

JAN 1979
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Brief No 17
Annex A

Ref. A08541

MR. STOWE

Paragraph 31 of the declaration issued after the Bonn Economic Summit said "We have instructed our representatives to convene by the end of 1978 in order to review this declaration". Accompanied by Sir Michael Palliser and Mr. Couzens, I attended a meeting in Bonn for this purpose on 10th-11th December: and we took the opportunity also to have a first talk about preparations for the Tokyo Summit.

Review of Bonn Summit

2. We worked carefully through the declaration to see what had been done what had not been done. We decided that it was unnecessary to waste time trying to agree a written report which would serve no useful purpose, but that we would each report to our Heads of Government the broad consensus which had reached.

3. This general consensus was that the central Summit concept of mutual reinforcing measures - or, in cruder terms, a trade-off between action by Germany on growth, by the United States on domestic energy prices and by Japan on growth and their surplus - had been fairly successful and had resulted in all three countries, but notably Germany and the United States, being able to act to a greater degree than would otherwise have been possible. Six countries were however unanimous in saying very strongly that the Japanese action had been insufficient. The Japanese did not deny that they would not achieve their target but claimed that they had done their best. No-one really accepted this: and clearly a process has started of making it clear to the Japanese that if they want a successful Summit in Tokyo - and, as with Bonn, President Carter is going to make a tactical point of being unwilling to committing himself to going until he is convinced that the necessary conditions exist - the Japanese will have to do more to stimulate growth and to open up their market. We reviewed the position on the MTNs taking the opportunity to put firm, if less blatant, pressure on the French. We took stock uneventfully of the international monetary situation in light of United States action on the dollar and the European Council on EMS, but

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most of us agreed (see below) that monetary matters will figure largely at Tokyo. On energy concern was expressed, particularly by the non-producers, that too little was being done to follow up the Summit statements on nuclear energy, and new sources especially for developing countries. On North/South the main feature was a post mortem on the recent Common Fund negotiations at which the non-breakers made a plea, which was accepted, that the industrialised countries should not break ranks. In a tour de table each country gave an account of the domestic economic policies it had pursued since the Summit: no criticism was expressed.

4. The Germans, as host, are putting out a one-paragraph Press notice saying simply that this meeting has taken place but adding nothing on substance. I see no point in making such a bald announcement here but (i) the Prime Minister could refer briefly to the meeting if e.g. he gets a Question about follow-up to the Bonn Summit and (ii) we might consider the desirability of a background briefing. Mr. McCaffrey will no doubt have views on this.

Looking Ahead to Tokyo

5. At a one-a-side dinner for Personal Representatives only, there was a useful discussion about the likely themes for the Tokyo Summit. Subject to a few rather obvious caveats that (i) any Summit is bound to cover the "five points" - growth, energy, trade, LDCs and monetary matters and (ii) it is really too late to pick out a dominant theme, there was no dissent from the proposition which was advanced that the main themes for Tokyo might be:-

- (a) Monetary: EMS, the dollar and the yen. Was more fundamental than needed about reserve currencies, SDRs, etc.? There was strong support for this from Clappier (France) and Larocca (Italy). Schmidt (Germany) and Owen (USA) made the ritual noises about the need to avoid upsetting the markets but did not claim that recent United States action on the dollar had disposed of the problem and had no answer to the question if you can't discuss such matters in a crisis this is no argument for not discussing them when there isn't a crisis. It is clear that discussion of monetary issues will again become linked with discussion of the "fundamentals" i.e. the Japanese surplus, the United States deficit and possibly the German surplus, all of which will help to determine how serious the monetary problem appears in 1979.

- (b) North/South: though very much dependent on the outcome of UNCTAD V. There was rather surprisingly little enthusiasm for this subject but a general acceptance that UNCTAD might condition it.

There was also some support for the suggestion that Tokyo should take the opportunity to look at longer-term issues, and Owen (USA) suggested that Science and Technology might be a worthwhile topic.

6. We then discussed the dates and preparatory arrangements for Tokyo. There was a general consensus that Tokyo ought, as we have already agreed, to be in the last week of June. Johnstone (Canada) said that Mr. Trudeau would have some domestic advantage in a much earlier Summit, say April: but no-one else supported this and Johnstone said he was sure Mr. Trudeau would go along with the consensus. Most countries felt however that there ought to be a short interval between the European Council in Strasbourg on 22nd-23rd June and the Tokyo Summit. Accordingly we agreed to suggest 28th-29th June. As regards preparations, the Japanese wanted to start with a meeting in January and show every sign of wishing to bureaucratise the Summit with an array of working groups etc. We resisted this, and agreed provisionally on a meeting of Personal Representatives in Tokyo in the first half of March, and another in Washington in early June: if necessary a third one, probably in Europe, will be fitted in between these two.

7. There was then a rather awkward discussion about Australia. Schulmann, in the chair, said that he assumed that the Tokyo Summit would be attended only by those who had participated at Bonn. Miyazaki (Japan) said that he had to reserve his position: the previous Japanese Government had wanted to include Australia and he thought the new one would feel similarly. Owen (USA) said that President Carter had already considered the matter and would not agree to Australian participation. Clappier (France) and La Rocca (Italy) also argued very strongly against. Tickell (Commission) made the point that any objective criteria for admitting Australia would apply to other EEC countries who did not at present participate, and would thus revive all the controversy in the Commission about these Summits. Miyazaki then said that President Scheel and Dr. Owen

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had told Mr. Peacock that they favoured Australian participation. Schulmann said that he regretted what Miyazaki had said and wished to make a formal statement of the German position with the authority of Chancellor Schmidt. In effect he then said that President Scheel had no locus to make a statement of this kind, assuming he had done it, and that the German Government were opposed to Australian attendance. I said that I wanted to make our position quite clear. Australia was a member of the Commonwealth and we were naturally sympathetic to any aspirations which she might have on this or other matters. We were also a member of the EEC, and I took the point which Tickell had made. This placed us in a difficult position, and I was not going to take a firm line. We would go along with whatever consensus emerged. Johnstone similarly said that this was an embarrassing issue for Canada and that they would go along with a consensus. Schulmann then asked Miyazaki if Japan was ready to accept that the majority were strongly against Australian participation. Miyazaki said that he noted the consensus but had no authority to accept it. Schulmann (trying hard not to look at Johnstone) then said that he hoped the Japanese would not think it was a starter to suggest that Australia should come to Tokyo but not to subsequent Summits. This ploy had been tried before. The outcome of this discussion was that Miyazaki was asked to report back what had been said: the next step would then be for the Japanese Prime Minister to send the usual message to his fellow-Heads of Government suggesting the dates and the onus would be on him to raise the question of Australian participation if he still wished to do so.

8. I am sending copies of this minute to Sir Michael Palliser and Mr. Couzens who will no doubt wish to inform their Ministers of the outcome of this meeting.

JOHN HUNT

12th December, 1978