economic growth, strengthening market-oriented incentives for employment and productive investment, opening the international trading and investment system, and fostering greater stability in exchange rates;

- reaffirm the undertaking at the 1982 Versailles Summit to cooperate with the IMF in strengthening multilateral surveillance, particularly among the countries whose currencies constitute the SDR, and request that, in conducting such surveillance and in conjunction with the Managing Director of the IMF, their individual economic forecasts should be reviewed, taking into account indicators such as GNP growth rates, inflation rates, interest rates, unemployment rates, fiscal deficit ratios, current account and trade balances, monetary growth rates, reserves, and exchange rates;
- invite the Finance Ministers and Central Bankers in conducting multilateral surveillance to make their best efforts to reach an understanding on appropriate remedial measures whenever there are significant deviations from an intended course; and recommend that remedial efforts focus first and foremost on underlying policy fundamentals, while reaffirming the 1983 Williamsburg commitment to intervene in exchange markets when to do so would be helpful.

The Heads of State or Government:

- request the Group of Five Finance Ministers to include Canada and Italy in their meetings whenever the management or the improvement of the international monetary system and related economic policy measures are to be discussed and dealt with;
- invite Finance Ministers to report progress at the next Economic Summit meeting.

These improvements in coordination should be accompanied by similar efforts within the Group of Ten.

8. The pursuit of these policies by the industrialized countries will help the developing countries in so far as it strengthens the world economy, creates conditions for lower interest rates, generates the possibility of increased financial flows to the developing countries, promotes transfer of technology and improves access to the markets of the industrialized countries. At the same time, developing countries, particularly debtor countries,

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can fit themselves to play a fuller part in the world economy by adopting effective structural adjustment policies, coupled with measures to mobilize domestic savings, to encourage the repatriation of capital, to improve the environment for foreign investment, and to promote more open trading policies. In this connection, noting in particular the difficult situation facing those countries highly dependent on exports of primary commodities, we agree to continue to support their efforts for further processing of their products and for diversifying their economies, and to take account of their export needs in formulating our own trade and domestic policies.

9. Private financial flows will continue to play a major part in providing for their development needs. We reaffirm our willingness to maintain and, where appropriate, expand official financial flows, both bilateral and multilateral, to developing countries. In this connection, we attach great importance to an early and substantial eighth replenishment of the International Development Association (IDA) and to a general capital increase of the World Bank when appropriate. We look for progress in activating the Multilateral Investment Guarantee Agency.

10. We reaffirm the continued importance of the case-by-case approach to international debt problems. We welcome the progress made in developing the cooperative debt strategy, in particular building on the United States initiative. The role of the international financial institutions, including the multilateral development banks, will continue to be central, and we welcome moves for closer cooperation among these institutions, and particularly between the IMF and the World Bank. Sound adjustment programmes will also need resumed commercial bank lending, flexibility in rescheduling debt and appropriate access to export credits.

11. We welcome the improvement which has occurred in the food situation in Africa. Nonetheless a number of African countries continue to need emergency aid, and we stand ready to assist. More generally, we continue to recognize the high priority to be given to meeting the needs of Africa. Measures identified in the Report on Aid to Africa adopted and forwarded to us by our Foreign Ministers should be steadily implemented. Assistance should focus in particular on the medium- and long-term economic development of these countries. In this

- 5 -

connection we attach great importance to continued cooperation through the Special Facility for Sub-Saharan African countries, early implementation of the newly established Structural Adjustment Facility of the IMF and the use of the IDA. We intend to participate actively in the forthcoming United Nations Special Session on Africa to lay the foundation for the region's long-term development.

12. The open multilateral trading system is one of the keys to the efficiency and expansion of the world economy. We reaffirm our commitment to halting and reversing protectionism, and to reducing and dismantling trade restrictions. We support the strengthening of the system and functioning of the GATT, its adaptation to new developments in world trade and to the international economic environment, and the bringing of new issues under international discipline. The New Round should, inter alia, address the issues of trade in services and trade related aspects of intellectual property rights and foreign direct investment. Further liberalization of trade is, we believe, of no less importance for the developing countries than for ourselves, and we are fully committed to the preparatory process in the GATT with a view to the early launching of the New Round of multilateral trade negotiations. We shall work at the September Ministerial meeting to make decisive progress in this direction.

13. We note with concern that a situation of global structural surplus now exists for some important agricultural products, arising partly from technological improvements, partly from changes in the world market situation, and partly from long-standing policies of domestic subsidy and protection of agriculture in all our countries. This harms the economies of certain developing countries and is likely to aggravate the risk of wider protectionist pressures. This is a problem which we all share and can be dealt with only in cooperation with each other. We all recognize the importance of agriculture to the well-being of rural communities, but we are agreed that, when there are surpluses, action is needed to redirect policies and adjust structure of agricultural production in the light of world demand. We recognize the importance of understanding these issues and express our determination to give full support to the work of the OECD in this field.

14. Bearing in mind that the recent oil price decline owes much to the cooperative energy policies which we have pursued during the past decade, we recognize the need for continuity of policies for achieving long-term energy market stability and security of supply. We note that the current oil market situation enables countries which wish to do so to increase stock levels.

15. We reaffirm the importance of science and technology for the dynamic growth of the world economy and take note, with appreciation, of the final report of the Working Group on Technology, Growth and Employment. We welcome the progress made by the United States Manned Space Programme and the progress made by the autonomous work of the European Space Agency (ESA). We stress the importance for genuine partnership and appropriate exchange of information, experience and technologies among the participating states. We also note with satisfaction the results of the Symposium on Neuroscience and Ethics, hosted by the Federal Republic of Germany and we appreciate the decision of the Canadian Government to host the next meeting.

16. We reaffirm our responsibility, shared with other governments, to preserve the natural environment, and continue to attach importance to international cooperation in the effective prevention and control of pollution and natural resources management. In this regard, we take note of the work of the environmental experts on the improvement and harmonization of the techniques and practices of environmental measurement, and ask them to report as soon as possible. We also recognize the need to strengthen cooperation with developing countries in the area of the environment.

17. We have agreed to meet again in 1987 and have accepted the invitation of the President of the Council of the Italian Government to meet in Italy.

STATEMENT ON INTERNATIONAL TERRORISM

May 3, 1986

1. We, the Heads of State or Government of seven major democracies and the representatives of the European Community, assembled here in Tokyo, strongly reaffirm our condemnation of international terrorism in all its forms, of its accomplices and of those, including governments, who sponsor or support it. We abhor the increase in the level of such terrorism since our last meeting, and in particular its blatant and cynical use as an instrument of government policy. Terrorism has no justification. It spreads only by the use of contemptible means, ignoring the values of human life, freedom and dignity. It must be fought relentlessly and without compromise.
2. Recognizing that the continuing fight against terrorism is a task which the international community as a whole has to undertake, we pledge ourselves to make maximum efforts to fight against that scourge. Terrorism must be fought effectively through determined, tenacious, discreet and patient action combining national measures with international cooperation. Therefore, we urge all like-minded nations to collaborate with us, particularly in such international fora as the United Nations, the International Civil Aviation Organization and the International Maritime Organization, drawing on their expertise to improve and extend countermeasures against terrorism and those who sponsor or support it.
3. We, the Heads of State or Government, agree to intensify the exchange of information in relevant fora on threats and potential threats emanating from terrorist activities and those who sponsor or support them, and on ways to prevent them.
4. We specify the following as measures open to any government concerned to deny to international terrorists the opportunity and the means to carry out their aims, and to identify and deter those who perpetrate such terrorism. We have decided to apply these measures within the framework of international law and in our own jurisdictions in respect of any state which is clearly involved in sponsoring or supporting international terrorism, and in particular of Libya, until such time as the state concerned abandons its complicity in, or support for, such terrorism. These measures are:

- refusal to export arms to states which sponsor or support terrorism;
- strict limits on the size of the diplomatic and consular missions and other official bodies abroad of states which engage in such activities, control of travel of members of such missions and bodies, and, where appropriate, radical reductions in, or even the closure of, such missions and bodies;
- denial of entry to all persons, including diplomatic personnel, who have been expelled or excluded from one of our states on suspicion of involvement in international terrorism or who have been convicted of such a terrorist offence;
- improved extradition procedures within due process of domestic law for bringing to trial those who have perpetrated such acts of terrorism;
- stricter immigration and visa requirements and procedures in respect of nationals of states which sponsor or support terrorism;
- the closest possible bilateral and multilateral cooperation between police and security organizations and other relevant authorities in the fight against terrorism.

Each of us is committed to work in the appropriate international bodies to which we belong to ensure that similar measures are accepted and acted upon by as many other governments as possible.

5. We will maintain close cooperation in furthering the objectives of this statement and in considering further measures. We agree to make the 1978 Bonn Declaration more effective in dealing with all forms of terrorism affecting civil aviation. We are ready to promote bilaterally and multilaterally further actions to be taken in international organizations or fora competent to fight against international terrorism in any of its forms.

**STATEMENT ON
THE IMPLICATIONS OF THE CHERNOBYL NUCLEAR ACCIDENT**

May 5, 1986

1. We, the Heads of State or Government of seven major industrial nations and the Representatives of the European Community, have discussed the implications of the accident at the Chernobyl nuclear power station. We express our deep sympathy for those affected. We remain ready to extend assistance, in particular medical and technical, as and when requested.
2. Nuclear power is and, properly managed, will continue to be an increasingly widely used source of energy. For each country the maintenance of safety and security is an international responsibility, and each country engaged in nuclear power generation bears full responsibility for the safety of the design, manufacture, operation and maintenance of its installations. Each of our countries meets exacting standards. Each country, furthermore, is responsible for prompt provision of detailed and complete information on nuclear emergencies and accidents/ in particular those with potential transboundary consequences. Each of our countries accepts that responsibility, and we urge the Government of the Soviet Union, which did not do so in the case of Chernobyl, to provide urgently such information, as our and other countries have requested.
3. We note with satisfaction the Soviet Union's willingness to undertake discussions this week with the Director-General of the International Atomic Energy Agency (IAEA). We expect that these discussions will lead to the Soviet Union's participation in the desired post-accident analysis.
4. We welcome and encourage the work of the IAEA in seeking to improve international cooperation on the safety of nuclear installations, the handling of nuclear accidents and their consequences, and the provision of mutual emergency assistance. Moving forward from the relevant IAEA guidelines, we urge the early elaboration of an international convention committing the parties to report and exchange information in the event of nuclear emergencies or accidents. This should be done with the least possible delay.

SUBJECT
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10 DOWNING STREET

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T 91A/86

THE PRIME MINISTER

19 May 1986

Dear Mr. President.

Thank you for your letter of 24 April about the Tokyo Economic Summit. I am sending you with this letter a copy of the Tokyo Economic Declaration.

We agreed in Tokyo that recent developments including the decline in rate of inflation, the substantial lowering of interest rates and the recent decline in oil prices offer brighter prospects for the world economy as a whole. But we also recognised that countries such as Bangladesh will continue to face severe difficulties in the pursuit and implementation of effective growth-oriented adjustment efforts. That is why we reaffirmed our willingness to maintain and, where appropriate, expand official development assistance.

All present at Tokyo also agreed on the importance of an early and substantial eighth replenishment of IDA. We in Britain hope that this can be agreed at a level of \$12bn. While the situation in many Sub-Saharan African countries merits priority attention for the IDA's concessional funds, we have made it clear throughout the negotiations over the eighth replenishment that the needs of other countries, including Bangladesh, must not be neglected, and that they should receive a fair share of IDA resources.

We fully recognise the importance of the objectives of the Special New Programme of Action and your concern over their implementation. I would like to take this opportunity to reaffirm that Britain remains committed to the Special New

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Programme of Action percentage target but cannot be committed to a timetable for its achievement. Progress towards these targets must depend on the claims of other poor countries and of our own economic circumstances. I should add that nearly all of our aid is given in the form of grants and we have recently extended the GNP threshold for this to the level of \$790 per annum.

You will know that negotiations were completed last month for the fourth replenishment of the Asian Development Fund at the level of \$3.6bn. This was a good result given the competing claims, bilateral as well as multilateral, on the contributors' aid resources, which should enable the Asian Development Bank to continue its concessional lending during the next four years at an adequate level.

Yours sincerely
Rajawshahida

His Excellency Lt. Gen Hussain Mohammad Ershad.

DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1+

FROM:
PRIME MINISTER

Reference

DEPARTMENT: TEL. NO:

To: *Handwritten initials*

SECURITY CLASSIFICATION

TO:

Your Reference

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

LT GEN HUSSAIN MUHAMMED ERSHAD
PRESIDENT
PEOPLE'S REPUBLIC OF BANGLADESH

Copies to:

JAJART

PRIVACY MARKING

SUBJECT:

.....In Confidence

Thank you for your letter of 24 April about the Tokyo Economic Summit. I am sending you with this letter a copy of the Tokyo Economic Declaration.

CAVEAT.....

We agreed in Tokyo that recent developments including the decline in rate of inflation, the substantial lowering of interest rates and the recent decline in oil prices offer brighter prospects for the world economy as a whole. But we also recognised that countries such as Bangladesh will continue to face severe difficulties in the pursuit and implementation of effective growth-oriented adjustment efforts. That is why we reaffirmed our willingness to maintain and, where appropriate, expand official development assistance.

Enclosures—flag(s).....

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funds, we have made it clear throughout the negotiations over the eighth replenishment that the needs of other countries, including Bangladesh, must not be neglected, and that they should receive a fair share of IDA resources.

We fully recognise the importance of the objectives of the SNPA and your concern over their implementation. I would like to take this opportunity to reaffirm that Britain remains committed to the SNPA ~~oda~~ percentage target but cannot be committed to a timetable for its achievement. Progress towards these targets must depend on the claims of other poor countries and of our own economic circumstances. I should add that nearly all of our aid is given in the form of grants and we have recently extended the GNP threshold for this to the level of \$790 per annum.

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CDP.



Foreign and Commonwealth Office

London SW1A 2AH

16 May 1986

*Dear Charles,*Letter to the Prime Minister from the Inter Action Council

Your letter of 7 May enclosed a letter addressed to the Prime Minister from Herr Helmut Schmidt and Mr Takeo Fukuda on behalf of the Inter Action Council and asked for a draft reply.

The Inter Action Council is an elder statesmen's grouping, largely the brainchild of Dr Waldheim, which despite its eminent membership has yet to make its mark with any concrete initiatives. The line taken in its latest statement, however, is broadly sensible despite a few visionary elements; and there are a few good points such as the strong line against Terrorism (para 23) and mention of agricultural subsidies (para 34). Mr James Callaghan is a member of the Council and Mr Francis Pym has recently joined its Policy Board.

I attach a draft reply to Herr Schmidt, which draws on the published results of the Tokyo Summit and invites the Inter Action Council to use its own influence in support of the policies agreed by the Seven. A more detailed critique of the Inter Action Council's own statement does not seem called for, given the present standing of the organisation.

*Yours ever**R N Culshaw*

(R N Culshaw)
Private Secretary

C D Powell Esq
PS/10 Downing Street

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DRAFT LETTER FROM THE PRIME MINISTER

Helmut Schmidt
Chairman
Inter Action Council
c/o Bundeshaus
53 BONN 1
Federal Republic of Germany

To Hand
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BTS

Thank you for the letter ^{which} you and ^{Mr.} Takeo Fukuda sent me on 16 April, enclosing a recent statement by the Inter Action Council on themes relevant to the Tokyo Economic Summit. Practically all the points in your statement were, indeed, covered in our discussions at Tokyo and I am enclosing - in case you have not received them from elsewhere - copies of our communiqué on economic matters and of the other statements issued during the Summit.

The texts underline how much we achieved at this particularly good and productive meeting. Among the points particularly relevant to your own statement, I might highlight:

- the commitment to continue and build on a joint economic strategy of non-inflationary growth, sustained by close and continuous coordination of economic

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- the recognition of the problems facing developing countries, including in many cases the burden of debt; and agreement that the Summit Seven should work together to support these countries in their efforts to promote economic growth and prosperity

- recognition of the need to tackle the structural problem of agricultural surpluses and subsidies, on which all members of the Seven will support further work in the OECD

- the strong and concrete declaration on measures against Terrorism

- the statement on the Chernobyl nuclear accident, which stresses all countries' responsibility for nuclear safety and security, with a view not least to the impact on the environment

- the general principles for handling East-West affairs set out in the declaration on Western partnership, which gives support to efforts for arms control both in the US/Soviet Geneva talks and elsewhere.

I hope the Inter Action Council will note, and lend its support to, these practical and forward-looking policies; and I wish you success in your future work.

I so much enjoyed sitting
you again at Glenloch.
CM

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AND TO ROUTINE BOGOTA, BONN, BRASILIA, CARACAS, LA PAZ, LIMA
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AND TO ROUTINE TOKYO, WASHINGTON, UKDEL IMF/IBRD WASHINGTON
AND TO ROUTINE UKMIS NEW YORK, UKDEL OECD PARIS, UKREP BRUSSELS

TOKYO SUMMIT: LETTER FROM CARTAGENA GROUP: MY TELNO 377 TO TOKYO

1. PLEASE PASS FOLLOWING REPLY FROM PRIME MINISTER TO PRESIDENT SANGUINETTI.
2. BEGINS.

THANK YOU FOR YOUR LETTER OF 1 MAY IN WHICH YOU CONVEYED YOUR THOUGHTS AND THOSE OF YOUR COLLEAGUES IN LATIN AMERICA ABOUT THE ECONOMIC SITUATION IN YOUR REGION.

I SHARE YOUR CONCERN ABOUT THE CONTINUING MACROECONOMIC IMBALANCES IN CERTAIN INDUSTRIALISED COUNTRIES. WE THEREFORE AGREED IN TOKYO THAT WHERE APPROPRIATE, WE MUST CONTINUE WITH OUR EFFORTS TO CORRECT SUCH IMBALANCES IF ECONOMIC GROWTH IS TO BE SUSTAINED. BUT WE HAVE ALREADY MADE VERY REAL PROGRESS. INTEREST RATES HAVE FALLEN CONSIDERABLY IN THE LAST YEAR, EXCHANGE RATES NOW MORE CLOSELY REFLECT ECONOMIC CIRCUMSTANCES, AND THE DECLINE IN OIL PRICES, WHILE CREATING VERY REAL

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DIFFICULTIES FOR A NUMBER OF COUNTRIES, SHOULD FURTHER HELP TO SUSTAIN ECONOMIC GROWTH.

NEVERTHELESS, I RECOGNISE THAT A NUMBER OF COUNTRIES IN LATIN AMERICA FACE SEVERE PROBLEMS AND THAT ADJUSTMENT POLICIES CONTINUE TO PLACE A HEAVY BURDEN ON THEM. THAT IS WHY WE SUPPORT THE UNITED STATES PROGRAMME FOR SUSTAINED GROWTH. IT IS ENCOURAGING THAT, WORKING WITHIN THE PRINCIPLES OF THIS PROGRAMME, A NUMBER OF LATIN AMERICAN COUNTRIES HAVE REACHED AGREEMENT WITH THE WORLD BANK ON NEW LENDING PROGRAMMES. WE HOPE THAT MORE WILL BE ABLE TO DO SO SOON. WE IN THE UNITED KINGDOM REMAIN WILLING TO SEEK NEW WAYS OF PROVIDING FINANCIAL FLOWS TO DEBTOR COUNTRIES. WE HAVE RECENTLY SIGNED THE CONVENTION ESTABLISHING THE MIGA WHICH WILL HELP TO PROMOTE DIRECT INVESTMENT. WE ARE KEEN TO ENCOURAGE SOUND ADJUSTMENT PROGRAMMES BY PROVIDING EARLY RESUMPTION OF EXPORT CREDIT COVER.

WE HOPE THAT INDEBTED COUNTRIES WILL ALSO CONTINUE TO PURSUE THE ADJUSTMENT PROGRAMMES NECESSARY TO ATTRACT NEW FINANCE. I ESPECIALLY WELCOME YOUR COMMITMENT TO PURSUE MEASURES TO CURB FLIGHT OF CAPITAL FROM CERTAIN COUNTRIES IN THE REGION. REPATRIATION OF SUCH CAPITAL AND ITS INVESTMENT DOMESTICALLY BY THE NATIONALS OF THE COUNTRIES CONCERNED WOULD BE A MAJOR SIGNAL OF CONFIDENCE, THE IMPORTANCE OF WHICH SHOULD NOT BE UNDERESTIMATED.

IN SHORT, I AGREE WITH YOU THAT THE PROBLEM OF DEBT REMAINS SERIOUS. BUT I AM CONFIDENT THAT IF WE ALL CONTINUE TO APPROACH IT IN A SPIRIT OF CONSTRUCTIVE COOPERATION IN THE APPROPRIATE INTERNATIONAL INSTITUTIONS WE CAN AND WILL OVERCOME THE DIFFICULTIES IN A MUTUALLY BENEFICIAL WAY.
ENDS.

3. SIGNED ORIGINAL FOLLOWS BY BAG.
HOWE

ECONOMIC SUMMIT

STANDARD(PALACE)

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10 DOWNING STREET

THE PRIME MINISTER

15 May 1986

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T90/86

Dear Mr. President,

Thank you for your letter of 1 May in which you conveyed your thoughts and those of your colleagues in Latin America about the economic situation in your region.

I share your concern about the continuing macroeconomic imbalances in certain industrialised countries. We therefore agreed in Tokyo that where appropriate, we must continue with our efforts to correct such imbalances if economic growth is to be sustained. But we have already made very real progress. Interest rates have fallen considerably in the last year, exchange rates now more closely reflect economic circumstances, and the decline in oil prices, while creating very real difficulties for a number of countries, should further help to sustain economic growth.

Nevertheless, I recognise that a number of countries in Latin America face severe problems and that adjustment policies continue to place a heavy burden on them. That is why we support the United States programme for sustained growth.

It is encouraging that, working within the principles of this programme, a number of Latin American countries have reached agreement with the World Bank on new lending programmes. We hope that more will be able to do so soon. We in the United Kingdom remain willing to seek new ways of providing financial flows to debtor countries. We have

EA

recently signed the convention establishing the MIGA which will help to promote direct investment. We are keen to encourage sound adjustment programmes by providing early resumption of export credit cover.

We hope that indebted countries will also continue to pursue the adjustment programmes necessary to attract new finance. I especially welcome your commitment to pursue measures to curb flight of capital from certain countries in the region. Repatriation of such capital and its investment domestically by the nationals of the countries concerned would be a major signal of confidence, the importance of which should not be underestimated.

In short, I agree with you that the problem of debt remains serious. But I am confident that if we all continue to approach it in a spirit of constructive co-operation in the appropriate international institutions we can and will overcome the difficulties in a mutually beneficial way.

Yours sincerely
Rajawadee

His Excellency Dr. Julio Maria Sanguinetti.



10 DOWNING STREET

THE PRIME MINISTER

cc FCO

15 May 1986

Dear Mr. Willis,

Thank you for your letter of 1 April with which you enclosed a copy of the Trade Union Advisory Committee's Statement prepared for the OECD Ministerial Council and presented to Mr. Nakasone in advance of the Tokyo Summit. I enclose a copy of the Tokyo Economic Declaration.

I share your concerns about the problems posed by continuing high unemployment, exchange rate uncertainties and protectionist pressures. We agreed at Tokyo that while sustained, non-inflationary growth continues to provide the only sound long term way of reducing unemployment it needs to be reinforced by policies designed to encourage job creation, especially in high technology industries and small businesses.

We further agreed that the Finance Ministers from Summit participants should work together closely to further strengthen international economic policy co-ordination with a view to promoting sustained non-inflationary growth, strengthening incentives for employment and productive investment, improving exchange rate stability and opening the international trading system.

Yours sincerely
Margaret Thatcher

N. Willis, Esq.

—

ECU

GRS 400

UNCLASSIFIED
FM UKREP BRUSSELS
TO PRIORITY FCO
TELNO 1600
OF 140602Z MAY 86

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FRAME ECONOMIC

EUROPEAN PARLIAMENT 13 MAY 1986: TOKYO ECONOMIC SUMMIT.

SUMMARY

1. DELORS REPORTED IN TERMS WHICH PLAYED DOWN THE SUCCESS OF THE SUMMIT, DWELT ON AREAS WHERE HE HAD FAVOURED MORE PROGRESS, AND CRITICISED THE FAILURE TO RECOGNISE COMMISSION INTEREST IN MONETARY QUESTIONS. ALL SUBSEQUENT SPEAKERS REGRETTED COMMISSION'S EXCLUSION AND CALLED FOR GREATER COMMUNITY COHESION AT FUTURE SUMMITS.

DETAIL

2. RESPONDING TO AN ORAL QUESTION, PRESIDENT DELORS RECOGNISED THAT THE SUMMIT HAD BEEN BETTER THAN EARLIER ONES, BUT SAID LITTLE ABOUT ITS SUCCESSES. HE WELCOMED THE AGREED APPROACH TO MULTILATERAL TRADE. ON CHERNOBYL, THE COMMISSION WOULD TAKE AN INITIATIVE IN THE CONTEXT OF THE TREATIES AND THE REMIT GIVEN BY THE 12 MAY FAC (MY TELEGRAM NO. 1573 REFERS). HE REGRETTED THE LACK OF PROGRESS ON DEVELOPMENT AND DEBT QUESTIONS. DESPITE HIS EFFORTS, THERE HAD BEEN NO REAL DISCUSSION. NOR HAD THE MEDIUM TERM IMPLICATIONS OF REDUCED OIL PRICES BEEN ADDRESSED. AN OPPORTUNITY HAD BEEN LOST TO PRESS FOR A RESULTING INCREASE IN WORLD TRADE WHICH WOULD EASE THE DEBT SITUATION. HE FACTUALLY NOTED DECISIONS ON MONETARY QUESTIONS, AND SINGLED OUT THE UK, U.S. AND JAPAN AS HAVING OPPOSED THE COMMISSION BEING REPRESENTED ON THE NEW GROUP OF 7. THERE WAS NO REASON TO PUT THE COMMISSION ON THE SIDELINES GIVEN THE EXISTING TREATY PROVISIONS. ON THE WHOLE HIS PRESENCE HAD BEEN TOLERATED AT THE SUMMIT. HE WONDERED ABOUT THE UTILITY OF HIS ATTENDING NEXT YEAR. AGAIN HE REGRETTED THAT THE COMMUNITY HAD NOT SPOKEN WITH ONE VOICE.

3. ALL SUBSEQUENT SPEAKERS EMPHASISED THE NEED FOR COMMUNITY COHESION, AND REGRETTED THE COMMISSION'S EXCLUSION FROM A FULL ROLE IN MONETARY QUESTIONS. SEVERAL MEPS CRITICISED THE RESPONSE TO DEBT PROBLEMS AS INADEQUATE.

HANNAY

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COPIES TO
ADDRESSEES

[So do we!]



Foreign and Commonwealth Office

London SW1A 2AH

14 May 1986

Dear Charles

14/5

GR's Please
Type

Tokyo Economic Summit

We received letters or messages to the Prime Minister about the Tokyo Summit from:

- (a) President Ershad of Bangladesh
- (b) the General Secretary of the TUC
- (c) President Sanguinetti of Uruguay
- (d) the Chairman of ICC UK.

Messages were also received from the UN Secretary-General and the Secretary-General of the Arab League.

The Prime Minister has already replied to the UN Secretary-General in advance of his visit to London this week. The message from the Secretary-General of the Arab League is being dealt with separately. I enclose a short summary of the main points made in the other letters to the Prime Minister, and draft replies to them.

I am copying this letter to Michael Stark (Cabinet Office).

Yours ever

(Signature)

(R N Culshaw)
Private Secretary

C D Powell Esq
10 Downing Street

DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1+

FROM:
Prime Minister

Reference

DEPARTMENT: TEL. NO:

SECURITY CLASSIFICATION

TO:

Your Reference

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

His Excellency Dr Julio Maria
Sanguinetti
President of the Oriental Republic
of Uruguay

Copies to:

> JAT ARG

PRIVACY MARKING

SUBJECT:

.....In Confidence

Thank you for you letter of 1 May in which you conveyed your thoughts and those of your colleagues in Latin America about the economic situation in your region.

CAVEAT.....

I share your concern about the continuing macroeconomic imbalances in certain industrialised countries. We therefore agreed in Tokyo that where appropriate, we must continue with our efforts to correct such imbalances if economic growth is to be sustained. But we have already made very real progress. Interest rates have fallen considerably in the last year, exchange rates now more closely reflect economic circumstances, and the decline in oil prices, while creating very real difficulties for a number of countries, should further help to sustain economic growth.

Enclosures—flag(s).....

Nevertheless, I recognise that ^afor number of countries in Latin America face severe problems and that adjustment policies continue to place a heavy burden on them. That it why we support the ¹US programme for sustained growth.

It is encouraging that, working within the principles of this programme, a number of Latin American countries have reached agreement with the World Bank on new lending programmes. We hope that more will be able to do so soon. We in the United Kingdom remain willing to seek new ways of providing financial flows to debtor countries. We have recently signed the convention establishing the MIGA which will help to promote direct investment. We are keen to encourage sound adjustment programmes by providing early resumption of export credit cover.

We hope that indebted countries will also continue to pursue the adjustment programmes necessary to attract new finance. I especially welcome your commitment to pursue measures to curb flight of capital from certain countries in the region. Repatriation of such capital and its investment domestically by the nationals of the countries concerned would be a major signal of confidence, the importance of which ^{should} cannot be underestimated.

In short, I agree with you that the problem of debt remains serious. But I am confident that if we all continue to approach it in a spirit of constructive cooperation in the appropriate international institutions we can and will overcome the difficulties in a mutually beneficial way.

CRJ.



Handwritten blue ink markings, possibly initials or a signature, located in the lower center of the page.

CM 145

MESSAGES TO THE PRIME MINISTER ABOUT THE TOKYO ECONOMIC SUMMIT

a) President Ershad of Bangladesh.

President Ershad expresses concern about the difficulties facing developing countries. He is concerned that the benefits of cheaper oil will be offset by a decline in aid from OPEC members and in remittances from expatriate Bangladeshi workers. He urges agreement on the replenishment of IDA VIII at the maximum possible level and while recognising that most of IDA funding will go to sub-Saharan Africa, asks that the needs of the poorest countries in Asia are also protected. He also urges the Prime Minister to give full support to the Fifth Replenishment of the Asian Development Fund.

c) General Secretary of the TUC.

Mr Willis' letter covers a statement drawn up by the Trade Union Advisory Committee to the OECD and prepared for the OECD Ministerial Council as well as the Summit. The Summit host customarily receives an international trade union delegation in advance of the summit. In most respects, the TUAC memorandum runs contrary to government policy and the main lines of agreement on economic issues at the summit. It calls for agreement on major elements of a cooperative strategy to reduce unemployment including the need for faster, more balanced growth, a credible framework for monetary policy, including an international monetary conference, an investment policy initiative, long term monetary policy, a major initiative to develop the quality of the labour force, a reduction of working time for those in employment, policies to stimulate growth and development in debtor countries and a "mutually advantageous multilateral trading system".

c) President Sanguinetti of Uruguay.

President Sanguinetti's letter is on behalf of the Cartagena Group of Latin American debtors and was sent to all summit participants. He reiterates Latin American concern about the debt problem and calls yet again for a political dialogue outside existing fora.

d) Chairman of ICC UK.

The ICC statement for the Tokyo Summit welcomes the Plaza agreement on exchange rates while stressing that "much remains to be done". The paper recommends specific policy initiatives for individual summit countries including measures by the US to reduce its budget deficit, measures by Canada and European countries to further advance deregulation and reduce structural rigidities and action by Japan to reduce its current account surplus and promote domestic demand. It also expresses concern at what it sees as a lack of concrete progress on debt strategy since the announcement of the Baker plan in October and calls for a new round of MTNs and work to remove trade barriers.

DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1+

FROM:

Reference

PRIME MINISTER

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

TO:

Your Reference

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

N WILLIS ESQ

SECRETARY GENERAL TRADE UNION

Copies to:

CONGRESS HOUSE

GREAT RUSSELL STREET

SUBJECT:

PRIVACY MARKING

.....In Confidence

LONDON WC1B 3LS

CAVEAT.....

JM (AK)

Thank you for your letter of 1 April with which you enclosed a copy of the Trade Union Advisory Committee's Statement prepared for the OECD Ministerial Council and presented to Mr Nakasone in advance of the Tokyo Summit. I enclose a copy of the Tokyo Economic Declaration.

I share your concerns about the problems posed by continuing high unemployment, exchange rate uncertainties and protectionist pressures. We ^{at Tokyo} therefore agreed that while sustained, non-inflationary growth continues to provide the only sound long term way of reducing unemployment it needs to be reinforced by policies designed to encourage job creation, especially in high technology industries and small businesses.

Enclosures—flag(s).....

We further agreed that the Finance Ministers from Summit participants should work together closely to further strengthen international economic policy coordination with a view to promoting sustained non-inflationary growth, strengthening incentives for employment and productive investment, improving exchange rate stability and opening the international trading system.

cm



10 DOWNING STREET

THE PRIME MINISTER

9 May, 1986.

Dear Secretary - General,

Thank you for your letter of 28 April about the Tokyo Economic Summit. I entirely share your concerns about the increase in international terrorism, and I hope that we can continue to cooperate in the United Nations in combatting the threat it poses.

As you will have seen from the Tokyo Economic Declaration, we all agreed to continue to work together to support the developing countries in their efforts to promote economic growth and prosperity. In this respect we recognise that the problem of debt continues to pose difficulties for a number of developing countries. Such concerns of course lay behind the US programme for sustained growth announced at the IMF meeting in Seoul last October. While much of the work involved in this strategy has to be pursued on a case by case basis, and negotiations inevitably take time, IBRD work on programmes for many of the debtor countries is well advanced and we are pleased with the progress made to date under this initiative. We also recognise that in certain cases additional financial resources will be required, which is one of the reasons why we reaffirmed our willingness to maintain, and where appropriate increase, official development assistance. You will also have seen from the declaration the importance all of us attach to an early and substantial

90

2

eighth replenishment of the IDA. We in the United Kingdom hope that all countries will maintain their contributions so that this can be agreed at \$12 billion.

We recognise that protectionism continues to be a problem for the developing countries and agreed on the importance of continuing with efforts to halt and reverse this. This will require the strengthening of the open trade system and improvements in the functioning of the GATT. We hope that major progress can be made towards an early launching of a new trade round at the GATT meeting in September.

I share your concerns about the problems caused for developing countries by the high level of agricultural subsidies in developed countries. The problem was raised by Britain at the OECD Ministerial meeting in April, as a result of which we discussed it in some detail in Tokyo. We all agreed to support further work by the OECD on this problem in the hope that the level of subsidies and protection of agriculture in industrialised countries can be substantially reduced.

I look forward to meeting you in London next week.

Yours sincerely

Raymond Decker

His Excellency Javier Perez de Cuellar



Foreign and Commonwealth Office

London SW1A 2AH

9 May 1986

Dear Charles,

Tokyo Economic Summit

We received a number of letters or messages to the Prime Minister about the Tokyo Economic Summit, among them one from the UN Secretary-General.

In line with previous practice, we had planned to submit them as soon as we had received the texts of all the letters. The Prime Minister may, however, wish to reply to Mr Perez de Cuellar before she meets him during his visit to London next week.

I therefore enclose a draft reply. If the Prime Minister approves it, we will arrange for it to be transmitted to New York for delivery prior to Mr Perez de Cuellar's departure for London on Sunday.*

I shall send you draft replies to the other messages to the Prime Minister shortly.

Yours ever,

R N Culshaw

(R N Culshaw)
Private Secretary

C D Powell Esq
10 Downing Street

* we have prepared a telegram, to be triggered from No. 10

RM

DRAFT: minute/letter/teleletter/despach/note

TYPE: Draft/Final 1+

FROM:
PRIME MINISTER

Reference

DEPARTMENT:

TEL. NO:

To [handwritten initials]

SECURITY CLASSIFICATION

TO:

Your Reference

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

HIS EXCELLENCY JAVIER PEREZ DE
CUELLAR
SECRETARY GENERAL OF THE UNITED
NATIONS

Copies to:

PRIVACY MARKING

SUBJECT:

CJ2AAC

.....In Confidence

CAVEAT.....

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Enclosures—flag(s).....

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We recognise that protectionism continues to be a problem ^{for} in the new developing countries and agreed on the importance of continuing with efforts to halt and reverse this. This will require the strengthening of the open trade system and improvements in the functioning of the GATT. We hope that major progress can be made towards an early launching of a new trade round at the GATT meeting in September.

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I look forward to meeting you in London next week.

Agreed mbi



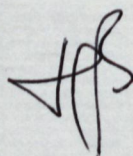
MR POWELL

9 May 1986

EXTRADITION AND TOKYO

The Home Office Extradition Department has received a number of requests for elucidation of what was agreed on extradition at Tokyo. They fear a request will come to the Prime Minister on this subject which they will not be able to answer.

I would be most grateful for sight of the relevant papers from Tokyo and any explanation you might be able to give as to what precisely was agreed. You are, of course, aware that Japan has no Extradition Treaty with the United Kingdom.



HARTLEY BOOTH

20
PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T86A/86

Subject cc Opo
master



Prime Minister ②

CDP
27/5

President of the Republic of Korea

(Translation)

mt
9 May 1986

Dear Prime Minister,

I wish to extend to Your Excellency my heartfelt congratulations on the successful conclusion of the Tokyo Summit Meeting.

I particularly welcome and appreciate the inclusion of a reference to the Korean question in the Chairman's summary of the Meeting, which reaffirms your support of Korean Government's continued efforts for the peaceful unification of Korea. And allow me to take this occasion to express my sincere gratitude for your valuable initiative and contributions in this regard.

The exposition of Korean question in the Chairman's summary with the presence of seven leaders provides a source of encouragement to me and the Korean people in our national pursuit of reducing tensions and peaceful unification through direct dialogue between the two parts of Korea, and through successful hosting of Seoul Olympiad in 1988.

Recalling with great pleasure our useful meeting in Seoul, I wish you the best of health and every success in your efforts.

/s/ Chun Doo Hwan

The Right Honourable
Margaret Thatcher
Prime Minister of the United Kingdom of
Great Britain and Northern Ireland





대한민국 대통령

1986년 5월 9일

각 하,

금번 동경에서 개최된 서방 7개국 정상회담의 성공을 진심으로 축하드립니다.

특히 본인은 금번 의장 요약문에 한반도문제가 포함된 것을 환영하며, 이는 한국정부의 한반도 평화통일 노력에 대한 각하의 확고한 지지를 재확인한 것으로서 각하의 배려에 심심한 사의를 표하는 바입니다.

서방 7개국 정상들의 참석하에 한반도문제가 의장 요약문에 포함된 것은 남북한간의 직접대화와 88 서울올림픽의 성공적 개최를 통해 한반도 긴장완화와 평화통일을 추구하고 있는 본인과 한국민에게 큰 격려가 되었습니다.

최근 서울에서 가진 각하와의 유익한 면담을 즐거운 마음으로 회상하면서, 각하의 건안과 성공을 기원합니다.

전 두 환

영 국

마가렛 대처 수상각하



中華民國五十年五月



Tokyo Economic Summit

3.44 pm

The Prime Minister (Mrs. Margaret Thatcher): With permission, Mr. Speaker, I shall make a statement on the economic summit held in Tokyo on 4-6 May at which I was accompanied by my right hon. and learned Friend the Secretary of State for Foreign and Commonwealth Affairs and my right hon. Friend the Chancellor of the Exchequer. Copies of the statements issued by the summit have been placed in the Library of the House.

The summit dealt with five principal issues: international terrorism, the Soviet nuclear accident, economic policy, protectionism and agriculture.

On international terrorism, we specified a number of measures which each of us resolved to apply in our own jurisdiction and agreed to encourage others to apply as widely as possible. The measures are: refusal to export arms to states which can be clearly shown to be involved in sponsoring or supporting terrorism; strict limits on the size of the diplomatic and consular missions of such states, controls on the travel of their members and radical reductions or closure of their missions where appropriate; denial of entry to all our countries for persons who have been expelled or excluded from any one of them for reasons connected with terrorism; improved extradition procedures in order to bring suspected terrorists to trial; stricter immigration and visa requirements in respect of nationals of states responsible for terrorism; and the closest possible bilateral and multilateral co-operation between police and security organisations in the fight against terrorism. We also agreed to consider together any further measures which may be needed.

Our statement will be a clear signal that the summit nations will not tolerate state-sponsored terrorism and it will bring home to those who practise such terrorism the heavy costs which they will incur. Terrorism must be resisted, not appeased.

We examined the implications of the accident at the Chernobyl nuclear power station. We expressed our sympathy for those affected and offered any assistance that might be requested. Our statement recorded our continuing confidence in a properly managed nuclear power industry, that is, one which sets the highest possible standards of safety in the design, manufacture, operation and maintenance of nuclear installations. Each country has a responsibility to adhere to those standards, both to its citizens and to the wider community. Each country also has a responsibility to provide promptly detailed and complete information on nuclear emergencies, especially those with consequences across national frontiers.

We therefore recommended that an international convention should be drawn up, as soon as possible, which would commit the parties to report and exchange information in the event of nuclear emergencies.

In our discussion of economic matters, we noted that the economies of the industrialised countries are now in their fourth year of expansion, that in all our countries the rate of inflation has been declining; that this decline, in conjunction with continuing prudent fiscal and monetary policies, has created the conditions for lower interest rates; and that there has been a significant shift in the pattern of exchange rates which better reflects fundamental economic conditions.

We agreed that the recent decline in oil prices would help to sustain non-inflationary growth and increase the volume of world trade.

We established new arrangements between the seven summit countries to make economic co-operation more effective.

We recognised that the world economy still faced a number of difficult challenges.

Although we have had some success in creating new jobs to meet additions to the labour market, unemployment remains excessively high in many of the summit countries. Other persistent problems are large budgetary deficits and trade imbalances, protectionist pressures and the continuing difficulties of many developing countries and severe debt problems for some.

But overall we agreed that developments since our last meeting in Bonn have demonstrated the effectiveness of our policies; and that continuation of them will enhance the prospects for, and confidence in, the future of the world economy.

In dealing with protectionism, we reiterated our support for the early launching of a new round of multilateral trade negotiations in the GATT and looked for decisive progress at the ministerial meeting already scheduled for September.

We also proposed that the new round should among other things address the issues of trade in services, foreign direct investment and intellectual property rights. I believe that this last point will be especially welcomed by the many British companies which have seen their copyrights and patents blatantly disregarded.

In our discussions on agriculture, so important to the well-being of our rural communities, we considered in particular the consequences of world-wide agricultural surpluses. These have arisen as a result of technological change and of long-standing policies of domestic subsidy and protection in all the summit countries. We recognised that the existence of these surpluses and efforts to dispose of them harm the economies of certain developing countries and aggravate the risk of wider protectionist pressures. We agreed that, as these concerns were common to all summit countries, they could be resolved only by effective co-operation between us; they cannot be solved by competitive subsidies and protection.

We discussed a considerable number of other issues including East-West relations and arms control, the middle east, South Africa and the need to maintain the momentum of international action against traffic in drugs, following up the initiative taken by the United Kingdom at the Bonn economic summit last year.

I should like to pay tribute to the skilful and effective chairmanship of the Japanese Prime Minister, Mr. Nakasone, which contributed greatly to the success of the meeting.

The hallmarks of this summit were unity and confidence: unity in our determination to see that those who practise state terrorism do not succeed; confidence that our economic policies are right and will bring greater prosperity to our peoples. The United Kingdom was able to play a prominent role in achieving these results and in ensuring a valuable, constructive and forward-looking summit.

Mr. Neil Kinnock (Islwyn): May I first endorse the general view expressed by the summit seven on the implications of the disaster at Chernobyl? May I also

Mr. Charles Kennedy (Ross, Cromarty and Skye): I endorse entirely the Minister's sensible view that the spreading of unnecessary public alarm should not be encouraged by this House. However, his response to the hon. Member for City of Durham (Mr. Hughes) did not go as far as it ought to go towards achieving that very reasonable objective, for the simple reason that it made it clear that there is a loophole that has not been filled. Are the Government unable to do anything else to reassure the British public that the loophole through East Germany is not one from which this country may suffer?

Mr. Eggar: There is no loophole. First, the German Democratic Republic falls without the 1,000 km area. Secondly, if such imports were routed through East Germany from other COMECON countries, there would be a duty on the West German authorities to make sure that the origins were checked.

Sir William Clark (Croydon, South): If there were direct exports from East Germany to this country, how should we be able to stop them? Why is it not possible for this country to act unilaterally, without waiting for our EEC partners, and impose a ban at once?

Mr. Eggar: We are talking about a ban that is to come into effect on Saturday. Very stringent checks are already being made on fresh foodstuffs, including foodstuffs that are not included on the Community's list. As to the possibility of direct exports of listed foodstuffs to this country from East Germany, we have the same obligation as the West German authorities to ensure that they meet the criteria.

Mr. Robert Jackson (Wantage): Does my hon. Friend agree that the West German Government would not have agreed to this procedure if they were not satisfied that they would be able to check the origin of the goods entering their country?

Mr. Eggar: I agree entirely with my hon. Friend. The European Community was convinced at its meeting earlier this week that it was practicable to introduce these measures.

Mr. Brynmor John (Pontypridd): In view of the acrimonious discussions at official level, is the Minister satisfied that the Government of every country will agree to this ban? Will he also reconsider the loophole that has been discovered relating to imports from East Germany? How will the Government of West Germany know whether food routed through East Germany is East German in origin? They will have only the word of another Government to go on. It is not fair to the Government of West Germany.

Mr. Eggar: I am unaware of the acrimonious discussions to which the hon. Gentleman has referred. [Interruption.] If the hon. Gentleman relies upon the *Financial Times*, he ought to have more impeccable sources. If the West German Government are convinced that they can introduce the necessary measures to ensure that the ban is followed through, we should have no reason to doubt them.

Parliamentary Papers (Delivery)

Mr. Nicholas Baker (Dorset, North): On a point of order, Mr. Speaker. Today is the latest in a succession of days when the Deliverer of the Vote has failed to deliver the Vote bundle to a number of right hon. and hon. Members. I wonder whether this is a matter which I ought to raise with you, Mr. Speaker. The Deliverer of the Vote has made the excuse that there is staff sickness. He seems to be unaware of the inadequacies of the postal service. I am wondering whether something could be done to ensure that the Vote bundle is delivered promptly.

Mr. Speaker: I shall look into the matter while the Prime Minister is making her statement. If the hon. Gentleman will raise the matter again at the end of her statement, I shall deal with it.

Later—

Mr. Baker: On a point of order, Mr. Speaker.

Mr. Speaker: Does the hon. Gentleman wish to make the point again, or may I deal with it straight away?

Mr. Baker: I wish to apologise to you, Mr. Speaker, for not having given you notice of it. I do not expect an answer now, but I ask you to look into the matter.

This is the last of a large number of days on which many of us have received our parliamentary papers late. I am collecting the notes which the Deliverer issues. He says that staff sickness is the cause of the late delivery. I wonder whether alternative arrangements could be made. I wish to place on record the fact that sadly the post, which is the alternative method of getting the papers to many of us which he uses is simply not up to it these days. It no longer delivers papers the day after posting. I should be grateful if arrangements could be made for prompt delivery of the papers.

Mr. Speaker: When the hon. Gentleman raised the matter earlier, I undertook to look into it, and I have done so. I understand that the standard of service provided by the Deliverer of the Vote in recent days has deteriorated somewhat.

I am informed that there has been sickness among the staff concerned which made it impossible to maintain the standard of service which is normally provided. It is expected that full service will be restored next week.

I regret the inconvenience that has been caused to the hon. Gentleman and to other hon. Members. I shall look again at what the hon. Gentleman has said about the bad service continuing over a longer period.

express the hope that each country will rigorously adhere to the statements on high standards of safety, candid information and an effective response to emergencies, both domestically and internationally? Even though I appreciate the impediments, may I particularly support the efforts to secure an international convention committing countries that produce nuclear energy to report and exchange information?

On economic matters, the summit statement surpasses all previous statements in its self-satisfied complacency. In so far as some significant action was proposed, why did not the Prime Minister support the attempts of the United States Treasury Secretary, James Baker, to secure some real co-ordination in the international trade and financial system? Is an annual meeting between seven Finance Ministers simply to "review" performance, as the statement puts it, not a pathetically inadequate response to the need for international co-operation and co-ordination to combat unemployment and under-development?

I am sure that the whole House will recognise the general worthiness of the summit statement on terrorism. However, does not the view of the Japanese Government, that the implementation of the statement on terrorism "is a matter left for each country's judgment" and

"there is virtually no measure which Japan should take in a concrete way" somewhat reduce the validity of that declaration on terrorism?

What is the Prime Minister's response to the post summit statements of both President Reagan and Vice President Bush concerning Syria? Does she agree with Signor Craxi that military action is "precluded" by the Tokyo agreement? Can the right hon. Lady clear up the confusion that obviously exists on this vital question among the Japanese, the Italians and the Americans, since they obviously hold different views about what "mission accomplished" actually means?

Frankly, if the permissive and vague statement on terrorism was supposed to be the great achievement of last weekend in Tokyo, this summit reached new levels of stagnation, selfishness and superficiality.

The Prime Minister: Whatever the right hon. Gentleman says, he cannot detract from the great success of the summit, which was recognised by those there and almost universally. I found his statement excessively banal.

I am grateful to the right hon. Gentleman for what he said about the Chernobyl nuclear accident. I think that he endorsed what the summit said about it.

With regard to international co-operation on monetary matters and the world economy, we worked very closely with Secretary Baker, and my right hon. Friend the Chancellor of the Exchequer and we have worked closely together throughout the year. There have been excellent results from that co-operation and from the summit.

There is a very clear declaration on terrorism, to which all summit countries are committed. We shall obviously be monitoring its application.

With regard to any other countries which may or may not seem to exercise state-sponsored terrorism, we shall have to consider this when and if we have evidence which clearly means that they are involved in state-sponsored terrorism. There would have to be consultation among the summit seven to apply sanctions to any other country.

Sir Frederic Bennett (Torbay): In respect of the terrorist document, the Prime Minister has been among the first to realise that an essential element in the long-term treatment of the matter will be to obtain an agreement on the ground of extradition and somehow to co-ordinate extradition laws so that people cannot escape responsibility for terrorism by opposing extradition on political grounds. Although the Prime Minister obviously could not obtain immediate results, did she find a generally sympathetic attitude towards the idea that this will be an essential feature in the conquest of terrorism?

The Prime Minister: Yes, Mr. Speaker. Improved extradition procedures were one factor which was highlighted by the summit countries. My right hon. Friend is aware that we are looking to improve our extradition procedures because they are not sufficient to enable us to ratify some European conventions. We have published our intentions in a White Paper and measures will come forward in the Criminal Justice Bill next Session.

Mr. Roy Jenkins (Glasgow, Hillhead): What has made the Prime Minister so much more enthusiastic about summits than she was seven years ago, especially since the 1979 Tokyo communiqué was rather more precise on this subject than is the present communiqué? What is her position on exchange rates? Does she agree with Mr. James Baker that this is the most important development since the end of Bretton Woods, or was she correctly reported as expressing complete scepticism about the ability to achieve any stability in exchange rates?

The Prime Minister: As the right hon. Gentleman will be aware, I prefer summits which meet only once a year to those that meet three times a year. In Europe, we no longer meet three times a year, as we did when he was President of the EEC. It has been reduced to twice a year, which most people would agree is a great improvement and is about the right number.

The right hon. Gentleman will recall the previous Tokyo summit in 1979, which dealt with oil imports. It was not the world's most successful summit either in its conclusions or in its unity.

The right hon. Gentleman would be the first to know that there can be no such thing as a universal fixed exchange rate for all countries unless all of them run their economies in the same way. Even then, the exchange rate could be badly upset by sudden events such as increases or reductions in oil prices. He would be the first to know why the Bretton Woods system broke down and the first to be aware that, for the time being, the G5 countries have what could be called a managed float. It can be managed only because the yen and the dollar got wholly out of line with the underlying factors in their economies. Therefore, the measures taken are meant to bring them more into line with the underlying economic strength of both countries.

Sir Antony Buck (Colchester, North): Is my right hon. Friend aware that all responsible Members on both sides of the House will welcome what she has said about the international agreement to combat the scourge of international terrorism? Can she say a few more words about what is proposed for the future? Will she be a little more specific about the further measures to be considered?

The Prime Minister: A number of proposals were made for further measures varying from completely excluding—as we have done—Libyan people's bureaux

[The Prime Minister]

from countries, instead of reducing them, to taking sterner measures to reduce the amount of oil which we take from Libya. Those matters will be further considered among us and, if necessary, further recommendations will be made.

Mr. Willie W. Hamilton (Fife, Central): As for protectionism, does the Prime Minister remember that, some months ago, she and other Ministers promised the country thousands of jobs and contracts arising from the star wars project? She must have known then that America operates enormous protectionism which would prevent our getting more than a minimal number of jobs. Was that matter raised at Tokyo and if so, with what results?

The Prime Minister: Our scientists and companies will compete for SDI contracts in the usual way. The hon. Gentleman will be aware that we have some specialists in certain aspects of SDI work who stand a very good chance of getting more contracts.

Mr. David Crouch (Canterbury): May I remind my right hon. Friend of the world-wide condemnation of the Soviet Union for not notifying the world immediately of the disaster at Chernobyl? I welcome her statement from the summit that assistance will be offered to the Soviet Union in the wake of the disaster. Is that assistance without conditions?

The Prime Minister: We recommend that, through the International Atomic Energy Agency, we should set up a more effective code for notification in such circumstances, which we obviously hope will not occur again. Nevertheless, it would be better to have a proper convention. We shall respond to any request for assistance. We have responded in so far as we have been asked, and, as far as I am aware, no conditions are attached to our offer. We intend and want to be as helpful as possible in these circumstances.

Mr. Tony Benn (Chesterfield): Did the Prime Minister raise with President Mitterand the French terrorist attack in New Zealand when two Greenpeace crew members were killed by French agents, especially as the purpose of the Greenpeace mission was to draw the world's attention to the effects in the Pacific of French nuclear tests?

Has the right hon. Lady considered making available to the Soviet Union the food surpluses in the Common Market as their food supplies have been badly affected by the tragedy at Chernobyl?

The Prime Minister: I did not discuss the Greenpeace matter in New Zealand with the French President. The right hon. Gentleman will be aware that France has apologised for the incident and is anxious to do as much as it can to clear up any outstanding issues with New Zealand.

As for food surpluses, the right hon. Gentleman will be aware that they regularly find their way to the Soviet Union. Indeed, I am often questioned in the House about the cheap rates at which they go to the Soviet Union.

Mr. Roger Sims (Chislehurst): Is my right hon. Friend aware that her robust approach to the Japanese regarding discriminatory tariffs on Scotch whisky was much admired? How optimistic is she that her efforts have borne fruit? Did she have the opportunity to raise with President Reagan the threat of increased tariffs on Scotch whisky in

the United States, bearing in mind the fact that Scotch whisky is one of our most successful and important exports?

The Prime Minister: My hon. Friend knows that I tackled Prime Minister Nakasone about the enormously high tax that the Japanese put on Scotch whisky, which I regard as thoroughly discriminating and something of a test of whether the Japanese are really prepared to accept more imports to go a little way to redress their colossal external balance of trade. I made the same point to the President of the United States, because the matter has been raised in connection with the enlargement of the European Community. I said that I thought that it would be utterly wrong if any unilateral retaliation were taken. There must be discussion in GATT, if anywhere, and I hope that no action whatever will be taken against Scotch whisky.

Mr. Reg Freeson (Brent, East): Will the Prime Minister be a little more specific about the impact of the statement on co-operation against international terrorism? Is there to be increased funding for Interpol, which is short of resources? Are there to be any moves towards economic sanctions, following the example of the United States requesting the withdrawal of oil investments in Libya?

Is there to be any cut in arms trading to north Africa, Africa generally and the middle east? Was any consideration given to Mr. Peres' recent proposal for regional development plans for the middle east, which would do more than anything else to reduce instability and the threats of war and violence there?

The Prime Minister: With regard to Interpol, I am not aware of any shortage of resources as we intend to maximise co-operation. If there is a shortage, we must consider that. The right hon. Gentleman is aware that we do our level best to ensure that the police in Britain have the resources that they need. That would include co-operation between our police forces and others.

There is no embargo on oil in this communiqué, but the matter was discussed and could be considered further. As I said in my initial reply, we agreed on a refusal to export arms to states which sponsor or support terrorism. No doubt the Peres economic programmes would be of great help to some countries in the middle east, but they are no substitute for a political initiative.

Sir Peter Tapsell (East Lindsey): When my right hon. Friend discussed British and other exports to Japan with the Japanese Prime Minister, did she say that, in addition to the unreasonably high import duties that they impose, despite their vast trading surplus, their retail system and specially elaborate method of mark-ups on imported goods which could possibly compete with Japanese-produced goods are deliberately designed to make it impossible for us to have a fair trading relationship with a country that we all very much admire?

The Prime Minister: I agree with my hon. Friend. Their retail system is grossly inefficient. However good might be the product that we are able to export to Japan, it cannot go into anything like as effective a retail distribution system as we have. We have raised this matter many times. Their distribution system is inefficient and grossly overmanned. I am afraid that it is a cultural problem and will take quite a long time to redress.

Mr. Clive Soley (Hammersmith): Earlier the Prime Minister justified the use of terrorism against Nicaragua on

the ground that the regime has become even more authoritarian. Does she not realise that she has opened the door to any group of people who, on losing an election, choose to move outside the borders of their country and seek the finance, training and weapons of a neighbouring power to carry on their campaign against their country, using the methods of terror? Does she not realise that she is making the matter worse?

The Prime Minister: At no time did I justify the use of terrorism. I said that we support the Contadora process, which is a peaceful process. I noted in passing that the regime in Nicaragua is becoming more oppressive. Both of those are facts and do not warrant the premise on which the hon. Gentleman's question was based.

Mr. Dennis Walters (Westbury): Is my right hon. Friend satisfied that sufficient progress was made in agreeing what steps are necessary to deal with the problems underlying terrorism, such as a serious new peace initiative in the middle east?

The Prime Minister: Foreign Ministers discussed the middle east. I agree with my hon. Friend. We are anxious that there is no new political initiative. We want there to be one. Several have collapsed and it is extremely difficult to find one that will be successful. We shall continue the search. My hon. Friend knows that I shall visit Israel later this summer—if we can call it summer—and we will do what we can to consider the matter before then.

Mr. D. N. Campbell-Savours (Workington): Can Mr. Reagan take unilateral action against Syria now, in the light of discussions with the Prime Minister?

As for kidnap insurance and the Government's apparent desire to clamp down on these matters, did the Prime Minister raise the issue with other Heads of State? What was resolved, or does she intend to turn a blind eye?

The Prime Minister: The communiqué mentions Libya, but it does not mention any other state. If it applied to any other state we should have to have evidence that the terrorism was state sponsored, similar to that in regard to Libya.

The hon. Gentleman knows that my right hon. Friend the Home Secretary is considering the question of kidnap insurance. Several insurance companies in Britain and other countries supply kidnap insurance. We have to consider the matter on a rather more unilateral basis.

Mr. Alan Howarth (Stratford-on-Avon): I welcome the economic declaration which discusses the international debt problem and my right hon. Friend's mention of that problem in her statement. Was consideration given at Tokyo to any specific initiative in relation to the deteriorating debt-export ratio of some developing countries, which are particularly dependent on the export of oil or other commodities?

The Prime Minister: No, we did not go beyond the previous ways of dealing with international debt, which are on a case-by-case basis. We are aware that, whereas for some countries a falling oil price has been very helpful in enabling them to meet their debt obligations, there are countries where it has been very damaging and those countries may need more help to meet their debts. My hon. Friend will be aware of the Baker initiative in Seoul.

Mr. Michael Foot (Blaenau Gwent): Why is the right hon. Lady so sensitive about the accusation that she turns

a blind eye to terrorist methods when they are used against the Government of Nicaragua? Did she insist on discussing that matter with President Reagan, who is, in fact, engaged in supporting terrorist action against the Government of Nicaragua? Strong support is given in the communiqué on terrorism, which she praises so highly, to the demand that action should be taken, especially through the United Nations. Does that mean that she and President Reagan have now repented for the raid on Tripoli which was made in defiance of, and certainly not in concert with, the United Nations?

The Prime Minister: With regard to Nicaragua, I made it perfectly clear that Foreign Ministers and we support the Contadora process. With regard to terrorism and the action of the United Nations, the right hon. Gentleman will be aware of the resolutions of the United Nations General Assembly and the statement from the Security Council which all condemn terrorism most vigorously. The right hon. Gentleman will also be aware that the United Nations is not a body which can take or has taken any effective action in that regard.

Mr. Tom Sackville (Bolton, West): Is my right hon. Friend aware that many of us welcome the inclusion of the problem of drug abuse on the summit agenda again this year? Is she aware that since the previous summit conditions are still very bad and the younger generation of this country are probably as much at risk, if not more than last year, and that there is still a great deal to be done?

The Prime Minister: As a result of the action at the previous summit, we have received a report on drugs during the year. My hon. Friend is aware that we are taking action in our own countries. He will know what is being done here, and I am sure that he will applaud it and the work of the Home Office. We are also taking international action to see whether we can obtain intelligence of cargoes that would be coming to this country. We have a number of Customs officers in other locations in the world where drugs are produced, and that is proving very effective. My hon. Friend will also know that many drugs have been seized at London airport. I do not say that complacently because we must continue with our plans and activities most vigorously because this is a terrible trade.

Mr. John Hume (Foyle): Did the Prime Minister find any support at the summit for the view that the risk of a single accident in a century at a nuclear power station, with all its alarming consequences—a risk which is obviously very high—removes all justification for the use of nuclear power?

The Prime Minister: No. I do not think that the hon. Gentleman or any other hon. Member can do other than accept the fact that in this country civil nuclear power has an excellent record. There has been no fatal accident. It is a vigorous industry and, provided that we keep up our careful monitoring of design, manufacture, operational work and maintenance and our excellent nuclear inspectorate, we can continue to have confidence in that industry, which was born in this country.

Mr. Nicholas Baker (Dorset, North): Is my right hon. Friend aware of the general welcome for the statement about co-operation in relation to international terrorism? Does she agree that had she not taken the action to support the Americans in their moves against Libya the present

[Mr. Nicholas Baker]

international agreement about international terrorism, limited but welcome though it is, is unlikely to have been made?

The Prime Minister: Had we left things as they were with the proposed statement at the beginning, it would have been grossly inadequate and it would have been seen to have been grossly inadequate. We felt that it was important that we should take more peaceful ways to try to combat terrorism and that we should enumerate those, not just have a general statement, and that we should be seen to be prepared to take further measures. It was as a result of the action of this country that we got that statement in the end from a totally united set of summit countries.

Mr. James Wallace (Orkney and Shetland): Does not the Prime Minister think that many in the House will find it surprising that there was no indication in her statement that the problems of world hunger and development had been discussed, let alone any positive action proposed to alleviate the hunger of one starving child? Does she not think that, whatever other important matters should appear on the agenda at such meetings, the fundamental problems of world hunger and development should appear automatically when the leaders of the world's richest nations meet?

The Prime Minister: Yes. If the hon. Gentleman looks through the economic communiqué he will find the matter referred to. He will find Africa singled out for special attention, as he would expect, and he will also find that we discussed the replenishment of the IDA funds which are at present under consideration. The hon. Gentleman will not find a particular sum mentioned except that we agree that there must be a substantial replenishment. He will know that this country is prepared to play its full part in that and I believe that other summit countries will do the same.

Several Hon. Members *rose*—

Mr. Speaker: Order. I shall allow a further five minutes for questions, then we must move on.

Mr. Jonathan Aitken (Thanet, South): I congratulate my right hon. Friend on her achievements at the summit. However, was she not somewhat dismayed by how difficult it proved to be to persuade the French President to agree to the robust wording of the communiqué on terrorism? Did she notice the admiring published comment of the United States Secretary of State in that context? He said:

"Margaret really wrestled Old Francois to the mat on this one."

Will that sort of wrestling have to continue in order to keep the EEC sound on terrorism?

The Prime Minister: I deny that absolutely. It was realised that we took a robust line on terrorism and on enumerating and detailing more peaceful measures, and that was right. Gradually other summit countries came along and we added further things to the communiqué. In the end, we had considerable co-operation from all summit countries and the entire communiqué was agreed.

Mr. Frank Cook (Stockton, North): Will the Prime Minister tell the House whether, as a result of her economic discussions, she is to be allowed to lift the

pressure of economic terrorism perpetrated against New Zealand because of its refusal to have nuclear weapons within its waters?

The Prime Minister: We have difficulty with our naval ships entering New Zealand ports because of conditions it has laid down. The Prime Minister of New Zealand is very much aware of that. I have also told the Prime Minister of New Zealand that we shall continue to fight in this country for a fair deal for New Zealand in the Community because we know very well that many of its products, especially lamb and butter, are vital to the future of its economy.

Mr. Nigel Forman (Carshalton and Wallington): Since point 9 of the official communiqué committed the summit leaders to maintain and, where appropriate, expand official financial flows to the developing countries, what consequences for United Kingdom policy does my right hon. Friend see flowing from that commitment?

The Prime Minister: When my hon. Friend asked that question it so happened that I had the economic communiqué open at that page. It says that private financial flows will continue to play a major part in providing for their development needs. That is correct, and my hon. Friend is aware that we have constantly emphasised that such financial flows are very valuable to the developing countries. We also insist that in the GATT trade round we must consider the rules for direct foreign investment in other countries as that can be very helpful to those countries. We also hope that the private financial flows from this country, which fell a little last year, will increase once again.

Mr. Dennis Skinner (Bolsover): Is the Prime Minister aware that, by and large, the British people will see through the hypocrisy of the so-called statement against terrorism, robust though she declares it to be, in the absence of any action to be taken by the Government against the British banks trading with Libya? Did she, for instance, put forward a simple proposition that, in order to combat terrorism, she would be calling upon all the Tory Members who hold directorships with companies trading with Libya to give up those directorships? Did she say, for instance, that she sent a letter to the chairman of the Tory party telling him that, if money for Tory party funds was received from companies that are trading with Libya, it should be sent back? Unless she does things such as that, the British people will see through the hypocrisy and understand that this Prime Minister is more concerned with making profit and less concerned with the lives of innocent men, women and children in Libya or elsewhere.

The Prime Minister: Perhaps the hon. Gentleman will recall the actions of the NUM in trying to get help from Libya.

Mr. Ivor Stanbrook (Orpington): In view of the specific nature of some of the decisions made, is not a weakness of the summit system the fact that there is no continuing organisation to implement decisions? After all, is it good enough that there should be meetings at intervals but nothing in between to ensure that the decisions are carried out, co-ordinated and monitored?

The Prime Minister: I am aware of the point that my hon. Friend raises. We attempted to do something about it in relation to the economic side of summit life. He will see from the communiqué that in certain circumstances the

five nations that call themselves G5 are to meet at all seven summit countries — which call themselves G7 — on economic and exchange matters. I believe that that is a great improvement that will help. We are also aware that it would be advisable if from time to time in the interim the Foreign Ministers met, because this is one of the few organisations that girdles the world in its membership.

Business of the House

4.21 pm

The Lord Privy Seal and Leader of the House of Commons (Mr. John Biffen): I should like, Mr. Speaker, to make a statement about the business for next week:

MONDAY 12 MAY — Until seven o'clock private Members' motions.

Motion for the Spring Adjournment.

TUESDAY 13 MAY — There will be a debate on civil nuclear matters. The debate will arise on a motion which will invite the House to approve the Government's first stage response to the first report of the Select Committee on the Environment 1985-86 on Radioactive Waste (HoC Paper No. 191).

Motion on the Hong Kong (British Nationality) Order.

WEDNESDAY 14 MAY — Progress on remaining stages of the Wages Bill.

There will be a debate on EC documents relating to Equal treatment for men and women. Details of the documents concerned will be given in the *Official Report*.

THURSDAY 15 MAY — Conclusion of remaining stages of the Wages Bill.

FRIDAY 16 MAY — Private Members' motions.

MONDAY 19 MAY — Progress on remaining stages of the Social Security Bill (1st Allotted Day).

The House will wish to know Mr. Speaker that it will be proposed that the House should rise for the Spring Adjournment on Friday 23 May until Tuesday 3 June.

[Debate on Wednesday 14 May

Relevant European Documents

- | | |
|---------------|---|
| (a) 6871/83 | <i>Social security schemes: equal treatment for men and women</i> |
| (b) 5825/1/84 | <i>Equal treatment for men and women in self-employed occupations</i> |
| (c) 4118/86 | <i>Equal opportunities for women</i> |

Relevant Reports of European Legislation Committee

- | |
|-----------------------------------|
| (a) HC 78-xi (1983-84) para 1 |
| (b) HC 78-xxxii (1983-84), para 1 |
| (c) HC 21-xii (1985-86), para 2] |

Mr. Neil Kinnock (Islwyn): I am grateful to the right hon. Gentleman for that statement. I also thank him for responding to my request last week for an early debate on civil nuclear matters. In view of the recently increased possibility of a decision by the United States Administration that would allow the deployment of United States' binary chemical weapons in Britain, will the Leader of the House allocate Government time soon so that the House can debate the matter fully before any final decision is taken?

In view of the fact that the major anxieties facing the arts following the abolition of the GLC and the metropolitan counties have still not been resolved, will the right hon. Gentleman ensure that a full day's debate on the arts is provided as soon as possible?

Last week, the right hon. Gentleman recognised the need for a wideranging debate on foreign affairs. That need increases—indeed, intensifies—when we hear, as we did this afternoon, that the Prime Minister apparently believes that the Contra terrorists, with President Reagan's support, are killing innocent adults and children in central America in order to save Nicaragua for democracy. If it is not possible before the Withsun recess to have a debate

[Mr. Neil Kinnock]

on foreign affairs, can the Leader of the House give a guarantee that such a debate will be held as soon as possible after the House resumes on 3 June? Will he also ensure that it will be a two-day debate, as a large number of issues need to be attended to?

I have no doubt that the right hon. Gentleman will join me in expressing sorrow at the death of Manny Shinwell. It can truly be said that Manny used the House of Commons in the most robust fashion and that he enhanced its standing as the democratic forum of the nation. I am sure that the whole House will join me in paying tribute to Manny and to his remarkable parliamentary career in both Houses of Parliament—[HON. MEMBERS: "Hear, hear."]

Mr. Biffen: I thank the right hon. Gentleman particularly for his remarks about Emmanuel Shinwell. I counted it a very great privilege to have been in this House for a period during which I shared common membership with him. He was one of those compelling characters who combined a good appetite for both dissent and loyalty. That made him a person of great distinction within the Labour movement, and I am happy to pay my respects across the Floor of the House. In so doing, I believe that I communicate the respects of all quarters.

I thank the right hon. Gentleman for his comments about the nuclear debate that we have arranged. I note what he said about prospective developments in American defence policy in relation to chemical weapons, and I shall bear that in mind. Obviously, we can consider this through the usual channels, but perhaps it might also be related to the debate that we shall have in due course on the defence White Paper, once we have had the opportunity of considering the observations of the Select Committee.

Again through the usual channels, perhaps we can consider the arts as a topic for a debate, but in the meantime I remind the right hon. Gentleman that there will be arts questions on Monday.

I accept, as I do every week, the great and compelling need for a debate on foreign affairs. I realise that the right hon. Gentleman is raising the ante somewhat by suggesting a two-day debate. Let us look at the matter through the usual channels to see where it can be arranged at a time that is to the general convenience of the House.

Mr. Harry Greenway (Ealing, North): What will be the motion for the debate on civil nuclear matters? Will it enable hon. Members to raise the need for an international standard of safety in civil nuclear installations, bearing in mind the very serious disparity between safety standards in this country and at Chernobyl? Is not it absurd that we can have such high safety standards in this country and that the population can still be threatened by the sort of tragedy that has happened at Chernobyl?

Mr. Biffen: I very much hope that the motion can be tabled shortly, and the intention is that it should be drawn most widely indeed in view of recent circumstances. It would not be appropriate for me to anticipate what would or would not be in order, but I do not think that my hon. Friend will be disappointed when he sees the terms of the motion.

Mr. J. Enoch Powell (South Down): On Tuesday, will arrangements be made to ensure that there is adequate time to debate the Hong Kong order?

Mr. Biffen: At present, the motion would mean a one-and-a-half hour debate, but if there is concern to have the matter reconsidered through the usual channels, we would be prepared to accept that.

Mr. Humphrey Malins (Croydon, North-West): With regard to the report of the Privileges Committee on the complaint by the Select Committee on the Environment, can my right hon. Friend indicate when this matter might be debated in the House?

Mr. Biffen: I underline what my right hon. Friend the Prime Minister has said—that in every sense this is a straightforward House of Commons occasion. None the less, I think that the House would like to have this matter resolved fairly speedily, and I hope that a debate can be arranged before we go into the Whitsun recess.

Mr. John Ryman (Blyth Valley): Will the Leader of the House consider regional policy for the north-east, bearing in mind the Government's appalling record of neglect in that region and the need to protect workers in factories where the management obtain some regional aid and then disappear, leaving many workers unpaid and without apparent legal remedies through the absence of a receivership?

Is he aware, for example, that a firm called Para-pace Ltd., of Cramlington in my constituency, has had 40 workers left high and dry by a management which has done a moonlight flit, and there is no remedy that the Department of Trade and Industry can offer to these workers because there has been no receivership? They are all owed money and can do nothing about it. Will the right hon. Gentleman seriously look at the question of regional aid in the north-east?

Mr. Biffen: I am sure that the hon. Gentleman will appreciate that there is a debate on one aspect of regional policy next week, although I do not think that it will help the particular point that he has in mind. What I would like to suggest, therefore, is that he use his chance in the motion that we will be debating on Monday for the Spring Adjournment.

Mr. Roger Gale (Thanet, North): My right hon. Friend will have heard the discussions on tourism during Prime Minister's Questions and will be aware of the importance that the Prime Minister attaches to the job creation prospects for that industry. He will also be aware of the very grave concern recently expressed over the loss of tourists this year, due largely to misapprehensions. My right hon. Friend will be aware that the tourism industry has been the subject of only one debate in the entire life of this Parliament.

In view of recent developments, will my right hon. Friend seek time for a Government debate on this subject as soon as possible?

Mr. Biffen: My hon. Friend makes a very precise point, but I am, by the nature of my task, an unyielding creature. I have, therefore, to say to him that, in the circumstances, he too might like to come along on Monday night when we have the recess Adjournment.

Mr. Tony Benn (Chesterfield): When the House comes to debate the report of the Privileges Committee,

Takeo FUKUDA



file

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10 DOWNING STREET

From the Private Secretary

7 May 1986

I enclose a copy of a letter to the Prime Minister from Herr Helmut Schmidt and Mr. Takeo Fukuda on behalf of the Interaction Council enclosing the Council's Final Statement and asking that the points mentioned in it should be considered at the Economic Summit.

The letter asks for comments and I should be grateful for a draft reply.

C D POWELL

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

ASC



10 DOWNING STREET

THE PRIME MINISTER

AC Germany
in
CDD

I enclose y copy of

Thank you for your letter of
16 April with which you kindly enclosed
the Final Statement of the Inter Action
Council, adopted at its fourth session
in Tokyo.

a letter to the Prime Minister
from Helmut Schmidt &
Mr. Tabea Finkbe on behalf of
the Inter-Action Council, enclosing the
Council's Final Statement & asking
with two points mentioned - it should
Herr Helmut Schmidt.
be considered at the same time
I should be grateful for a short reply.

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FM TOKYO

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TOKYO SUMMIT: IMMEDIATE REACTIONS IN JAPAN

SUMMARY

1. THE JAPANESE WERE PLEASED THAT ARRANGEMENTS WENT SMOOTHLY, THAT JAPAN WAS SEEN TO PLAY AN IMPORTANT ROLE IN ACHIEVING INTERNATIONAL AGREEMENT ON THE MAJOR ISSUES, AND THAT THERE WAS NO DIRECT CRITICISM OF JAPAN'S TRADING PRACTICES OR SURPLUSES. BUT THERE IS DOMESTIC CRITICISM OF MR NAKASONE FOR FAILING TO CONVINCED JAPAN'S PARTNERS OF THE NEED TO HALT THE RISE OF THE YEN - AND A DEMAND FOR FURTHER MEASURES TO MITIGATE THE EFFECTS OF THIS. FEARS ARE EXPRESSED THAT THE NAMING OF LIBYA IN THE STATEMENT ON TERRORISM MAY DAMAGE JAPAN'S MIDDLE EAST POLICY. THE RESULT SHOWED THE IMPORTANCE OF JAPAN'S RELATIONS WITH HER SUMMIT PARTNERS AND OF WESTERN SOLIDARITY. MR NAKASONE AS CHAIRMAN DESERVES CREDIT FOR THIS.

DETAIL

2. JAPAN'S AIMS GOING INTO THE SUMMIT WERE

A. THE SUCCESS OF THE PHYSICAL ARRANGEMENTS:

B. CONFIRMATION OF ECONOMIC POLICIES FOR NON-INFLATIONARY GROWTH AND THE AVOIDANCE OF PROTECTIONISM AND

C. (LATTERLY) THE AGREEMENT OF THE SEVEN TO INTERVENE TO PREVENT FURTHER STEEP RISE OF THE YEN.

ON ALL BUT THE LATTER THEY SUCCEEDED.

3. THERE IS RELIEF IN TOKYO THAT THE ARRANGEMENTS FOR THE SUMMIT WENT SMOOTHLY DESPITE SOME MINOR INTRUSION FROM THE RADICALS AND SLIGHTLY INFLEXIBLE SECURITY ARRANGEMENTS. THE CONFERENCE ARRANGEMENTS THEMSELVES, WITH ALL BUT THE CLOSEST ADVISERS EXCLUDED FROM THE CONFERENCE AREA, SEEMED TO WORK WELL.

4. AT HIS PRESS CONFERENCE AFTER THE SUMMIT MR NAKASONE SHARED THE SATISFACTION OF HIS COLLEAGUES THAT THE SUMMIT HAD DONE SOME 'REAL WORK' AND MADE SOME SUBSTANTIVE ACHIEVEMENTS. ON MACROECONOMIC ISSUES THE JAPANESE ARE PARTICULARLY HAPPY THAT THE DEBATE ON TRADE FOCUSED ON THE REDUCTION OF PROTECTIONISM AND DID NOT EVOLVE INTO DIRECT CRITICISM OF JAPAN'S TRADE PRACTICES AND SURPLU-

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SES. NONETHELESS, THE GENERAL STATEMENTS ABOUT IMBALANCES, AND THE NEED FOR STRUCTURAL REFORM, AND THE IMPLICIT MESSAGE IN THE DEBATE ABOUT THE EXCHANGE RATES WILL HAVE LEFT THE JAPANESE SUFFICIENTLY IMPRESSED BY THE EXPECTATIONS OF HER PARTNERS IN THIS REGARD. THE SETTLEMENT OF THE G5/G7 PROBLEM HAS BEEN LARGELY IGNORED IN LOCAL COMMENT, WITH INTEREST FOCUSING ON HOW THE ARRANGEMENTS FOR MONITORING OF ECONOMIC PERFORMANCE AMONG THE SEVEN SUMMIT COUNTRIES WILL BE TRANSLATED INTO PRACTICE, AND THE IMPLICATIONS OF THIS FOR JAPAN'S ECONOMIC MANAGEMENT AND THE MANAGEMENT OF EXCHANGE RATES. THE JAPANESE FEEL THAT THE LANGUAGE OF SUPPORT FOR THE LDCS WILL GAIN IN JAPAN SOME CREDIT FROM THE ASIAN CONSTITUENCY. THEY ARE SIMILARLY PLEASED WITH THE LANGUAGE ACHIEVED ON THE LAUNCHING OF THE NEW GATT ROUND.

5. MR NAKASONE WAS QUESTIONED CLOSELY BY THE PRESS ON JAPAN'S AGREEMENT TO A STATEMENT NAMING LIBYA IN THE CONTEXT OF MEASURES TO PREVENT STATE-SPONSORED TERRORISM. HE MADE IT CLEAR THAT JAPAN HAD HAD TO FALL IN WITH A CLEAR MAJORITY IN FAVOUR OF THE STATEMENT. HE STRESSED THAT THE MEASURES WERE ENTIRELY DEFENSIVE AND TO BE TAKEN BY EACH COUNTRY ON ITS OWN RESPONSIBILITY. HE MAINTAINED STRONGLY THAT THE STATEMENT WAS IN NO WAY AIMED AT THE ARAB WORLD IN GENERAL, AND THAT JAPAN'S TRADITIONAL INDEPENDENT POLICY TOWARDS THE MIDDLE EAST WOULD CONTINUE.

7. A SECOND, AND POTENTIALLY MORE SIGNIFICANT FOCUS OF DOMESTIC CRITICISM HAS BEEN THE LACK OF ANY AGREEMENT ON SHORT TERM MEASURES TO HALT THE RISE OF THE YEN. MR NAKASONE MAINTAINED THAT THE REFERENCE IN THE COMMUNIQUE TO THE WILLIAMSBURG DECLARATION PROVIDED FOR INTERVENTION "WHEN NECESSARY" BUT WENT ON TO SAY THAT HE AND HIS COLLEAGUES WOULD NOW GIVE URGENT CONSIDERATION TO NEW MEASURES TO OFFSET SOME OF THE EFFECTS OF YEN APPRECIATION UPON INDUSTRY, ESPECIALLY THE SMALL AND MEDIUM SECTOR, AND TO INCREASE DOMESTIC DEMAND. THE RISE OF THE YEN TO Y165 TO THE DOLLAR DURING THE CONFERENCE ITSELF WAS SEEN AS A REBUFF FOR MR NAKASONE'S PLANS.

8. THESE INITIALLY CRITICAL REACTIONS TO THE SUMMIT OUTCOME REFLECT THE EXPECTATION OF AN EARLY ATTEMPT BY MR NAKASONE TO DISSOLVE THE LOWER HOUSE AND THE DESIRE OF THE OPPOSING LDP FACTIONS TO DENY HIM A FREE HAND. MR ABE AND MR TAKESHITA ARE OF COURSE ASSOCIATED BOTH WITH THE SUMMIT AND WITH THE GOVERNMENT'S CURRENT ECONOMIC POLICIES. MR NAKASONE SAID THAT HE STILL ATTACHED IMPORTANCE TO GETTING THE ELECTORAL REFORM BILL AND A BILL TO PRIVATISE THE NATIONAL RAILWAYS THROUGH THE DIET BEFORE AN ELECTION, BUT HINTED THAT HIS THOUGHTS WERE NOW TURNING MORE TO DOMESTIC POLITICAL MATTERS.

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9. JAPANESE COMMENTATORS HAVE RECOGNISED THE PROMINENT ROLE OF THE PRIME MINISTER AND THE BRITISH DELEGATION, ESPECIALLY IN SECURING A SUBSTANTIAL STATEMENT ON TERRORISM. BUT IT IS TOO EARLY TO SAY WHAT THE PUBLIC VERDICT ON THE SUMMIT WILL BE, IN JAPAN, OR TO ASSESS ITS DOMESTIC POLITICAL REPERCUSSIONS. THE PRESS HAVE GENERALLY CONCLUDED THAT, GIVEN THE VIEWS OF OTHER COUNTRIES ON BOTH TERRORISM AND THE YEN, JAPAN COULD NOT HAVE EXPECTED ANY OTHER OUTCOME. THE NATION KENZAN SAID THAT THE RISE OF THE YEN WAS INEVITABLE GIVEN THE GOVERNMENT'S REFUSAL HITHERTO TO ADDRESS THE PROBLEM OF STRUCTURAL IMBALANCES, AND URGED THE GOVERNMENT TO GET ON WITH THE TASK. MOST NEWSPAPERS TOOK THE VIEW THAT MR NAKASONE DID JAPAN CREDIT BY STEERING THE SUMMIT SUCCESSFULLY TOWARDS AGREEMENT ON A NUMBER OF MAJOR ISSUES. BUT HIS POLITICAL RIVALS WILL TRY TO MAKE CAPITAL BY SUGGESTING THAT JAPAN WAS PUSHED ABOUT BY HER PARTNERS.

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FCO PASS SAVING TO ROME, OTTAWA, THE HAGUE.

(REPEATED AS REQUESTED)

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10 DOWNING STREET

From the Private Secretary

7 May 1986

**PRIME MINISTER'S STATEMENT
ON THE TOKYO ECONOMIC SUMMIT**

I sent you this morning a draft of the Prime Minister's statement on the Tokyo Economic Summit. Since then I have done some further editing and I enclose a revised version which I should be grateful if you would substitute for that issued with my earlier letter.

It will still be helpful to have comments and supplementaries by 1630 or as soon after as possible.

I am copying this letter and enclosure to Rachel Lomax (HM Treasury), Geoff Dart (Department of Energy), Robin Young (Department of the Environment) and Michael Stark (Cabinet Office).

(C. D. POWELL)

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

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PRIME MINISTER'S STATEMENT ON THE

TOKYO ECONOMIC SUMMIT

With permission, Mr. Speaker, I shall make a statement on the Economic Summit held in Tokyo on 4/6 May at which I was accompanied by my rt. hon. Friends the Foreign and Commonwealth Secretary and the Chancellor of the Exchequer.

Copies of the statements issued by the Summit have been placed in the Library of the House.

The Summit dealt with five principal issues;

international terrorism, the Soviet
nuclear accident, economic policy,
protectionism and agriculture.

On international terrorism we agreed a number of

measures which each of us resolved to
apply in our own jurisdictions and to
encourage others to apply as widely as
possible.

The measures are:-

- refusal to export arms to states which can be clearly shown to be involved in sponsoring or supporting terrorism.

- strict limits on the size of the diplomatic and consular missions of such states, controls on the travel of their members and radical reductions or closure

of their missions when necessary.

- denial of entry to all our countries for persons who have been expelled or excluded from any one of them for reasons connected with terrorism.

- improved extradition procedures in order to bring terrorists to trial.

- stricter immigration and visa requirements in respect of nationals of states responsible for terrorism.

- the closest possible bilateral and multilateral co-operation between police and security organisations in the fight against terrorism.

We also agreed to consider together any further measures which may be needed.

Our statement will be a clear signal to a number of countries - and we singled out Libya - that the Summit nations will not tolerate state-sponsored terrorism; and it will bring home to those who practice such terrorism the heavy costs which they will incur.

Terrorism must be fought not appeased.

We examined the implications of the accident at the
Chernobyl nuclear power station.

We expressed our sympathy for those affected and
offered any assistance that might be
requested.

Our statement recorded our continuing confidence in

a properly managed nuclear power industry,
that is one which sets the highest
possible standards of safety in the
design, manufacture, operation and
maintenance of nuclear installations.

Each country has a responsibility to adhere to those
standards, both to its own citizens and to
the wider community.

It also has a responsibility to provide

promptly detailed and complete information on nuclear emergencies especially those with consequences across national frontiers.

We therefore recommended that an international convention should be drawn up which would commit the parties to report and exchange information in the event of nuclear emergencies.

In our discussion of economic matters we noted:-

- that the economies of the industrialised countries are now in their fourth year of expansion.
- that in all our countries the rate of inflation has been declining.
- that this decline in conjunction with

continuing prudent fiscal and monetary policies, had created the conditions for lower interest rates.

- that there has been a significant shift in the pattern of exchange rates which better reflects fundamental economic conditions.

We agreed that the recent decline in oil prices would help to sustain non-inflationary

growth and increase the volume of world trade.

We recognised that the world economy still faced a number of difficult challenges.

Although we have had some success in creating new jobs to meet additions to the labour market, unemployment remains excessively high in many of our countries.

Other persistent problems are large budgetary deficits and trade imbalances, protectionist pressures and the continuing difficulties of many developing countries and severe debt problems for some.

But overall we agreed that developments since our last meeting in Bonn have demonstrated the effectiveness of our policies; and that continuation of them will enhance the

prospects for, and confidence in, the
future of the world economy.

In dealing with protectionism we reiterated our
support for the early launching of a new
round of multilateral trade negotiations
in the GATT and looked for decisive
progress towards this at the ministerial
meeting already scheduled for September.

We also proposed that the new round should among other things address the issues of trade in services and intellectual property rights.

I believe this latter point will be widely welcomed by the many British companies who have suffered from the illegal copying of the fruits of their investment in research and development.

In our discussions of agriculture, so important to the well-being of our rural communities, we considered in particular the consequences of the world-wide agricultural surpluses which have arisen, partly as a result of technological change and partly as a result of long standing policies of domestic subsidy and protection of agriculture in all the Summit countries.

We recognised that the existence of these surpluses and efforts to dispose of them both harmed the economies of certain developing countries and aggravated the risk of wider protectionist pressures.

We agreed that as these concerns were common to all Summit countries, they could only be resolved by effective cooperation between us rather than by competitive subsidies and protection.

We discussed a considerable number of other issues including East/West relations and arms control, the Middle East, South Africa and the need to maintain the momentum of international action against traffic in drugs, following up the initiative taken by the United Kingdom at the Bonn Economic Summit last year.

I should like to pay tribute to the skilful and

effective chairmanship of the Japanese Prime Minister, Mr. Nakasone, which contributed greatly to the success of the meeting.

Mr. Speaker, the hallmarks of this Summit were unity and confidence; unity in our determination to see that those who practice state terrorism do not succeed; confidence that our economic policies are

right and will bring greater prosperity to our peoples.

The United Kingdom was able to play a prominent role in achieving these results and in ensuring a valuable, constructive and forward looking Summit.

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cc PC ✓

10 DOWNING STREET

From the Private Secretary

7 May 1986

Dear Tom,

ECONOMIC SUMMIT: STATEMENT

I enclose a draft of the Prime Minister's Statement to the House tomorrow on the outcome of the Economic Summit in Tokyo. I in fact showed the draft on the aircraft to Sir Robert Armstrong, Sir Geoffrey Littler, Mr. Thomas and Mr. Braithwaite.

It would be helpful to have any comments, together with material for supplementaries, by 4.30 pm this afternoon. Mr. Braithwaite has already let me have a number of supplementaries on the economic side.

I am copying this letter and enclosure to Rachel Lomax (HM Treasury), Geoff Dart (Department of Energy), Robin Young (Department of the Environment) and Michael Stark (Cabinet Office).

Yours sincerely,

(C.D. POWELL)

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

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10 DOWNING STREET

THE PRIME MINISTER

Prime Minister

Economic Summit

I have had a shot
at your statement on the
Economic Summit. It incorporates
some comments from
R.T.A. & Sir G. Litter.

CD
G/S.

B.R.

DRAFT STATEMENT ON TOKYO ECONOMIC SUMMIT

With permission, Mr Speaker, I shall make a statement on the Economic Summit held in Tokyo on 4/6 May at which I was accompanied by my rt hon Friends the Foreign and Commonwealth Secretary and the Chancellor of the Exchequer. I have arranged for copies of the statements issued by the Summit to be placed in the library of the House.

The Summit dealt with five principal issues; international terrorism, the accident at a nuclear reactor in the Soviet Union, economic policy, protectionism and agriculture.

On international terrorism we agreed on a package of measures which each of us undertook to apply in our own countries and to encourage others to apply as widely as possible. The measures are:-

- refusal to export arms to states which can be clearly shown to be involved in sponsoring or supporting terrorism.

- strict limits on the size of their diplomatic and consular missions, controls on the travel of their members and radical reductions or closure of such missions when necessary.

- denial of entry to all persons who have been expelled or excluded from one of our states for reasons connected with terrorism.
- improved extradition procedures in order to bring terrorists to trial.
- stricter immigration and visa requirements in respect of nationals of states responsible for terrorism.
- the closest possible bilateral and multilateral co-operation between police and security organisations in the fight against terrorism.

In addition we agreed to make the 1978 Bonn Declaration Against Hijacking apply to the whole range of terrorism affecting civil aviation. We further agreed to consider additional measures which may be needed.

Each of the Summit countries ^{will} follow up the general guidelines which we have established and ensure that they are translated into specific actions. Our statement will be a clear signal to a number of countries - and we singled out Libya - of the determination of the world's most powerful nations not to tolerate state-sponsored terrorism and to bring home to those who practice it the heavy costs which will be incurred. Terrorism must be fought not appeased.

We examined the implications of the accident at Chernobyl nuclear power station. We expressed our sympathy for those affected and offered any assistance that might be requested. Our statement recorded our confidence in a properly managed nuclear power industry and stressed the importance of setting the highest possible standards of safety in the design, manufacture, operation and maintenance of nuclear installations. It emphasised the responsibility to the world of individual countries to report such accidents, which the Soviet Union regrettably failed to discharge in a timely fashion. It urged the early elaboration of an international convention committing the parties to report and exchange information in the event of nuclear emergencies or nuclear accidents.

In our discussion of economic matters we agreed that developments since our last meeting in Bonn demonstrated the effectiveness of the policies to which we have committed ourselves at successive Economic Summits in recent years and which are, of course, the policies pursued by this Government. We noted:-

- that the economies of the industrialised countries are now in their fourth year of expansion.
- that in all our countries the rate of inflation has been declining.

- that this decline in conjunction with continuing prudent fiscal and monetary policies, ^{had} created the conditions for (a substantial) lowering of interest rates.

- That there has been a significant shift in the pattern of exchange rates which better reflects fundamental economic conditions.

We agreed that the recent decline in oil prices would help to sustain non-inflationary growth and increase the volume of world trade.

We recognised that the world economy still faced a number of difficult challenges, among them high unemployment, large domestic and external imbalances, persistent protectionist pressures and the continuing difficulties of many developing countries and severe debt problems for some. But we agreed that overall, provided that we continued to follow the sort of policies we ~~have~~ been following, the developments I have listed offered brighter prospects for the future.

We welcomed the close co-operation which has contributed to improved exchange rates and lower interest rates in recent months and agreed on arrangements for developing closer and continuous co-ordination among our countries in future.

In dealing with protectionism we reiterated our support for the early launching of a new round of multilateral trade negotiations and looked for decisive progress towards this at the ministerial meeting already scheduled for September. We also proposed that a new multilateral round should inter alia address the issues of trade in services and trade-related aspects of intellectual property rights. I believe this last point will be widely welcomed by the many British companies who have suffered from the illegal copying of the fruits of their research and development.

We also considered the consequences for all of us of the structural surplus which now exists for a number of agricultural products throughout the world, partly as a result of inevitable technological change and partly as a result of long standing policies of domestic subsidy and protection of agriculture in all the Summit countries. We recognised that this both harmed the economies of certain developing countries and aggravated the risk of wider protectionist pressures. We agreed that this was not an area of conflict between us. Indeed, it is a problem common to us all, which can only be dealt with through co-operation between us. The issue is firmly on the international agenda. In putting it there we all recognised the importance of agriculture to our rural communities, which are the backbone of our nations.

We discussed a considerable number of other issues including East/West relations and arms control, the Middle East, South Africa and the need to maintain the momentum of international action against traffic in drugs, following up the initiative taken by the United Kingdom at the Bonn Economic Summit last year.

in balance of work
I should like to pay tribute to the skilful and effective chairmanship of the Japanese Prime Minister, Mr Nakasone which contributed greatly to the success of the meeting.

Mr Speaker, the hallmarks of this Summit were unity and confidence; unity in our determination to see that those who practice state terrorism do not succeed; confidence that our economic policies are right and will bring greater prosperity to our peoples. The United Kingdom was able to play a prominent role in achieving these results and in ensuring a valuable, constructive and forward looking Summit.

Transcript by
JAMES LEE of:

PRESS CONFERENCE GIVEN BY THE PRIME MINISTER,
MRS. THATCHER, IN TOKYO, AFTER THE SUMMIT
CONFERENCE, ON MONDAY, 6 MAY 1986
=====

PRIME MINISTER

Ladies and Gentlemen:

This has been a most successful Economic Summit, the eighth which I have attended, very successful from Britain's point of view.

We came to Tokyo knowing what we wanted to get out of the Summit and between us - Geoffrey Howe, Nigel Lawson and myself - feel we have achieved our objectives; in short, mission accomplished.

You will ask what did we set out to achieve? I think four things: first, a firm statement on Chernobyl, and we got one, which records our confidence in a properly managed nuclear power industry. It emphasises the responsibilities to the world of individual countries which the Soviet Union did not discharge and it seeks to build on the existing international arrangements the commitment of all countries to report and exchange information so that we can make nuclear power a demonstrably safer form of energy.

Second, a firm statement on terrorism and, in particular, state-sponsored terrorism. By dint of a lot of hard work, we got that too. We have not merely reinforced

PRIME MINISTER (CONTD.)

our pledge to fight terrorism relentlessly, especially Libyan state terrorism, but we have also reinforced the Summit stance in the following respects:

- first, refusing to sell arms to terrorist states;
- second, action against diplomatic missions of terrorist states, including their possible closure;
- third, denying entry to those expelled from another country on suspicion of involvement with terrorism;
- fourth, stricter immigration and visa requirements;
- fifth, improved extradition procedures; and
- sixth, action against all forms of terrorism associated with airlines and ships.

Now, the third thing that we came to achieve was to secure reaffirmation of the thrust of economic policies pursued by the Summit countries, which have increasingly over the past seven years following our prudent financial policies in Britain. Again, we succeeded. Increasingly, these policies are paying dividends in lowering inflation and in steady growth. We have agreed that those policies need to be followed if we are to reduce unemployment, which affects particularly ourselves and our European colleagues. The fall in oil prices holds out a better prospect, provided we stick to present policies and do more to tackle such issues as the huge and rising Japanese trade balance, the United States budget deficit, and protectionism.

PRIME MINISTER (CONTD.)

And fourth, we came to Tokyo determined to open up a real debate on protectionism preparatory to the GATT meeting. We achieved that too. As you know, there is far too much protectionism in all our countries. We must stop its spread and roll it back. This is in the best interests of Britain and British jobs, since proportionally we are the biggest exporters of all of the seven countries represented here.

In all this, we advanced the interest of the farmers in handling sensitively the problem caused by the huge over-production of food, resulting in large surpluses. In doing this, we recognise the crucial need to preserve our rural communities, which are the backbone of so many of our societies.

We look forward to an early start in September to a comprehensive new round of GATT negotiations, taking in manufactured goods, services, patents and intellectual property, and agriculture. We look forward to those negotiations resulting in lower trade barriers around the world. The Summit is very much behind this necessary move.

We have, of course, discussed many other issues, East-West relations and arms control talks, the Middle East and the need to step the war against drug trafficking, which I last raised at last year's Summit in Bonn.

PRIME MINISTER (CONTD.)

So to sum up: a valuable, constructive, forward-looking Summit. I feel that we have all spent our time in Tokyo very usefully indeed.

Ladies and Gentlemen, your questions.

=====

QUESTION

Prime Minister, the monetary question which is mentioned in the communique at some length; how much time was spent on that in discussions by the Heads of State and Government, in terms of the monetary reform? And I wonder, in terms of the remedial measures that the Groups of Seven and Five will consider, as one reflects on it now, would there be certain things that would require immediate attention if that process were working today?

PRIME MINISTER

Heads of Government had our customary debate on economic matters, of which monetary measures was one of the matters which we discussed. We also had in the Plenary Meeting, a very full discussion of them, when we were accompanied obviously by our Foreign Secretaries and Chancellors of the Exchequer.

I do not believe that today there are immediate matters which need attention, but I will just ask the Chancellor of the Exchequer if he agrees with that.

MR. LAWSON

This is also something, of course, which was discussed at considerable length in the meetings we had among the Finance Ministers of the Seven.

The matters which do need immediate attention are, I think, those matters which are well known and which have been identified by the Prime Minister in her opening statement, namely

MR. LAWSON (CONTD.)

the American budget deficit and the associated trade deficit in the United States. On the other hand, the massive and growing trade surplus of Japan. These are certainly matters which have been discussed and which will be discussed more intensively in the framework which was agreed here.

QUESTION

Prime Minister, following the statement on international terrorism, is there anything new and specific which you expect the Summit countries, including Britain, to do now?

PRIME MINISTER

As you know, we are doing those things which we indicated in the statement. There has been an extension of the Bonn Declaration on Hijacking to maritime matters and other forms of terrorism in aviation. That, to some extent, is new. There is also a piece at the end of that statement - I do not happen to have the statement with me, but if you look towards the end you will find that there is group who are going to keep in close touch and possibly to recommend further measures. We were not able to add further measures to this list as some of them, of course, would require advice from countries' advisors as to which they can best put into operation.

QUESTION

Prime Minister, some senior officials in the Reagan

QUESTION (CONTD.)

Administration appear to be taking home from this Summit the perception that they have now been given carte blanche to act against terrorism. I wonder if you agree with that perception or perhaps have a comment on it.

The second part to this question is the question of extradition. Does the US-UK extradition agreement, that I understand is in the Senate, have to be approved before this declaration can take effect?

PRIME MINISTER

First, I would not agree with your interpretation of what I think United States has said. It may be that what they conveyed and what reached you are not the same things, but I am quite certain that the United States would not be saying it had carte blanche to act against terrorism. The United States is very pleased with the communique we have on terrorism, because it is specific and because a number of other things were mentioned and those are being considered. So the United States is pleased with that and very pleased that Europe is taking action along these lines. That does not amount to carte blanche and I do not believe they believe it does.

Now secondly, it has improved extradition procedures to ensure that terrorists are brought to trial. We, for example, are actually changing our extradition law because we find that it is not in keeping with the times. It means that anyone who comes up for extradition procedures has of course

PRIME MINISTER (CONTD.)

to go before the legal process of the country from which extradition is required and that will continue.

As we are changing and improving our own extradition procedures, I very much hope that the United States will also pass the new extradition proposals. It is very very important to Britain obviously. It is very important to fighting terrorism the world over. You cannot fight terrorism in part. You have to fight it all.

QUESTION

Prime Minister, still on terrorism, how mandatory are those points discussed and put forward here in Tokyo? For example, what happens if one of those countries comes up with another name of a state that sponsors terrorism?

As I understand the problem here was naming a specific country, Libya. What happens if somebody puts forward another country, another name?

PRIME MINISTER

First, you will note in the statement that all of the countries here - it is in paragraph 4 - have decided to apply these measures in our own jurisdictions. We have decided to apply them in respect of any state clearly involved in sponsoring or supporting international state terrorism. Now the one state which is mentioned there, which it is intended against, is Libya because that is clearly state-sponsored

PRIME MINISTER (CONTD.)

terrorism and it stands out above all others for the clarity of its intention and the clarity of its methods and so there is no doubt about state-sponsored terrorism there.

At the moment, there is no other country to which those measures apply. If there were distinctive evidence, we should have to agree together to apply those measures to other countries. We should have to agree together.

QUESTION

Prime Minister, you described the anti-terrorism statement as firm, yet it has no provisions for economic sanctions.

- a) are you disappointed that there are no provisions for economic sanctions; and
- b) without them, how can it really deal more effectively with the problem than have other statements?

PRIME MINISTER

Well there are, of course, some economic sanctions in it, as there are always in these statements. For example, the refusal to export arms to states which sponsor terrorism is very economic, very direct. We have not gone to complete economic sanctions as you know. We have some experience of the application of economic sanctions and having found after 15 years in Rhodesia mandatory economic sanctions approved by the Security Council did not work. When it comes to supplying arms, that I think is in a separate category, and it is absolutely vital that those of us who want to contest terrorism

PRIME MINISTER (CONTD.)

should not supply arms and so you are justified in going on a more limited basis there, and that we have done.

QUESTION

Prime Minister, before you came to the Summit, you made a linkage between the Chernobyl experience and verification issues with regard to nuclear arms control. Has the Summit deepened your understanding of that linkage or that issue in any way?

PRIME MINISTER

No. I think other people would agree with the linkage one made, that it is not exactly easy some time after an accident has occurred even to find out what has happened or the extent of what has happened. That shows how difficult it is to verify something in the civil field, even with all modern communications, and it can only be because the Soviet Union did not wish to have it verified.

You must, in fact, translate that practice and that concept and that philosophy to verification in the military field. The purpose of arms control is so we can have security at a lower level of weaponry. Unless you are absolutely certain that nations will do what they say they will do, you do not enhance security; you diminish it. Therefore,

PRIME MINISTER (CONTD.)

verification is absolutely critical to the whole arms control process and it means that the verification processes must be detailed and practicable, and I think the difficulties we have had on a civil accident have highlighted that particular point.

QUESTION

Prime Minister, was the so-called Middle East Peace Plan ever discussed during the Summit discussions?

PRIME MINISTER

It was discussed among Heads of State. As you know, a lot of subjects are discussed either with Foreign Ministers or at luncheons and dinners or in the margin or in our bilaterals and a number of us discussed Middle East matters in the margins. I think the Foreign Ministers have discussed it over meals - they discussed it very thoroughly. I also discussed it with President Reagan, but at the moment, there really is not a Middle East peace initiative operative. It is a cause of great concern. I think the last one of King Hussein, which has run into the mud, or maybe I should say the sand, but we have not in fact got a new one, which is something of a worry to all of us.

QUESTION

Prime Minister, the US Administration has characterised the economic section in this communique as a move back, a significant step towards managed exchange rates away from the free floating rates that we have had since the collapse at Bretton Wood. How significant do you think the section in the communique on concertation of economic policies, on mutual surveillance and on exchange rate intervention is, and would you also characterise it as a move towards if not fixed exchange rates, some sort of managed exchange rates?

PRIME MINISTER

First, I do not believe in fixed exchange rates. They do not stay fixed, and the reason they do not stay fixed is because the economies to which those exchange rates apply are not similar and they are not following similar policies. Even if they were, you would of course be liable to sudden speculative movements or sudden changes such as the oil price, which would mean that they could not stay fixed. So I think myself that fixed exchange rates are something that we shall not see in our time again for those reasons, and they broke down because they could not endure with both the underlying differences and the sudden surprises which you get.

I think what you might call a managed float became possible because undoubtedly for a variety of reasons, mostly connected with the way in which Japan chose to run her economy, the yen got right out of line with the underlying economy and that was causing many artificialities in the rest of the world economy and it was absolutely right, and I think one congratulates

PRIME MINISTER (CONTD.)

all the G5 countries, the Chancellors, and in particular Mr. Baker, who is in the lead, on the way in which they managed the fall of the dollar and the rise of the yen, and that was necessary because the yen was out of kilter with its true value.

The idea of surveillance started, of course, if you look back to the Versailles communique, when we said there is no point in having a world monetary conference. Some people tried to find a formula for exchange rate, and the reason they tried to find a formula is to obviate the need to take measures in their own countries which are tough to take. So at Versailles, we started the idea of surveillance and it was carried on, I think, at the Williamsburg conference and, of course, we are all subject to surveillance by the IMF. If you belong to the IMF, they come and have a look and see how you are doing from time to time and they usually give us a very good report. That has been extended, and I think the combination we have got is much more realistic. It has been very successful. I think we would all congratulate, I repeat, Mr. Baker, on the initiative which he took and on the way it is being carried through.

Chancellor, you would like a word I am sure.

MR. LAWSON

I think, if I may say so, it is quite mistaken to talk simply in terms of the yen. What happened was that the dollar had risen quite absurdly against all currencies and if you look at what has happened since the dollar high of February

MR. LAWSON (CONTD.)

1985, you will see that the dollar has fallen more or less equally against all the major currencies. Indeed, it has fallen marginally more against the Deutschmark than it has against the yen, and I think it is necessary to be said in order to put into perspective some of the discussions that one has heard recently about the particular problems of the yen. The fact is that the dollar went much too high, quite out of touch with underlying economic reality, and it was desirable to bring that back and that has happened against all currencies and, of course, the Plaza Agreement of September last year played an important part in that and we shall be continuing, as it is said in this communique, to intervene collectively whenever we feel it desirable and useful to do so.

QUESTION

Prime Minister, there has been much talk this week about the problem of subsidised world food surpluses. What are the Summit seven actually going to do about this beyond passing the buck to OECD and what specific action can we expect from Britain during the next six months' presidency in the Common Market?

PRIME MINISTER

I think there is one rather fundamental change which has come about as a result of the Tokyo Summit. Hitherto, it was regarded as a kind of confrontational problem between Europe and United States. They had surpluses and we had surpluses.

PRIME MINISTER (CONTD.)

They had subsidies and we had subsidies and we were both trying to compete to sell into a limited market. It actually goes much wider than the United States and Europe. Japan also heavily subsidises her food industry. She does export, but she protects. All of this is having a great effect on developing countries, some of whom rely on agriculture for their main income and would rely on trying to export agricultural products, but they cannot always produce them at the right price.

Instead of regarding it as a confrontational problem, we are now regarding it as a common problem which we have got to solve together. That is the great change which has come about.

Secondly, we agreed that as there has just been started an expert assessment of the options in OECD, that we will come in behind that and in fact lend our support to it. There is no point in having two examinations going on. We will come in and lend our support to it and make together an effort to solve a common problem.

What also is common is that both in Europe and the United States the prosperity of agriculture to many communities is very very important indeed, and so we have to keep that fact in mind. One wants a prosperous agriculture without surpluses, and in our country prosperity of agriculture to the rural communities is important, and we have to have time to adjust.

So we have come in behind the OECD hoping that they will look very carefully at the options which we can then take up.

There is another factor: one of the reasons why some

PRIME MINISTER (CONTD.)

countries were against GATT was that the preliminary work on GATT had first produced a report on agriculture and not yet on other things, and some people did not want that discussed first, or at least discussed until some of the other working parties had reported. Agriculture will have to be discussed in GATT, but it helps if we can get some proposals before we go to GATT on how best to deal with the situation jointly.

QUESTION

Prime Minister, how do you think Colonel Gadaffi will respond to the terrorism statement with Libya being mentioned by name?

PRIME MINISTER

Well, I hope that both Libya and any other country which thought of having obvious state-sponsored terrorism would know that the countries of the western world - the seven countries of the western world - including the whole European Economic Community, are prepared to take this sort of action against them and I believe that there could be further action which they could take, which would be a further deterrent, and of course, they now know that the United States is prepared to use force and it is better that a terrorist is uncertain as to whether force can be used in self-defence. If you ever say to a tyrant of any sort, including a terrorist, "No, we shall not use force in self-defence", then he knows that whatever he does force cannot be used against him and therefore I am afraid he will

PRIME MINISTER (CONTD.)

go on and on much further than he would go if there is a known deterrent of both force and other factors.

QUESTION

Prime Minister, can I come back to how you would characterise the economic sections of the communiques you have put out? Would you characterise these economic sections as a move back to, or would you characterise the present system, as managed exchange rates?

PRIME MINISTER

No. When you try to encapsulate in a phrase, inevitably you get inaccurate. You will find in the Summit communique that we are consolidating the successful economic policies. That is very clear. When we first came here, they were not recognised universally as a successful economic policy. We have worked at them, we have worked at the communiques over the year. They are now universally accepted as the right kind of economic policies and that is a great advance.

You have seen and heard both what I have said and what the Chancellor has said about exchange rates. There is no such thing as fixed exchange rates being fixed for eternity. Because there was not, the whole system broke down. One of the reasons it broke down was because countries were running policies of high inflation, so the whole thing cracked. Another reason was because the economies are so disparate. A third reason is that you can get sudden moves of large sums of money, and

PRIME MINISTER (CONTD.)

a fourth reason is that you can get sudden things happening like either an oil price rise or an oil price reduction. So I think that in trying to follow fixed exchange rates you are in difficulty, and there is a further factor: if ever you do have such a policy, it means either that you have to throw precious reserves into defending a particular exchange rate, which only encourages speculators, which is a bad thing to do; or because you have a particular exchange rate, you are compelled to put up interest rates, not for economic reasons but to defend a particular rate.

Those are bad policies for any particular country to do alone and sometimes impossible to do together. Sometimes they can be done together.

QUESTION

You have mentioned twice now that agriculture will come up in the GATT round, but it is not mentioned specifically in the communique. Do you think this weakens the thrust of the argument?

PRIME MINISTER

No. There is plenty in the communique about agriculture. I think it is paragraph 13. We spent a long time on it. Just let me see if my memory is correct. Is it? Yes. "We note with concern that a situation of global surplus etc..." Of course it will come up in the GATT round. One of the working parties has been on agriculture and that was the working party

PRIME MINISTER (CONTD.)

that in fact reported first. I cannot remember, Nigel, if there are five or six working parties in GATT, but they are working on specific things. It will come up in the GATT round. We are all prepared for it to go to GATT. You cannot have a GATT without it.

MR. LAWSON

Paragraph 12, Peter, just says the new round should inter alia address the issues of trade and services and aspects of intellectual property rights and so on and foreign direct investment. That is not to exclude other matters, and among the other matters which will be very prominently in the GATT round is agriculture.

PRIME MINISTER

The point of the sentence that the Chancellor has just read out is that services are not yet dealt with by GATT and we are very anxious, so far as Britain is concerned, to get them dealt with by GATT and we are all suffering in Britain from the fact that some of our copyrights and our patents are being liberally copied in other countries without royalties. It is rather that we wanted those two things specifically mentioned to ensure that they are considered. There is agreement that agriculture should be discussed; the only question was the timing.

QUESTION

Prime Minister, two questions. First, to what extent are you optimistic about the possibility of a Reagan-Gorbachev summit meeting taking place in Washington within this year?

The second question: could you kindly disclose your secret strategy to sell more British whisky to the Japanese market?

PRIME MINISTER

On the last, it will have to be persuasion and the fact that it really will be terrible if whisky is not sold in the Japanese market. It is an extremely good product. There is not another in the world like it. Many people want it and it would be a wanton act of protectionism to make it more difficult to sell in the Japanese market and I hope it will be easier to sell in the Japanese market. I trust I make myself clear on whisky in the Japanese market.

I think that both President Reagan and Secretary-General Gorbachev would like a summit this year, a second summit. I think that both are very much aware it would have to be a summit which produced some positive results, especially in arms control, and I think therefore, and I have made it very clear in all my statements, that it means that the Soviet Union really must negotiate very seriously in Geneva and in Vienna.

You know that once you come to negotiate on arms control and once you get down to detail, as you move into a world of jargon which is really jabberwacky to ordinary people, but it has to be done really at the nitty gritty level and it is no

PRIME MINISTER (CONTD.)

earthly good making great statements about prepared to reduce this, that and the other. They have to be translated at the negotiating table into genuine agreements and I think it is important to get some agreements on some of the arms control measures so that they could in fact be officially signed or agreed at a Summit and I believe that is generally understood and the question is whether one can get far enough on the arms control negotiations to get specific results and if that is so, then I believe there will be a Summit and I believe that is what most people hope and I believe it is what President Reagan and Secretary-General Gorbachev hope too.

FOREIGN SECRETARY

Could I add a word on the more extended aspect of whisky. I would like to convince our Japanese friends of the central importance of the way in which your economy treats attractive imports from the rest of the world. It is not just whisky. It is all the wine, all the sparkling wine that is produced in Europe. It is a whole range of other things as well, and in fact, the level of duty imposed on imported liquors of that kind is between four times and eight times as much as on your domestically-produced whisky, and the effect of that is to limit enormously the choice of Japanese consumers and to impose severe distortions on that part and on many other parts of the market.

FOREIGN SECRETARY (CONTD.)

Imagine for a moment, what would have happened to the Japanese economy if all Europe and all the United States had sought to deal with imported video tape recorders, had sought to deal with imported cameras, in the same way? Suppose we had taxed imported Japanese cameras, recorders and television sets four times higher than those produced in the United States? Your economic growth would have been stunted, the world prosperity would have been retarded and we should all be much worse off.

This is the key point: the rest of the world has provided, with pleasure, the markets for Japanese production. Japan is a rich and increasingly wealthy country of 120 million people and our case is: open up your market for the sake of faster world growth, for the sake of wider choice for Japanese consumers, for the sake of world prosperity on a larger scale. We have given you the opportunity and we have been delighted to do it, but give us a fair chance in return and we shall enlarge your range of choice and increase world prosperity.

PRIME MINISTER

I think that remark calls for a round of applause. That is terrific.

QUESTION

Prime Minister, you said you came to the Summit knowing what you wanted. You seem to have been remarkably successful in getting it. How did you do it?

PRIME MINISTER

I would not care to reveal the magic formula, others might cotton on to it.

I could of course say the excellence of argument, the total support of a marvellous Chancellor and Foreign Secretary and the fact that the arguments were good. We were right.

QUESTION

You also are the senior summiteer.

PRIME MINISTER

Yes, I might be the senior summiteer because I am more right more often than my opponents.

QUESTION

Prime Minister, you are very tough on terrorism and in the Japanese press reported that you pushed Mr. Nakasone to the corner because Mr. Nakasone did not want to put the name of Libya in the statement and that his political position was weakened by your toughness. How do you comment on this report?

PRIME MINISTER

I did not push Mr. Nakasone in any corner. We genuinely argued these matters. We genuinely reached the right conclusion and I would like to pay tribute to Mr. Nakasone. He chaired the whole Summit meeting superbly and I cannot speak too highly of the way he did it.

QUESTION

I would like to ask a question about terrorism. About the prohibition of arms sales to Libya. Does it bind also indirect arms sales to Libya also? In other words, there are some companies in the western world which have their offices and manufacturing production factories even within the western world, members of the seven countries which could be functioning in indirect arms sales to Libya, or there is the theoretical possibility that, for example, an arms sale from one of the seven countries to some country in the Middle East and this country could provide imported arms from the west to Libya. Is this an implication of the communique to ban this kind of deal?

PRIME MINISTER

This is direct arms sales to Libya, but when you are selling to other countries you usually have something called an "end user certificate" under which they agree not to pass those arms on. I regret to say, in spite of all that, there is a black market in arms which I am afraid is very difficult to stop. With direct sales to Libya and to other countries you would usually as I say an end user certificate that they should not pass it on to Libya.

QUESTION

Prime Minister, Mr. Reagan has characterised Gadaffi as a mad dog. What would you call him?

PRIME MINISTER

I am not in the business of characterising heads of state. I think, however, that Colonel Gaddafi has pursued terrorism as head of state of Libya as a political weapon. That is a form of tyranny and in a way is a form of war on innocent people and it is totally unacceptable and that is why the action has been taken that you know about, and that is why Europe and the United States and Japan have agreed to take non-military measures and have agreed to keep in contact over further measures to do everything we can to deter that terrorism by that state and the extension of that terrorism to other states.

QUESTION

Is it not overly expedient, not to say hypocritical, to insist on the naming of Libya in this statement while not one mention is made about France and its state-sponsored terrorism in Auckland Harbour last year? You insist on the provision of evidence, the naming of a state, I would guess rightly the New Zealand Government has plenty of evidence for you about French terrorism. Why no mention?

PRIME MINISTER

The two are totally different and I do not intend therefore to waste time on it. I am so sorry. The two are totally different. If anyone concuses them, then I am sorry, there is no point in wasting time on it.

QUESTION

Prime Minister, on the question of terrorism in the air, how confident are you that the measures adopted will eliminate danger to civil aviation?

PRIME MINISTER

I believe the measures adopted will be a considerable deterrent to state-sponsored terrorism. I do not think it is possible to eliminate all terrorism. Terrorism is a manifestation of violence. It is not possible, I am afraid, to eliminate violence in our societies. In our own societies we take action through our police forces and by the law and by involving the community in action against crime. There is no such thing as a kind of international law that we have in national law. We therefore have to take this kind of measure to deter terrorism, but to eliminate it, well when you can eliminate violence you will eliminate terrorism, but I am afraid you have come to the fundamental nature of man and there has been violence since Cain and Abel.

FOREIGN SECRETARY

If I can add just one sentence to that. Those of you who were at the London Summit two years ago will remember that at that Summit the Summit Seven made their first commitment to action against international terrorism and it was a very tentative one. Since then, we have been working in the European Community and within the Summit countries to get a

FOREIGN SECRETARY (CONTD.)

plain commitment to a firm and effective programme across the board and this Summit conclusion, taken alongside the measures agreed in Europe, does amount to what it sets out in the document as being - a commitment to determined tenacious, discrete and patient action combining national measures with international cooperation. This is the result of a great deal of hard work, putting together a programme for effective collective action, which is the best defence we have got against violence of this kind.

PRIME MINISTER

There you are, that is the last time I have not had the last word.

=====

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10 DOWNING STREET

From the Private Secretary

6 May 1986

Dear Tony,

Prime Minister's Meeting with Mr Nakasone at the Otani Hotel in Tokyo on Monday 6 May 1986 at 1715

The Prime Minister met Mr Nakasone shortly after the end of the Economic Summit. Mr Nakasone was accompanied by Mr Gotoda (Chief Cabinet Secretary), the Japanese Ambassador to London, the Deputy Foreign Minister and at least five note-takers. HM Ambassador Tokyo was also present.

Economic Summit

The Prime Minister congratulated Mr Nakasone on an excellent Summit meeting and his skilful chairmanship. She thought that the Summit had taken place in a very good atmosphere. She also asked Mr Nakasone to convey her thanks to all those responsible for the efficient organisation and security of the Summit. Mr Nakasone said that he had learned much from the London Summit, especially regarding the art of chairmanship.

Bilateral Matters

The Prime Minister said that she knew that the Prince and Princess of Wales were greatly looking forward to their visit to Japan. We had been very pleased to welcome the Crown Prince's son at Oxford., Mr Nakasone said that he would like to reiterate the Japanese Government's gratitude for the hospitality given to Prince Hiro.

Japanese Economic Policy

The Prime Minister said that she appreciated the enormous significance of the rise in the value of the yen. She recognised that this was not easy for the Japanese Government. At the same time she had been concerned to hear that Japanese exporters were asking for subsidies. These would negate the effect of the rise in the value of the yen.

Mr Nakasone said that no subsidies were being given to exporters. Indeed Japan was subsidising imports. The Prime Minister observed that Japan was certainly not subsidising the import of Scottish whisky. She would be asked on her return whether she had raised the taxation of Scottish whisky with Mr Nakasone. What should she say? Mr Nakasone said that the Japanese Government were

SA

planning a major reform of indirect taxation. They hoped to present a bill in January. Any problems over whisky could be resolved in this context. In any event, there was no discrimination between domestic and imported brands of whisky: the level of taxation depended upon the quality of the product. High grade Japanese whiskies were equally subject to high taxes. The import tariff on whisky had recently been reduced.

Japan/United Kingdom Trade Relations

The Prime Minister said that relations between Britain and Japan were dominated by the trade imbalance. Her aim was to get away from this but it was not possible to do so while the imbalance was as serious as at present. Purchase of Tornado, Harrier or civil aircraft from Europe would go a long way to solve the problem. She did not want the relationship between Britain and Japan to be so dominated by trade problems. Freed of that constraint, relations would be much better.

The Prime Minister continued that she was very pleased with the cooperation between Japanese and United Kingdom companies, for instance on the Samanala Wewa dam in Sri Lanka. She hoped that this would be followed by other similar ventures. There was room for both cooperation and competition provided we could compete on a fair basis. Mr. Nakasone said that certain joint ventures were in planning stage, for instance the Ain Moussa power station in Sinai and another power station in Botswana. He was all in favour of such cooperation where the private sector found it feasible. He hoped the Prime Minister knew that half of the cables in the new Bosphorous Bridge had been purchased from the United Kingdom.

The Prime Minister said that she wanted to draw to Mr. Nakasone's attention Cable & Wireless' interest in participating in a consortium which she understood was being put together for a second international telecommunications carrier in Japan. Cable & Wireless enjoyed a very high reputation in the United Kingdom and round the world. They had also been the first British company to be quoted on the Japanese Stock Exchange. Mr. Nakasone said that he was well aware of Cable & Wireless' interest and was encouraging it. He would certainly convey the Prime Minister's remarks to the Minister of Posts and Telecommunications. Personally he hoped that Cable & Wireless would succeed.

Mr. Nakasone referred to the forthcoming opening of the Nissan plant in the UK. He understood that Komatsu were planning to open a plant in the vicinity. He hoped there would be further such Japanese investment in Britain.

IDA

The Prime Minister said that she hoped Japan would be able to contribute in full to the IDA Replenishment. The strengthening of the yen would reduce the real size of the Japanese contribution. Mr. Nakasone said that if Japan could have a bigger say in the World Bank there would be no difficulty in setting their share of the replenishment once again at 18%.

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Economic Summit Seven

The Prime Minister said that she felt that there were not enough contacts between Summit countries in the period between Summit meetings. Although the European countries tended to see a lot of each other, there was less regular links with Japan and the United States. She was pleased that the Tokyo Summit had provided for experts on terrorism to meet regularly. She hoped that this could be matched by similar links in other areas. Mr. Nakasone said that he entirely agreed.

The meeting ended at 1815.

yours sincerely,
Charles Powell

CHARLES POWELL

A.C. Galsworthy, Esq., CMG,
Foreign and Commonwealth Office.

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PRIME MINISTER

cc Mr Wicks
Mr Powell
Sir R. Armstrong
Mr Meyer
Mr Culpin

PRESS CONFERENCE; RADIO AND TV

You have agreed to give radio and television interviews from 3.00-3.40 p.m. and a press conference at 4.30 p.m., or as soon after the ending of the reading of the Summit Declaration as is possible.

The attached speaking note serves for both radio and TV interviews and the press conference.

MECHANICS

Radio and TV

These interviews will be given in the broadcasting area of Floor 16 of the hotel's main tower (your detectives know the way).

If possible you should do 5 radio and TV interviews of roughly 4 minutes each:-

BBC TV	-	Brian Barron
BBC Radio	-	Dominic Harrod
ITN	-	Michael Brunson
IRN	-	James Garner
BBC External Services	-	William Horsley (BBC Tokyo correspondent)

All these interviews will be embargoed until 4.30 p.m. Tokyo time - i.e. 8.30 a.m. London time. This means however that you will catch the BBC Radio 4 "Today" programme and Breakfast TV.

If you cannot get all 5 interviews done in the time available I suggest you sweep up those outstanding after the press conference.

I am afraid there is no make-up girl available.

Press Conference

This will be held in the UK press briefing room in the Press Centre. There is an office adjacent which you could use for briefing though it is not secure. In any case you probably will not need a briefing since you will have done radio and TV interviews earlier.

The Foreign Secretary and the Chancellor will join you on the platform. I will preside and close the press conference after some 30 minutes or at 5.30 p.m. so that you can get to your bilateral with Mr Nakasone.

/NB. Your bilateral with Mr Nakasone is being closely watched at home on account of Japanese protectionism and whisky and I shall need to brief positively afterwards. You may well be asked about these talks at your press conference.7

Presentation

This is perhaps the most successful Summit you have ever had. It comes usefully before the by-elections on Thursday. Already you have had a very good press at home but your domestic audience has not seen you selling your successes on terrorism, Chernobyl, trade/protectionism or the Summit's reaffirmation of the thrust of the 7 nations' economic policies which closely follow Thatcher's virtues.

The media are notorious however for trying to take the shine off things and you need to be aware of the following downsides:

Political Worries

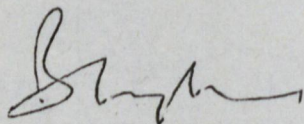
On your own back-benches about nuclear power (on which Kinnock is playing)

Reagan's poodle (will the terrorism statement prevent a further military strike? What does the statement add up to? What for example are you going to do in the light of the Declaration? - I have instanced extradition law).

Farming lobby (agricultural surpluses)

(and do you think the yen has reached its right level?)

We shall keep in touch with events at home, including interest in possible Syrian expulsions (on which we are not commenting). This note is written before we have to hand the digest of today's papers in London.



Bernard Ingham

6 May 1986

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Peoples Bureau in Rome

? Aircraft?

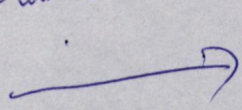
= Crew on aircraft = stay on aircraft.

Actions Against Terrorism

- ✓ 1. Close the Libyan People's Bureaus (LPBs)
- ✓ 2. Boycott Libyan Oil
- ✓ 3. Implement a Credit Embargo on Libya
- 4. Eliminate Credit Subsidies for Libya
- 5. Withdraw Western Deposits from Libyan Banks
- 6. Monitor and Report Financial Transactions by Libyan Interests
- 7. Monitor or Close Down Islamic Call (Da'wa) Society Chapters and Bank Accounts
- 8. Monitor or Close Down Libyan Front Organizations Suspected of Involvement in Terrorism
- ? ✓ 9. Prohibit Entry of Libyan Flag Ships
- 10. Halt Flights to and from Tripoli
- 11. Restrict or Halt Flights of Libyan Arab Airlines
- 12. Order Citizens and Companies Out of Libya
- ✓ 13. Recall Ambassadors
- ✓ 14. Ban Sales of Arms, Spare Parts, and Sophisticated Equipment
- ✓ 15. Restrict Cross-Border Travel of Libyans

(16. Control of arms and sea containers)

① George Bush



U.S. (with 16)

George (U.S. 16)

② Terrorism

not feeds to New

made when received



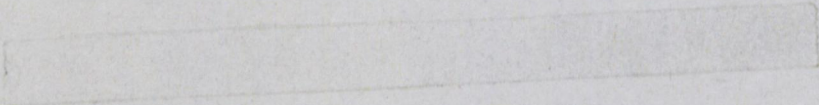
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Nations - increasing highness



cost debt problems
- developing countries

R. Reagan - deficit problem
- Gramm Rudman

Berglund - Prussia - price stability - 6th year

acc expense

40th - 10 - new jobs

Inflation - levels 1960

Outlook - Jarosville - 1986 4%
- inflation - 2.3%

Trade deficit - Japan problem

Share front volume US



Fed. Res

Unemployment

- Ref. to go down.

1987 - 7.5%

- Soc Security System

2 1/2 m

unemployed

5 - 7 1/2 billion

claims kept

- Weak economy

- 1-1/2% - 0.1.

Price goes down

Growth. 3% -

Int. levels down -

Tax Rate 100% -

Klein's - Tax Reform - Pay back earnings
deduct for reduced inflation

Monetary - interest rates

Progress - binding - for development

Change in psychological climate

Key for technical dev.

INVESTMENTS - Private investment

Conditions - future promises

Change in consumer policies



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DM 43 bn in foreign travel

Instructions for domestic economy.

Export led growth - Domestic growth
satisfactory

Monetary Policy

- Prof. 1 Dollar

DM Dollar 2.20

Need for dollar to go lower

France 142 - 22

Budget deficit - high. 3- 3.32

Rating downwards

1985 - aimed to increase in unemployment.

- by measures for youth -
education

Prereq - Price controls abolished,

Exchange -

- necessary for ec. union last 10-13 yla



G. B. J. - ~~with~~ discussing this of course,

In favour of new round.

Complex deal of trade -
only sector really seen agreement.

Must discuss agriculture.

- can't be done

- trade in services

Separate - word of warning
against demands which do
not take account of other GATT

partners

if we converge on date will
prepare agenda.

Trade in Third World countries.

No-adopted Third World countries.

Both W.O.A.U. No-adopted reaches.

Agreement = Prevent C.A.P.



Italy

- Sitⁿ improving rapidly
Inf. 4-5% by end of year

GNP. growth by 3%

High investment rate

- but not change to new investment

Trade balance - good direction, month by month

Low level of 'conflict' in industrial relⁿ

Unemployment high - no longer an issue.
but redⁿ very small.

Reducing this burden -

public deficit very high.

Sitⁿ in terms of ag. surpluses

Buyer rather than seller in ag. products.

Stability by - avoiding 'highs & lows'

Comparative stability - more useful

Reduce protectionist barriers - hinder trade relations

Drop in oil price - gives certain advantage



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Useful to consider more relevant
to least developed areas

Protein shift concerns Africa -

Middle East.

Intⁿ aid plan - Peres

- Egypt favourable.

Africa calls for 'hard' thinking.

Don. paying people to stay in farming.

Support round table to Dj. \$100bn a year.

Quantum increase to Jan 97, they want one whether
or not there is a market.

\$ 95 - per ton - EEC.

\$ 75 U.S.

\$ 34 Canada.

\$ 70,000 per hectare.

\$ 17,400 Canadian.

Unemp by next 12.9 - 10.67

Job losses 18m - more jobs than 1977
Western Europe combined



To pay interest on Canadian debt
requires total personal yield of 1.1.
\$150 bn a year to decrease
our burden

Plan cost program
= standard (1.1)

Japan - growth 4.2

Overhead Japan year

∴ growth under lower

I.R. 3.5%

Price 1.8%

Unempl. 2.7%

Japan - limit limit oil,

Promote of Japan to develop

Partnership of values of inflation



迎賓館
AKASAKA PALACE

John prep.

Belts harmonics.

1 May. - other papers.

Return to power.

Time by item - Time Report

Part 1 of Part 1.5.

Plus 6 or 7 min.

Delegation - report last.

Bridge program 16.5 = 17.7

Import membership - in use

Export in volume - decreased 2%

31-322

Year - 1986

Share -

Plus 10% per
New members



Instabilities in World Ec.

High Unemployment.

Redefined - real market plus - further
interest rate red- - what.

Exchange structures policy

I.M. System - G.10.

1. further - framework for debt with
stabilization

importance of exchange rate relations

Core framework of IMR multilateral
surveillance efforts

Interest rate helpful

Goal of exchange rate policy

should reflect ex conditions

G.10 - agreement to support IMR introduction

- clear mention of giving credit to

IMR replacement



G.A.T. - launched as soon as possible

- not possible to date

But - wanted GATT to declare launch of new round
in September.

'Roll-back standards' basis

Int. Ec. Policy - Typical draft communique.

Agreement - OBEI) Group

Capital flight - Art 4

Indebtedness / Debt



迎賓館
AKASAKA PALACE

Development of Whisky Prices

help in increasing need of growth

help doubly if input. liberalization in new third world countries.

As. - admin in Washington / Brussels

Brian John

Total for studies & used

	GER.	U.S.	Canada	
#	94	75	84	per ton



cc: PS/No 10
Sir Robert Armstrong
Mr Braithwaite
Mr Ingham
Mr Meyer

Private Secretary

R. Powell
Group Secretary has
seen and agreed.
D. Ingham
4/5

INTERNATIONAL TERRORISM

1. I submit a supplementary brief and talking points on international terrorism for the Heads of Government dinner this evening.

D M D Thomas

5 May 1986

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TOKYO ECONOMIC SUMMIT: INTERNATIONAL TERRORISM

TALKING POINTS FOR HEADS OF GOVERNMENT DINNER

1. Rambouillet draft statement on international terrorism falls very far short of what is needed at this meeting.

Let me explain why:

2. Terrorism on our agenda since 1978.

We have made a number of positive steps towards more effective action:

- 1978: Bonn declaration on aircraft hijacking;
- 1980: Venice declaration on taking of diplomatic hostages;
- 1981: Ottawa statement on terrorism.
- 1984: London declaration.

3. All these contained substantive agreement on action in field of immediate concern.

London Declaration in particular related to state-supported terrorism and supported five specific proposals:

- Closer co-operation between political and security organisations;
- scrutiny by each of us of gaps in legislation exploited by terrorists;
- reduction in size of diplomatic missions;
- review of sales of weapons to States supporting terrorism;
- consultation over expulsion of known terrorists.

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4. Since 1984, scale of State supported terrorism has dramatically increased and became major threat to security:

- recent crisis over Libya a direct result;
- brought US initially to break off diplomatic relations and impose wide-ranging sanctions and ultimately provoked attack on terrorist targets in Libya in self-defence;
- brought European Twelve to implement stringent measures in April this year, in fields covered by London Declaration.

5. Against this background, Rambouillet draft statement could bring less credit to Tokyo Summit than we would wish:

- only specific agreements it contains are to extend Bonn declaration to cover all terrorism affecting civil aviation and to promote action against terrorism in international organisations.
- Cannot believe that you find this adequate either, given recent events.

6. We all recall how Rambouillet draft came to be drawn up:

- problem of reaching agreement on extension of work of experts in absence of mandate from Heads of Government;
- Rambouillet meeting of 18 April intended to finalise this phase of work;
- but must now recognise that it now looks very out-of-date.

7. Must avoid disunity on this question at Tokyo: would give victory to terrorists.

But do not see why living up to our past decisions need provoke disunity.

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8. Believe we could improve Rambouillet draft statement by adding following two elements:

- (i) - enumeration of measures we all regard as essential for strategy against terrorism, deriving from 1984 London Declaration or other previous statements from Economic Summits: viz

<u>Measures</u>	<u>Derivation</u>
- refusal to sell arms to states supporting terrorism.	London 1984: "review of sale of arms";
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- denial of entry to persons involved in terrorism	London 1984: "consultation over exclusion or expulsion";
- improved extradition procedures	Bonn 1978: "action against States refusing to extradite";
- stricter visa requirements	London 1984: "scrutiny of gaps in legislation";
- closest possible co-operation between police and security organisations	London 1984: "closer co-operation and co-ordination between police and security organisations".

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/(.ii)

CONFIDENTIAL

(ii) commitment by each of us:

- to implement the above measures fully within our own jurisdictions and to work in the appropriate bodies ... to ensure that similar measures are accepted and acted upon by as many other governments as possible.

9. These two elements would not involve any new degree of institutionalisation of this forum.

- Nor do they involve commitment to national measures going beyond what I believe we are all in practice doing already
- But they do make clear that we are not taking a step backwards.

Decision also needed about fields in which experts should be invited to review progress and make further recommendations:

My suggestions would be:

- international maritime transport;
- visa policies
- extradition procedures.

These are all areas where discussions within this group would we believe be useful on the principles involved. We would accept that, as for economic issues, this would not be a forum in which to take decisions but for consultation and co-ordination.

10. Hope that colleagues can agree that we should ask our Personal Representatives (Political Directors) to meet tonight to work out a strengthened statement on the lines I have suggested:

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/We

CONFIDENTIAL

- We have a draft we could circulate when they meet.
- We could look at the results and come to a final judgment when we meet tomorrow morning.

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ECONOMIC SUMMIT, TOKYO: HEADS OF GOVERNMENT DINNER ON 6 MAY:
INTERNATIONAL TERRORISM

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- i) to avoid re-opening Rambouillet texts.
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- i) to avoid going beyond Rambouillet statement.
- ii) to avoid being cast in the role of blocking fight against terrorism.

/Talking Points



cc: PS/Secretary of State
PS/Chancellor of the Exchequer
Mr Braithwaite
Mr Thomas
Mr Ingham
Mr Meyer

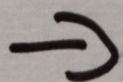
Mr Powell

Prime Minister
Draft statement on
nuclear safety. Again
rather weak.
CDP5/5

POLITICAL DECLARATIONS

1. I attach agreed final drafts of:

i) the Tokyo declaration "Looking Forward to a Better Future",



ii) a declaration on nuclear safety after Chernobyl.
ad referendum Heads of State or Government.

2. These will be consideration as first business at the meeting of Heads of State or Government this morning.

REA

Sir Robert Armstrong

5 May 1986

[Final Draft]

TOKYO DECLARATION
LOOKING FORWARD TO A BETTER FUTURE

1. We, the Heads of State or Government of seven major industrial nations and the representatives of the European Community, with roots deep in the civilizations of Europe and Asia, have seized the opportunity of our meeting at Tokyo to raise our sights not just to the rest of this century but into the next as well. We face the future with confidence and determination, sharing common principles and objectives and mindful of our strengths.
2. Our shared principles and objectives, reaffirmed at past Summits, are bearing fruit. Nations surrounding the Pacific are thriving dynamically through free exchange, building on their rich and varied heritages. The countries of Western Europe, the Community members in particular, are flourishing by raising their cooperation to new levels. The countries of North America, enriched by European and Asian cultures alike, are firm in their commitment to the realization in freedom of human potential. Throughout the world we see the powerful appeal of democracy and growing recognition that personal initiative, individual creativity and social justice are main sources of progress. More than ever we have all to join our energies in the search for a safer and healthier,

more civilized and prosperous, free and peaceful world. We believe that close partnership of Japan, North America and Europe will make a significant contribution toward this end.

3. We reaffirm our common dedication to preserving and strengthening peace, and as part of that effort, to building a more stable and constructive relationship between East and West. Each of us is ready to engage in cooperation in fields of common interest. Within existing alliances, each of us is resolved to maintain a strong and credible defence that can protect freedom and deter aggression, while not threatening the security of others. We know that peace cannot be safeguarded by military strength alone. Each of us is committed to addressing East-West differences through high-level dialogue and negotiation. To that end, each of us supports balanced, substantial and verifiable reductions in the level of arms; measures to increase confidence and reduce the risks of conflicts; and the peaceful resolution of disputes. Recalling the agreement between the United States and the Soviet Union to accelerate work at Geneva, we appreciate the United States' negotiating efforts and call on the Soviet Union also to negotiate positively. In addition to these efforts, we shall work for improved respect for the rights of individuals throughout the world.

4. We proclaim our conviction that in today's world, characterized by ever increasing interdependence, our countries cannot enjoy lasting stability and prosperity without stability and prosperity in the developing world and without the cooperation among us which can achieve these aims. We pledge ourselves afresh to fight against hunger, disease and poverty, so that developing nations can also play a full part in building a common, bright future.

5. We owe it to future generations to pass on a healthy environment and a culture rich in both spiritual and material values. We are resolved to pursue effective international action to eliminate the abuse of drugs. We proclaim our commitment to work together for a world which respects human beings in the diversity of their talents, beliefs, cultures and traditions. In such a world based upon peace, freedom and democracy, the ideals of social justice can be realized and employment opportunities can be available for all. We must harness wisely the potential of science and technology, and enhance the benefits through cooperation and exchange. We have a solemn responsibility so to educate the next generation as to endow them with the creativity befitting the twenty-first century and to convey to them the value of living in freedom and dignity.

provided that
all possible security
measures
taken
(Draft)

050400

Self-guaranteed

L

STATEMENT ON THE IMPLICATIONS
OF THE CHERNOBYL NUCLEAR ACCIDENT

h2

We, the Heads of State or Government of seven major industrial nations and the Representatives of the European Community, are much concerned about the implications of the release of radioactivity following the accident at the Chernobyl nuclear power station. We express our deep sympathy for those affected. We remain ready to extend assistance, in particular medical and technical, if and when requested.

and on
profound
distrust that
all relevant
factors
not
strong
enough

Nuclear power is and will continue to be ^{an} increasingly widely used source of energy. ^{provided that, prevent Chernobyl dump, allow} Each country engaged in nuclear power generation bears full responsibility for the safety of the design, manufacture, operation and maintenance of its installations. Each of our countries meets exacting standards. Each country, furthermore, is responsible for prompt provision of detailed and complete information on nuclear emergencies and accidents, in particular those with ~~that~~ potential transboundary consequences. ^{in the case of Chernobyl this} Each of our countries accepts that responsibility, and we urge the Government of the Soviet Union ^{also recorded at Chernobyl} to provide such information, as our and other countries have requested.

We further ask for an analysis by experts, within the framework of the International Atomic Energy Agency (IAEA), of the causes of the accident and of any lessons for the future. We ^{expect} ~~hope~~ that the Soviet Union will facilitate and participate in this analysis.

We now
submit
call upon

We demand post-accident analysis

We welcome and encourage the work of the IAEA in seeking to improve international cooperation on the safety of nuclear installations, the handling of nuclear accidents and their consequences, and the provision of mutual emergency assistance. Moving forward from the relevant IAEA guidelines, we urge the ^{preparation} early elaboration of an international convention committing the parties to report and exchange information in the event of nuclear emergencies or accidents.

[Handwritten scribble]

Asked IAEA

Further etc. for an analysis

*We note with interest -
should discuss -*

- particularly

- post-accident analysis



CONFIDENTIAL

MR POWELL

CSM

cc PS / Secretary of State
PS / Chancellor of the
Exchequer
Mr Braithwaite
Sir G. Little
Mr Thomas.

65/67

The Personal Representative of ~~the~~ Monsieur
Delors, acting on M. Delors's instructions,
said that he understood that the Italian
and Canadian delegations had taken a
public position on this matter, and that
M. Delors wished to say that in his view:

1. the present structure of 65 and 670
was an efficient one and should not
be changed;
2. he understood that this raised a
political problem for the Italian
and Canadian Prime Ministers;
3. as President of the Commission,



he would be in real difficulty if a G-7 that excluded the Commission was instituted, and he would then take the position that the Italian (and he thought the Canadian) Prime Minister had taken: viz. he would take no further part in this Summit meeting.

2. He took his position partly because of the competence of the Commission in monetary matters, and partly because of his own long-standing interest and position in monetary matters.

RA

S. V. 86



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Private Secretary

Dr. Powell
Foreign Secretary has approved this.
J. G. [unclear]
4/5

cc: PS/Number 10
Sir R Armstrong
Mr Braithwaite
Mr Ingham
Mr Meyer

SOUTH AFRICA: HANDLING OF P W BOTHA'S REQUEST FOR A STATEMENT

1. Discussion this morning with the Japanese, US and Canadian Foreign Ministers revealed strong doubts about the possibility of getting agreement at Tokyo on a brief balanced statement of support for a dialogue between South Africa and black representatives of the kind the Prime Minister hopes to be able to achieve. They all agreed that the original South African expectations were quite unrealistic.

2. The arguments put forward were:

- (i) any proposal for a positive statement on South Africa would be met with counter-proposals for additions. These would be on standard lines (condemnation of apartheid, demand for release of Mandela, faster progress towards dismantling of apartheid etc) of the kind that would be unwelcome to Botha at present.
- (ii) the above risk would be particularly acute in the case of a separate statement. It might be reduced if a short passage could be included in a more general statement. But there is no suitable vehicle available. The general declaration of economic conclusions are quite unsuitable;
- (iii) an alternative possibility might be for a brief reference to be made to South Africa in the Chairman's summing-up if suitable wording could be agreed and used.

3. The dangers to the COMGEP process of an unbalanced statement from Tokyo are particularly acute at present. A bad reaction in South Africa would rub off on their attitude towards COMGEP and prejudice the prospects for a further visit to South Africa. Great care will therefore be needed here.

4. The best approach would be for the Prime Minister to sound out her colleagues (especially The Netherlands Prime Minister, also President Mitterrand and Chancellor Kohl) before the joint session on the afternoon of 5 May. It would be necessary to explain the rationale for making a positive statement at this juncture, and avoiding the standard condemnatory language. If their reaction was positive, it would be worth circulating the attached draft passage at the joint session.

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/5.



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5. The risk would be that additions would be proposed drawn from recent statements on South Africa, eg by the 12, which would therefore be difficult to reject.

6. It would need to be clearly understood that if a passage on these lines was agreed for use by the Chairman in his summing up he should stick to the agreed wording.

7. If the responses from the Prime Minister's colleagues were equivocal, it would be best to avoid these risks altogether and to invite the Chairman simply to state, in his summing up, that the question of South Africa had been discussed, but avoid going into details.

A handwritten signature in blue ink, appearing to read 'D M D Thomas', with a long horizontal flourish extending to the right.

4 May 1986

D M D Thomas

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SUGGESTED PASSAGE ON SOUTH AFRICA FOR CHAIRMAN'S SUMMING UP

On South Africa, the Seven Summit leaders noted and welcomed the progress made so far by the Commonwealth Group of Eminent Persons. They expressed full support for the aim of facilitating a process of dialogue across lines of colour, politics and religion in South Africa in the context of a suspension of violence on all sides. They called for the complete abolition of apartheid and for the establishment of a democratic, non-racial system of government which would ensure the protection of minorities.



Foreign and Commonwealth Office

London SW1A 2AH

1 May 1986

Dear Charles

Tokyo Summit: Soviet Nuclear Accident

At the Prime Minister's meeting this morning,
Sir Geoffrey Howe undertook to provide a brief on Chernobyl
for the Prime Minister's use in Tokyo. I enclose six copies,
which may be used in bilaterals as well as in formal sessions.

Yours ever

R N Culshaw

(R N Culshaw)
Private Secretary

C D Powell Esq
PS/10 Downing Street



TOKYO ECONOMIC SUMMIT : SOVIET NUCLEAR ACCIDENT

LINE TO TAKE

1. We hope agreement can be reached on the following elements for a declaration:

- (a) express sympathy with the families and relatives of the victims.
- (b) Express deep concern at the Soviet Union's failure to give early warning and (even now) adequate information on this catastrophe which is seriously affecting neighbouring countries.
- (c) Request the Soviet Union to give a prompt and full account of what happened at Chernobyl and why.
- (d) Affirm the importance and viability of nuclear power programmes run with proper regard for safety.

/(e)



- (e) Initiate international discussions aimed at the mandatory disclosure of information on nuclear accidents with cross-border effects.

2. Doubt desirability of FRG suggestion that Soviet Union should be asked to close down all similar reactors until safety has been strengthened.

BACKGROUND

1. Chernobyl is the most serious nuclear accident to date. The Soviet government have so far provided meagre information, nowhere near what is needed. Full and prompt reporting on developments is essential, both to enable neighbouring countries to react appropriately and, in the longer term, to ensure that lessons are learned. The appropriate international body is the International Atomic Energy Agency, which has so far gone no further than adopting procedures for voluntary disclosure.

2. The FRG proposal would involve shutting off half the Soviet nuclear generating capacity and would be bound to be rejected on grounds of impracticality or of unwarranted interference in internal affairs, or both. We may however need to look at variations of the proposal, eg seeking assurances from the Soviet Union that these reactors will be modified in accordance with the lessons learned.



ECONOMIC SUMMIT, TOKYO: HEADS OF GOVERNMENT DINNER ON 6 MAY:
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/Talking Points



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Let me explain why:

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We have made a number of positive steps towards more effective action:

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London Declaration in particular related to state-supported terrorism and supported five specific proposals:

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- scrutiny by each of us of gaps in legislation exploited by terrorists;
- reduction in size of diplomatic missions;
- review of sales of weapons to States supporting terrorism;
- consultation over expulsion of known terrorists.

/4.

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4. Since 1984, scale of State supported terrorism has dramatically increased and became major threat to security:

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/We



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CONFIDENTIAL



Rine Rinsten

CPD

2/5

MW

Qz05020

MR POWELL (10 Downing Street)

TOKYO ECONOMIC SUMMIT: US/EUROPEAN COMMUNITY TRADE DISPUTE

I attach a note describing what the current US/Community trade dispute over US exports of grain to Spain and of grain and soya products to Portugal is about. The dates for action are 1 May (deferred) for Portugal and 1 July for Spain. The most important points are -

(1) Spain and Portugal are transiting over 7 years from their current import arrangements to those of the Community. By the end of the period

- Spain and Portugal will be applying the Community's full variable levies on imports of cereals. At least in respect of Spain the prospects for US exports of cereals will get worse.

If this were agreed, it would be an element in the GATT Article XXIV.6 negotiation. The situation is less clear for Portugal (current imports controlled by a monopoly) but the United States objects to a transitional arrangement under which Portugal would buy 15.5 per cent of its cereal imports from the Community.

- Spain and Portugal will be applying the Community's import arrangements for soya and soya products. Most US supplies to the EEC come in as soya beans. The Community has no tariff and no levy and gives completely free entry for soya beans. The US complaint is about transitional arrangements which the Community believes to be no more restrictive than those applied by Spain and Portugal in a recent period.

- Spain and Portugal have substantial industrial protection which is being phased out as they move to the Community's low industrial tariffs.

- The Commission estimates the ratio of advantages to disadvantages for all US exports to Spain and Portugal as a result of accession at 5 to 1.

- Community has agreed its mandate for GATT Article XXIV.6 discussions with the United States which will cover the global effect on trade of the accession of Spain and Portugal and is keen to get on with them.

In our view the most likely sequence of events is that before the Tokyo Economic Summit the United States will put quotas on certain Community exports at levels which have no trading effect. The Community will respond equivalently. We shall have to find in the period before 1 July some way of keeping down the temperature (eg by acknowledging the US "credit" on cereals exports) while maintaining that the final balance sheet and settlement must cover all trade, both agriculture and industry.

--- Recent Spanish and Portuguese import figures on cereals and oilseeds are attached.

I am sending copies to Tony Galsworthy (FCO), Rachel Lomax (Treasury), John Mogg (DTI) and Sir Robert Armstrong.

DF Williamson

D F WILLIAMSON

1 May 1986

US exports to Spain

	1982	1983	1984	1985
<u>Cereals</u>				
Milliontonnes	5.87	3.24	2.45	about 2.45
Ø million	750	467	364	n.a.

US exports to Portugal

	1984
<u>Soya oil</u>	33,000
(for consumption)	

tonnes quota

1985
40,000

1986
50,000

<u>Cereals</u>	
milliontonnes	2.8
Ømillion	4.75

DISPUTE BETWEEN THE EC AND THE US OVER ENLARGEMENT TERMS

The most serious of a series of current trade disputes between the EC and the US concerns the terms of accession for Spain and Portugal in certain agricultural products of interest to the US, namely grain and oilseeds. The US has threatened retaliation within a month against Portuguese measures, and retaliation in July/August against the new Spanish cereals regime.

The Problem

2 On grain, Spain and Portugal, which are both in deficit for feed grain, were previously free to import cereals from any source on the best available terms, including some 3 million tonnes each from the USA of various grains. On oilseeds the Accession Treaty recognises the concern of the Community to maintain the existing price ratio between olive oil and competing vegetable oils pending adjustment of the edible oils acquis.

3 The arrangements which apply for Spain and Portugal therefore are as follows:

Portugal - for cereals the state monopoly of imports will be progressively liberalised by 20% a year from March 1, 1986 to 1991. Customs duties will be abolished and a levy system introduced, applicable equally to imports from Community and third countries, but subject to a margin of price preference for Community cereals, plus an obligation on Portugal to buy 15.5% of its total annual cereals imports from the EC11 from March 1, 1986.

- for oilseeds, import restrictions (which were abolished at the end of 1984) will be reintroduced at a level based on trade in 1980-83. For oilcake contingency provision has been made for restrictions of imports from third countries till December 31, 1992.

Spain - for cereals, full import levies (adjusted by any differences between Spanish and EC10 intervention prices) whose effect will be inter alia to double the cost of US maize.

US Action

4 On 2 April the US, which had protested vigorously but belatedly against these elements in the accession arrangements, on the grounds that they could entail a loss of trade to the US of \$1 billion, announced that public hearings will be held on April 21. Following this retaliatory measures will be introduced on or about May 1, 1986 (July 1 in the case of the Spanish cereals levies) under Section 301 of the Trade Act of 1974. The US argues, in essence, that (i) negotiations for compensation under Article XXIV:6 of the GATT should have been completed in the case of the Spanish cereals levies before the levies were introduced; and (ii) the new Portuguese import quotas and the Community preference on cereals are illegal under GATT.

5 The proposed US retaliation takes the form of a dollar value quota for Community white wine, equivalent to the alleged adverse impact on the US of the Portuguese restrictions on oilseeds; increased duties on a number of products including fruit, fruit juices, biscuits, cakes etc., to match the Portuguese restrictions on grain imports; and increased duties to offset the Spanish levies on grains on a number of products including certain meats, and cheeses, chamois leather, white wine and spirits including whisky.

Effect on UK of US list

6 The level and form of US action (quota, increased tariff...) has yet to be specified, but of the products listed, several are highly sensitive (notably whisky - £270m exports, gin, cakes - £9½m, confectionary - £44m and chamois leather). In most of these, the UK is a dominant supplier. The overall structure of US retaliation seems disproportionately detrimental to UK exporters (\$580m worth of exports are vulnerable, compared to \$530m for France and much lower amounts for other Member States).

Community View

7 The Community takes the view that the terms of the accession arrangements are legal in GATT, both because Portugal had no bound tariffs for the products in question and because the Community is prepared to negotiate compensation for the levies on Spanish cereals imports as part of the overall negotiation under GATT article XXIV:6 following enlargement. In the Community's view there is no requirement or precedent for compensation negotiations under Article XXIV:6 to be completed before a free trade area is created or enlarged, and the US is in the wrong in insisting that this should be so. Further, the Community considers that in accordance with the strict terms of Article XXIV:6 the consequences of enlargement (losses and gains to trading partners) should be looked at as a whole (the US stands to gain substantially from many Spanish and Portuguese duty reductions though not till later in the transitional period). The US disputes this view also. Within the Community, FRG UK and others have underlined the shakiness of the GATT defence for a minimum import requirement laid on Portugal. But the GATT legality of this and other aspects of the Act of Accession would fall to be addressed, if the US chose, in a separate Article XXIII panel.

8 The Article 113 Committee (full members) discussed the issue on 11 April. They concluded that:

- i) there was no possibility of reopening the terms of the Accession Treaty;
- ii) the Community must insist on a global approach to the XXIV:6 negotiations, taking into account both losses and gains to the US;
- iii) a mandate for the negotiations must be agreed as quickly as possible;

- iv) all possible steps must be taken to prevent the US from introducing the threatened retaliatory measures on May 1;
- v) the most urgent problem was the measures threatened on 1 May in respect of Portugal;
- vi) indicative lists of products for retaliation against the US must be agreed as quickly as possible;
- vii) individual Member States in their bilateral contacts with the US must lend every possible weight in support of the Community position;
- viii) some delegations continued to argue for additional "gestures" designed to conciliate the US, but this approach is regarded with deep suspicion by the Commission and by a majority of Member States.

Impact in UK of Community Retaliation

9 The Community's indicative lists are designed above all to focus on products that are sensitive to US Lobbies. But this objective is not easy to reconcile with UK importing interests. The inclusion of some products used by UK industries whose exports are themselves on the US List risks penalising the same sector twice over: for example, British bakers risk losing US supplies of dried fruit and almonds at the same time as losing access to the US market. And up to half of EC imports of some other items (wine and tinned corn) are bought by British consumers.

Other Current Problems

10 Most of the other various disputes between the Community and the US (e.g. on steel semis, citrus, VAT on government contracts) are likely to prove containable and capable of being resolved either severally or as part of a wider agreement. The Manufacturing Clause, with the strong US printing lobby defending a long-standing piece of protectionist law, is an exception. But the enlargement issue is different from all of these, partly because it involves agricultural products which are particularly sensitive for the US and partly because it entails some basic disagreements as to the meaning of the GATT. It is common ground that everything possible must be done to head off the threatened US measures; but this may not be possible. Although the US appears almost wholly in the wrong, this will not help the atmosphere for the run-up to the new GATT Round, nor the common front which the developed countries need to present on a number of key issues.

11 It is not even clear how much trade the US will lose from the Community enlargement provisions, since the likelihood is that quotas/where they apply) will be set at levels which will hardly reduce US exports to Spain/Portugal compared with the reference periods.

Conclusions

12 If the present dispute goes on escalating, the implications for UK trade, both in the US retaliation lists and in the draft indicative retaliation lists which the Commission have proposed, are considerable. The implications are that:

- a) the Community should be ready to retaliate quickly if the US introduces the threatened measures;
- b) EC retaliation should be concentrated on sensitive products ;
- c) the Community must defend the principle of a global negotiation in GATT that respects the Acts of Accession;
- d) ways to de-escalate the dispute must still be sought.

This points to the following approaches:

A Line to Take with US:

1. A bilateral squabble now could have very serious consequences for the forthcoming OECD, Summit and GATT meetings.
2. The principle of a global GATT negotiation about the consequences of enlargement is a political sticking-point for the Community. So, too, is the status of the enlargement treaties which represent a series of delicate compromises.
3. The Community has committed itself to speedy Article XXIV.6 negotiations. US should take up this offer, and press for early assessment of level of "debit" on Spanish cereals.
4. [If US emphasise that they are concerned at breaches of GATT law as well as trade effects]. If this is the worry then US must have recourse to Article XXIII procedures : our aim in GATT is to strengthen dispute settlement procedures, not ignore them.
5. On practical trade impact of Portuguese oils regime, US should pin Commission down to continuing consultations. 1986 regime will be unrestrictive.
6. Same is true for Portuguese grains. Need to consult if there is a problem once 1986 results are known.

B Line to Take in Community:

1. Must stand firm on principle of a global negotiation. Must therefore finalise mandate and make an early start on talks.

Now done

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- 5 -

2. Should offer early assessment of XXIV. 6 consequences of change in Spanish cereals regime. This will demonstrate good faith and put an end to excessive US estimates.
3. On Portuguese regimes, must be prepared for pragmatic bilateral discussions and must give all possible assurances on likely levels of trade in coming year or so.
4. Must emphasise out ultimate objective to return to EC(10) levels of tariff.

DTI/ITP
14 April 1986

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R. P. ...

Qz05019

MR POWELL (10 Downing Street)

MS.

*CDP
1/5.*

TOYKO ECONOMIC SUMMIT: AGRICULTURAL
SUPPORT AND PROTECTION

As requested at the briefing meeting this morning, I attach -

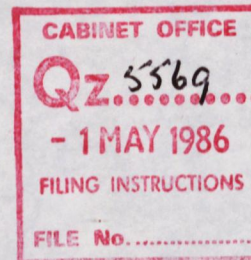
- (1) the note on Japanese agricultural support and protection to which the Chancellor of the Exchequer referred this morning.
- (2) a short note on the United States Farm Act, which is derived from a much longer note prepared earlier this year by the Ministry of Agriculture, Fisheries and Food.

I am sending copies to Tony Galsworthy (FCO), Rachel Lomax (HM Treasury), Ivor Llewelyn (MAFF) and Sir Robert Armstrong.

D. F. Williamson

D F WILLIAMSON

1 May 1986



AGRICULTURAL SUPPORT IN JAPAN

1. Japanese agriculture considered as a whole has remained highly protected. The ratio of government expenditure on agricultural support to gross agricultural output rose sharply during the 1960s and 1970s from 7.2% in 1960 to 19.0% in 1970, and to 30.3% by 1980. This percentage fell to 29.3% in 1982, reflecting increased budgetary stringency. Annex 1 sets out the Government expenditure on agricultural price policy for the years 1975 to 1984. The Japanese authorities view protection against imports and maintenance of price control as necessary due to the extreme shortage of farm land, given very mountainous conditions and the need, for food security reasons, of improving generally low self-sufficiency rates.

2. As in many other countries, distortions are more marked in the agriculture sector than in other major sectors of the economy;
 - For many land-extensive products (eg rice), import restrictions create a substantial gap between the prices facing Japanese consumers, and those on the world market.

 - Direct subsidies and monopolistic state trading arrangements often raise the price paid to domestic producers well above the prices paid by consumers.

3. The mechanism and source of agricultural support depends on the product. In the case of rice, imports are virtually excluded and the price of rice to consumers is subsidised so that the wholesale price of rice is less than the government purchase price. For other products imports are generally purchased by a state monopsonist which can then re-sell in the domestic market and use the resulting profits to subsidise domestic output. Wheat is imported by the State Food Agency and then generally resold domestically at a substantially higher price. The profits that result are used to subsidise the relatively few domestic wheat producers. Similar arrangements apply to beef where the difference between import prices and (controlled) domestic prices becomes the trading profit of the Livestock Industry Promotion Corporation (LIPC) and is used to support the domestic beef industry and improve its infrastructure.

Broadly similar arrangements apply to sugar and to dairy products. For other commodities specific policy regimes apply to each product or product group. There is no comprehensive price policy or subsidy policy system as there is in the Community (the CAP). The attached table (Annex II) outlines the main price policies. Japan is the single largest importer of agricultural products in the world (17.1 billion dollars worth in 1983). In contrast it has never been a significant exporter in any major farm products after World War II (exports in 1983 - \$1.5 billion); consequently no specific or strategic export policies such as export credits or export subsidies have been required so far.

Table 18
GOVERNMENT EXPENDITURE ON AGRICULTURAL PRICE POLICY

(Unit: Billion Yen)

	1975	1979	1980	1981	1982	1983	1984	1984/ 1975
1. Total Agricultural Expenditure	1 918.0	2 819.7	2 925.3	3 020.2	3 027.5	2 926.6	2 792.2	145.6
2. of which on price policies:	850.9	774.3	766.5	767.0	757.7	689.8	658.6	77.4
* Food control	811.5	667.8	652.2	652.0	640.3	572.5	540.3	66.6
Livestock products	22.8	47.9	49.4	49.8	49.7	49.6	51.1	224.1
Vegetables	8.0	15.9	11.2	12.1	12.1	10.9	10.1	126.3
Fruits	0.7	0.2	1.6	0.8	1.6	0.6	0.8	114.3
Soybeans and rapeseeds	1.1	8.8	18.1	16.1	16.7	19.2	21.9	1 990.9
Sugar and sugar crops	6.8	33.7	34.0	36.2	37.3	37.0	34.4	505.9

Source: MAFF, "Explanation on Government Budgets for Agriculture Forestry and Fisheries", various years.

* The food control law covers Rice, wheat and Barley.

Table 20
OUTLINE OF THE MAJOR PRICE POLICIES

Commodity	Type of Price Support	Major Characteristics	Regulating Law	Year Commenced	Govt. Expenditure (1984) bill Yen	Related Trade Measures	Statutory Body
1. Rice	State control	Govt. regulates marketing of all commercial based rice. Govt. decides its purchasing and selling prices for Government, marketing rice.	Food Control Law	1942	503	State trading	Food Agency of the Govt.
2. Wheat & Barley	Minimum guaranteed price	Govt. guarantees unlimited purchase at given prices.	Food Control Law	1942 (1952)	25	State trading	Food Agency of the Govt.
3. Beef & Pork	Stabilisation within a price band	Market prices are guided to stay within the stabilisation price band through the market intervention of the statutory body (LIPC)	Law concerning price stabilisation of Live-stock products	1961 (Pork) 1975 (Beef)	-	Import quota (Beef) Countervailing duty (Pork)	Livestock Industry Promotion Corp. (LIPC)
4. Manufacturing Milk (Milk Products)	Deficiency payment + market intervention for the products	Difference between guaranteed price to producers and estimated cost price for manufacturers (standard trading price) is paid by the Govt. Prices of milk products are guided to stay around given prices through the market intervention of LIPC.	Temporary Law on Deficiency Payment to anufacturing Milk Producers	1966	46	State trading (Skimmed Milk powder, butter, etc.) IQ (Milk, Cream, Processed cheese) Automatic Approval(A.A) (natural cheese).	LIPC
5. Soybeans & Rapeseed	Deficiency payment	When market price falls below the base market price, the deficiency is compensated by the Govt. subsidy	Temporary Law for Subsidising Producers of Soybeans and Rapeseed	1961	22	A.A. duty free	
6. Sugarbeet & cane	Minimum guaranteed price for producers + stabilisation of imported raw sugar price within a price band	A statutory body (SSPSC) purchases domestic sugar at given supported prices and sells it at the market price equivalent. Loss generated is offset by the Government subsidies and levies from imported sugar. Import price of raw sugar is regulated through the various measures by SSPSC.	Sugar Price Stabilisation Law	1965	34	Specific duty Domestic variable levy	Sugar and silk Price Stabilisation Corporation (SSPSC)
7. Vegetables	Price stabilisation Fund	Funds assisted by the Govt. compensate for part of damage caused by the price fall below given levels	Vegetable Production & Marketing Stabilisation Law	1966	10	A.A. A.A.	Vegetable Supply Stabilisation Fund (VSSF)

(cont'd)

Table 20 (continued)
 OUTLINE OF THE MAJOR PRICE POLICIES

Commodity	Type of Price Support	Major Characteristics	Regulating Law	Year Commenced	Govt. Expenditure (1984) bill Yen	Related Trade Measures	Statutory Body
8. 1) Beef calves	Price stabilisation Fund	Funds assisted by the Govt. compensate for part of damage caused by the price fall below given levels	-	1970	3	A.A. Specific duty	-
8. 2) Fruits for processing	Price stabilisation Fund	Funds assisted by the Govt. compensate for part of damage caused by the price fall below given levels	-	1972	1	A.A. (12 for some products)	-
8. 3) Eggs	Price stabilisation Fund	Funds assisted by the Govt. compensate for part of damage caused by the price fall below given levels	-	1975	1	A.A. Specific duty for eggs without shells	-
8. 4) Formula Feed	Price stabilisation Fund	Funds assisted by the Govt. compensate for part of damage caused by the price fall below given levels	-	1975	4	A.A.	-

SOURCE: OECD COUNTRY
 REPORT, 31 JANUARY 1986

AGR/TC/WP(86)2
 AGR/WP1(86)2
 Annex

US FARM ACT

1. The US Farm Act (or Food Security Act 1985 as it is properly called) was signed by President Reagan on 23 December. It

- sets out the levels of agriculture price support (within limits) for key commodities (wheat, feed grains, cotton, rice, soya, dairy products, wool, sugar, honey and peanuts)
- establishes acreage reduction and conservation programmes
- requires the Agriculture Secretary to make substantial amounts of export credit available
- makes mandatory the Export Enhancement Programme (EEP), which is, in effect, an export subsidy programme
- reauthorizes and revises rural credit and development programmes.

It is effective until 1990.

2. The declared aims of the Act are

- to begin a transition to a market orientated farm policy (by reducing loan rates)
- to maintain farm incomes during the transition (by high target prices and deficiency payments)
- to restore the competitiveness of the US farmer on world markets (by making the export enhancement programme mandatory and by extensive provision for 'blended' and low-interest credit).

3. The Act sets US agricultural support at its highest ever level at \$52 billion over Fiscal Years 1986/88. However, if the Gramm - Rudman proposals do have a real effect, agricultural spending as a whole could be reduced. The budget for FY 1987 presented to Congress on 5 February proposes setting the budget of the United States' Department of Agriculture at \$46 billion in FY 1987: in FY 1986 it was \$57 billion. Outlays on commodity

/price

price support and related programmes are projected to fall from \$20.4 billion in FY 1986 to \$16.2 billion in FY 1987 but to rise again to \$17 billion in FY 1988 and 1989. Sectors to be reduced include meat and poultry inspection, crop insurance, extension services and child nutrition and food stamps. The Administration expects that the modest reductions in target prices over the latter years of the Farm Act coupled with the anticipated growth in US exports will lead to significant reductions in outlays for federal farm price support after 1989.

4. In the 1986 crop programmes announced so far, the outgoing Agriculture Secretary Block has used his discretion to reduce loan rates and vary acreage reduction programmes to the full. Acreage reductions for wheat and corn have been set at maximum levels (25% for wheat, 20% for corn) with a further 10% voluntary reduction for wheat farmers who planted before the programmes were announced.

Prime Minister

*CDP
1/5*

Mr Powell (No. 10)

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*A copy - not yet
approved by Ch/Ex*

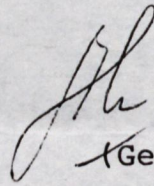
From: Sir G. Littler
Date: 1 May 1986

AWK 1/5

MR KUCZYS

SUMMIT - TIED AID FINANCING

The Prime Minister asked for a better brief on this to add to her dossier. Could we offer her the attached, which I plan in any case to include in the Chancellor's extra dossier, and which gives a simplified example showing why the UK and others are keen to get the Japanese to our way of looking at Differentiated Discount Factors.



(Geoffrey Littler)

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TOKYO ECONOMIC SUMMIT - TIED AID FINANCING

Objective:

- to join US and others in persuading Japan to accept the proposed new OECD "discipline" package, including novel (but essential) use of "Differentiated Discount Factors".

Line to Take:

- we must bring the escalating credit war among industrial countries under control; it distorts trade and aid and is costly;
- after long discussion we are near to agreement in OECD on a package which makes sense: only Japan and Switzerland are opposing;
- the feature which they oppose (Differentiated Discount Factors) is necessary to replace an artificial method of calculating comparisons which gives unfair advantages to low interest-rate countries;
- it is unseemly for Japan, with its huge current surplus, to insist on retaining an unfair trade advantage.

Background

Tied aid finance is a device for offering cut-price bids for large credit-financed export contracts. UK and many others dislike it but have joined in as the only way of matching the competition (in which Japan and France have tended to set the pace).

2. The attempt to control the process has been built on the principle of distinguishing between aid on the one hand and market trade credit on the other, by establishing a deliberate gap: if

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you depart from market terms in relation to exports to countries for which the agreement allows this at all, then you must offer a package with a minimum "grant element" of X%. (X% is now 25%. The US want a 40% minimum: the Community say 35%. These views could be reconciled in negotiation once the principle is agreed).

3. But to evaluate the "grant element" one must be able to convert different repayment and interest rate schedules (which can readily involve subsidy) and an appropriate discount factor must be adopted. This is the focus of the unresolved argument:

- the present arrangement uses an artificial factor of 10% for all discounting calculations;
- the proposed arrangement would use different discount factors for each creditor country, reflecting market costs of capital in that country.

4. The importance of this for the UK and others can be seen from a simple example. Suppose UK and Japan offer identical bids of £100 million for an engineering project, and each offers to finance 25% - the permitted "minimum grant element" - by free gift of technical assistance, etc. But the remaining 75% is financed on credit which costs 12% in the UK and 7% in Japan. Using the artificial 10% discount factor for both will result in the UK credit element showing an extra cost to the buyer (because $12 > 10$), and the Japanese credit an extra benefit. No problem for Japan, but the UK will have then to produce more aid to get the total "minimum grant element" back to the required 25%. Using Differentiated Discount Factors as we propose, this problem would disappear, because the different market interest rates would be discounted by different factors and yield virtually identical results for Japan and UK.

✓ CBI

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PRIME MINISTER

ECONOMIC SUMMIT: BRIEFING MEETING

You have a briefing meeting tomorrow morning following Cabinet to consider the handling of the main issues at the Economic Summit. You might do economic issues first as the Chancellor has to leave.

On the economic issues themselves, there does not seem to be a great deal to discuss. The Chancellor has sent you a minute about the handling, together with a revised speaking note (Brief 2). The two most difficult points will be:-

- (i) how to get endorsement for the rapid launching of a new multilateral trade round given likely French opposition?
- (ii) How to bring effective pressure to bear on Japan to take further action to reduce its surplus.

On the multilateral trade round we should obviously press hard for an explicit commitment in the Summit conclusions but at the end of the day will have to settle for whatever is the best we can get the French to agree to. On Japan, there will be plenty of opportunities to make our points in discussion both at the Summit itself and in your bilateral with Mr. Nakasone (though this comes after the Summit has ended). It will be difficult to secure an explicit commitment from the Japanese in the conclusions of the Summit. But you will want to ensure that officials have some words ready for you to propose.

→ You will want to consider at the briefing meeting to what extent you need to raise developing country issues, and how far we are likely to be under pressure to make commitments to which we would prefer not to subscribe (Brief No. 6).
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Terrorism will obviously be a major issue although information from Washington seems to suggest that the Americans do not want to risk an open split with any of the other Summit countries and will not, therefore, pitch their demands too high. We have sent to Nakasone and the Americans our alternative draft statement. Depending on whether Nakasone himself is willing to introduce this into the discussion, you will retain the option to do so. There are some signs that the Americans may float the idea of an oil embargo. The implications for the UK are to be considered further by Ministers tomorrow afternoon. But the Energy Secretary has already pronounced himself willing to go along with a Community embargo.

We shall want to ensure wording in the Summit conclusions that reinforces the commitment to consultations among the Seven outside the actual Summits themselves. This will help deal with the problem identified by Lord Carrington.

There will also be discussion of agricultural trade and a speaking note on this is in your briefs at No. 20. The French will be wary of opening up this issue in the Summit forum. Equally, their willingness to go along with a new multilateral trade round will depend in good part on their assessment of whether the Americans are prepared for bilateral talks between the United States and the European Community on agriculture with the real intention of trying to defuse some of the problems in this area. The discussion may also become entangled with the United States threat of retaliation against the Community because of Enlargement.

You will want to consider at the briefing meeting whether and how you might raise the question of the growing burden of social security expenditure and its implications. This is covered in Briefs Nos. 17 and 18.

You will also want to establish whether there is any particular input needed from us on the Japanese wish to

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discuss the "human frontier programme" (Brief No. 8). Two other subjects which may come up are education on which the Japanese have requested a discussion. This is covered by Brief No. 9; and fusion which the Americans may raise and is covered in the second brief under Brief No. 8.

On the political side, the main themes, apart from terrorism, are likely to be East/West relations and arms control. You will want to have some discussion on the Middle East, but we hope to keep Southern Africa for bilaterals.

Finally, you might like to have some discussion at the briefing meeting of how we want to present the Summit to the British press in advance. It seems to me that the two themes to stress are action against terrorism; and the success of the economic policies which the Summit countries have consistently pursued and which are now producing results.

C.D.P.

CHARLES POWELL

P.S. Alan Walters' views are attached immediately behind this minute.

30 April 1986

LO4AFX

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Notes for Summit

Prime Minister

Alan Walters' notes
for the summit

JWS
30/4.

(a) A New Bretton Woods?

We need a reform of fiscal and monetary policies (and particularly the United States) so that they are more responsible and conducive to a stable world economy. We do not need a new international monetary system.

The appreciation of the dollar 1980-5 was largely a response to the need for the US to run a large current account deficit and import capital to finance the budget deficit at the same time that monetary policy was tightened in order to wring inflation out of the economy.

To blame floating exchange rates for these problems of a soaring dollar and high interest rates is like blaming the messenger for bringing bad news. The dollar did not appreciate because of perverse international monetary arrangements. It rose because of the budget deficits and tightened money.

Any system, be it Bretton Woods or target zones, would have broken down under the pressures created by the deficits. But the attempt to hold down the dollar, under a Bretton Woods system, would have required a large increase in the US money supply (and/or corresponding reductions in the monetary growth of Japan and Europe) - hardly the sort of policy that would promote a stable world economy.

(b) Agricultural Trade

The United States and Europe appear to be on a collision course. Both subsidise and protect their farmers. The United States, however, does mostly arrange the subsidies so that they decrease the surpluses. The CAP, except perhaps in lactates, ensures that their subsidy system increases the surpluses, and so exacerbates the tensions in third markets. While no-one will believe any promises to cut subsidies, the commitment by the EEC to change their subsidy system so that it penalizes rather than promotes surpluses would go some way towards both mollifying the Americans and a solution to the underlying problem.

It would be a good idea to start easing agriculture under the GATT umbrella (I fancy the United States now regards it as a mistake to have insisted that, on the founding of GATT, agriculture be excluded). But progress is bound to be painfully slow.

(c) Trade in Services

The United States is keen to make progress in freeing trade in services. Since Britain has a relative advantage in services, we should strongly support these efforts. Whether it should be centred in GATT, which unfortunately has no experience in the area of services, or some other institution, such as the World Bank, is one of the issues - but if Barber Conable develops the Bank's impetus along the Baker initiative lines, then I submit that the issue is resolved.

Ala Welfer

PART 20 ends:-

Tokyo Statements 5-6/5/86

PART 21 begins:-

B1 to PM 6/5/86

COP TOPM 30/4/1986.

Grey Scale #13



A 1 2 3 4 5 6 **M** 8 9 10 11 12 13 14 15 **B** 17 18 19

