

10
Debt records
+ Social Security
level of unemployment

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copy of

Prime Minister

Ref. A086/874
PRIME MINISTER

② Disturbance of
competitiveness - because
lack of social security provisions
health safety provisions in
N.I.C.I. - indicated by
convergence
G.A.S.T.

The impression is that the
preparations are rather
limping along & no-one has
any new ideas for the summit.
The proposed declaration is
pedestrian.
The keynote of the summit seems
likely to be the prospects for lower
inflation & interest rates, & higher
growth as a result of falling
oil prices.

Economic Summit 1986

A further preparatory meeting for the Tokyo Economic Summit was held from 7 to 9 March 1986.

2. On the economic issues, the Japanese representative, in the chair, had produced a pedestrian draft of a "thematic paper", which led to a discussion that pointed up the issues that are likely to dominate the Tokyo Summit.

3. It was felt that discussion at the Summit was likely to concentrate on developments since the Bonn Summit and their implications for the general lines of policy established over the last two or three Summits. The main developments were seen as having been:

1. the weakness of commodity prices, and above all the halving of the price of oil;
2. the change in the pattern of international exchange rates, including the effects of the Plaza agreement in the Group of Five last September;
3. the continuing problems of large external payments imbalances (especially the United States and Japan);
4. the continuing threat of protectionist pressures, particularly in the United States.

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4. Despite the strains caused by the steepness of the fall in oil prices, the effects of it upon the world economy seemed likely to be beneficial, and especially so for the oil-consuming industrialised countries. The United States representative said that the administration's policy was to let the whole benefit of the fall in oil prices pass through to consumers; it was recognised that it might not be appropriate to pass on the whole of the benefit in all the other industrialised countries. The rate of inflation in the industrialised countries had been coming down even before the fall in oil prices; that fall would lead to even lower inflation rates in those countries, which should be - indeed was already being - reflected in lower rates of interest. There should be a beneficial effect on the prospects for the continuance of sound non-inflationary growth in the industrialised countries; and on the level of world trade.

5. There was no detailed discussion on international monetary prospects or of ideas like "target zones": it was recognised that such discussion would be premature in advance of the April meetings of the Interim Committee of the International Monetary Fund (IMF) and the Joint Development Committee of the IMF and the International Bank for Reconstruction and Development (IBRD) and the Ministerial meeting of the Organisation of Economic Co-operation and Development a week later. The meeting of the Interim Committee would have as a main item on its agenda reports on international monetary questions from the G10 (industrial countries) and G24 (less developed countries) and would discuss the strengthening of international surveillance and the scope for changes (if not reform) of the system so as to make possible less instability and fluctation in exchange rates. The Interim Committee would also have views on the procedural issue, whether further discussion should go forward in the Interim Committee itself or in some other forum.

6. It was recognised that the effects of the fall in oil prices would also be beneficial for the oil-consuming developing countries: lower levels of interest rates would ease the burden of debt service, and prospects for their exports to industrialised countries should be improved, provided that those countries did not seek to impose restrictions on imports from developing countries. The debt problems of oil-producing developing countries, and particularly those (like Mexico and Nigeria) with high indebtedness, would clearly be made more difficult, but there was no disposition to suggest any departure from the "case by case" approach, or from the emphasis on the need for debtor countries to adopt prudent macro-economic and other policies to put their own economies in order, attract inward investment and encourage the repatriation of domestically owned funds held abroad. Indeed recent developments reinforce the rightness of that approach. The United States representative was optimistic about the prospect for managing the Mexican situation.

7. There was general support for the Baker initiative, and general agreement that the commercial banks should remain in the front line on the provision of finance for developing countries. But the situation would continue to require the maintenance (and where possible the increase) of official development assistance, particularly for the poorer countries, increases in the resources available to the international financial institutions (particularly the Eighth Replenishment of the International Development Association (IDA), and a General Capital Increase in the IBRD), and closer co-operation between the IBRD and the IMF.

8. It was agreed that the problems of sub-Saharan Africa remained special, and would continue to require special treatment.

9. On energy, it was the general feeling that people would not easily forget the effects of the two oil price rises of 1974-75 and 1979-80, and that programmes for energy conservation and the development of alternative energy sources were not likely to be abandoned or modified, at any rate in the short term.

10. On trade, most of those present saw the forthcoming Ministerial meeting of the GATT in September as the occasion on which the new round of multilateral trade negotiations would be launched, though the French personal representative, while accepting that that might be so, emphasised that this was not the formal purpose of the meeting and might not be its outcome. France (he said) would be content for that to happen, but it would depend upon agreement at the meeting upon the agenda for the new round. There were the usual French hints at the need for "parallelism" in the move towards a new trade round and the move towards international monetary reform. The United States representative stressed the importance of launching the new round for helping the administration to contain protectionist pressures in the United States, and the need to include trade in services in the new round, investment barriers and intellectual property rights.

11. It was agreed that the Summit would want to give political impetus at the highest level to progress towards the launching of the new round, without becoming involved in detailed discussion of its content which would be more appropriate to the Ministerial meeting of the GATT. The United States representative hoped that the Summit would emphasise the need to ensure compliance with the existing commitments on "standstill" and "rollback", and would put on record a view that the round should cover the three matters he had mentioned.

12. The United Kingdom representative (alone) reminded the meeting that the Summit would look forward to being able to welcome a further package of measures to open the Japanese

market and stimulate the Japanese propensity to import. He recalled that there had been good language on this subject in the Bonn declaration, and said that we should need similar language in the Tokyo declaration.

13. There was some discussion whether the Tokyo declaration should follow the example of the Bonn declaration in including brief descriptions of the national policy objectives of each of the seven Governments represented. The United Kingdom representative suggested that that would not only be helpful in itself, but would also get round the technical problem of not identifying individual national positions and problems in the rest of the declaration. The Japanese chairman did not show much enthusiasm for this idea, but it was agreed that each personal representative would come to the next meeting (18 to 20 April, in France) with suitable wording for the purpose, in case it was decided that it would be helpful.

14. The Tokyo Summit will be able to note the final report from the Working Group on Technology, Growth and Employment set up at the Versailles Summit; and will be invited to include suitable wording on environmental questions in the declaration. The French personal representative said that, after the Challenger disaster, it would be important for the Tokyo declaration to emphasise that programmes for the development of manned space stations continue.

15. The Japanese representative will now revise his draft "thematic paper"; but that is not expected to be a working document for the Summit, even though some of the language may be usable for a draft declaration in due course. Instead there will be an annotated agenda as a basis for discussion by Heads of State or Government at the Summit; a draft of that is to be circulated before and discussed at the next and final meeting of personal representatives. I hope that that will draw the threads together for the discussion at the Summit, but I suspect

that the preparation of a declaration is going to be even more difficult than usual: Japanese chairmanship has so far been a curious mixture of disorganised and inflexible, and a good deal of work still remains to be done.

16. As to non-economic issues, there was discussion of a draft general declaration. The draft, circulated by the Japanese but owing much to a British contribution, included (in deference to Mr Nakasone's known wishes) references to "Pacific-Atlantic" co-operation; but the French, German and Italian representatives objected to being described as "Atlantic", and the draft was recast in terms of "Pacific-Europe-North America" - a triad which Mr Nakasone has also used in speeches. The latest version of the draft, agreed ad referendum, is attached.

17. There was some discussion of what might be said (either in a declaration or in a Chairman's report) about terrorism. It was felt that there was unlikely to be much new for the Summit to say about the fight against drugs, beyond what was said at Bonn.

18. The Japanese representative said that his Prime Minister was still hoping to raise the question of education with his colleagues, not with a view to substantive discussion or treatment in the declaration, but with a view to getting their agreement to his calling a one-off conference on the subject, to be attended by governmental and academic representatives from each of the seven Summit countries. A Japanese note on the problems and ideas for discussion at such a conference was circulated and is attached.

19. The Japanese representative also circulated a note, copy attached, on a "Human Frontier Programme". This is a proposal for a new centre which will study the science and technology of living organisms, including humans. This is an area of science and technology in which the Japanese are at present behind the

West. The proposal for a new centre, and expenditure of around £75 million a year, may be a way for the Japanese to buy their way into the first division. It is suggested that Japan would carry sole responsibilities for financing at any rate the initial stages of this programme; but there are hints of "international collaborative research" which suggest a desire for a considerable external input into the programme. This paper was circulated only at the end of the meeting of personal representatives, and we shall return to it, however briefly, at the next meeting, each of us suitably briefed and instructed.

20. I am sending copies of this minute to the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer and the Secretary of State for Trade and Industry.

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ROBERT ARMSTRONG

14 March 1986

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10 DOWNING STREET

From the Private Secretary

SIR ROBERT ARMSTRONG

ECONOMIC SUMMIT 1986

The Prime Minister has noted your minute of 14 March reporting the preparatory meeting for the Tokyo Economic Summit. She was particularly glad to see that you had reminded your colleagues that we would expect the Summit to be in a position to acknowledge a further package of measures directed to opening up the Japanese market.

The Prime Minister has suggested that two further subjects which might be touched upon in discussion between Heads of Government in Tokyo are:

- i) the effects of both new technology and of levels of social services' provision on unemployment:
- ii) the distortion of competition caused by the lack of social services' provision and health and safety regulations in newly industrialised countries, which add to the advantages which they already enjoy as the result of the preferential arrangements under the GATT.

I do not think the Prime Minister envisages either issue being put on the agenda but rather that you should give notice at the next meeting that she herself hopes to raise the points at the next Summit and hopes that they will be taken up in discussion.

I am copying this minute to the Private Secretaries to the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer and the Secretary of State for Trade and Industry.

CHARLES POWELL
17 March 1986

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TOKYO SUMMIT: DRAFT GENERAL STATEMENT

Alternative Draft - 9 March 1986

1. We, the Heads of State and Government of seven major industrial democracies with their roots deep in the ancient civilisations of Europe and Asia, with the representatives of the European Communities, 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.
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 co-operation to new levels, making ever greater contributions to the world. The countries of North America, drawing the richness of their societies from European and Asian cultures alike, are strong in their freedom, their prosperity and their responsibility in the world community of nations. The time has come for all of us to join our energies in the search for a safer, healthier, more civilised and prosperous, free and peaceful world.
3. Within our existing alliances we are resolved to defend our security and to do so without threatening the security of others. Each of us stands ready to work with anyone who sincerely professes the same aims for comprehensive, balanced and lasting arms reductions; for measures to reinforce mutual trust; and the peaceful resolution of disputes. While our own links continue to strengthen, we shall also seek dialogue and co-operation with states that have different political institutions. We shall work for the fullest possible respect for the rights of

individuals as well as the sovereign rights of nations.

4. We proclaim our conviction that in today's world, characterised by ever increasing interdependence, our countries cannot enjoy lasting stability and prosperity without stability and prosperity in the developing world, or without the co-operation among us which can achieve these aims. To merit the name of progress the coming century must bring benefits to all. We pledge ourselves afresh to the fight against hunger, disease and dire poverty, so that those who suffer from them may be freed to play an active part in building our common, bright future.

5. We owe it to the coming generations to pass on a healthy environment and a culture rich in both spiritual and material values. We proclaim our will to work together for a society which respects humanity, creativity and the diversity of talents and cultures in the world. We further share the view that this new society based upon peace, freedom and democracy should aim at realising social justice and a high level of welfare and employment thereby enabling all its members to bring their ability into full play. We must harness wisely the potential of science and technology, and enhance its benefits through co-operation and exchange. We have a solemn responsibility to educate the next generation with the creativity befitting the twenty-first century and conveying to them the supreme value of living.

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Preliminary Ideas on Education

1. Importance of Education

While education problems may differ in kind from one country to another, as each education system reflects that country's individual character and features, it is also true that there are problems common to all industrialized countries which are faced with rapid economic and social change. It will certainly be useful to exchange views on those common problems.

2. Common problems

(1) Education that responds to socio-economic changes

In order to build a creative and active industrial society as we move into the 21st century, education needs to be responsive to the socio-economic changes and developments brought about by advances in science and technology, the growth of the information-oriented society and increasing internationalization.

Specific areas are elaborated below:

a. Basic education

As basic education, mainly provided as compulsory education, has the role of developing basic human potential, it will become ever more important, in view of the growing sophistication of society as we enter the 21st century.

b. Secondary education

With the quantitative increase in secondary education enrollment, our countries are confronted by the common task of attaining a desirable balance between maintaining quality and recognizing individual differences and needs in education.

In this regard, we should consider:

- (i) how to maintain and improve the quality of education in a context of quantitative expansion of enrollments;
- (ii) how to enhance vocational education and training, in particular, education and training in keeping with developments in advanced technology and the problems of youth unemployment.

c. Higher education

Responding to such socio-economic changes as rapid advances in science and technology, the growth of information-oriented societies and increasing internationalization,

we should discuss ways and means of:

- (i) giving our societies the human resources they will need to support them in the future;
- (ii) improving the level of science through the promotion of creative and basic research;
- (iii) promoting industry-university cooperation by such means as joint research or exchange of personnel;

(iv) promoting international cooperation among organizations engaged in higher education.

(2) Promotion of exchange programs

Ever-increasing international economic interdependence calls for education which gives people a global perspective. Also important is the promotion of exchange programmes in order to deepen mutual understanding. It is, therefore, necessary to expand exchange programs for students, teachers and researchers, not only among the industrialized countries but also with the developing countries.

(3) Cooperation with developing countries

(i) There is a growing need for human resources development in developing countries in order to secure the foundation needed for their development. Industrialized countries should contribute positively to meeting the needs of developing countries through cooperation in human resources development, such as increased acceptance of trainees and students, international research cooperation among universities, and promotion of technical cooperation.

(ii) It is also important on the part of industrialized countries, to train people to work in the field of cooperation for human resources development in developing countries, to enhance human resources development cooperation among industrialized countries, and to promote development education in all appropriate ways.

HUMAN FRONTIER PROGRAM

March 1986

I. Technological Innovation and the Present Age

Since the beginning of history, the progress of technology has provided mankind with manifold benefits. But relations between technology, mankind and nature clearly have changed.

(1) Since the industrial revolution, technology has been recognized as a means by which mankind can overcome, manage and rule nature, and we have certainly accelerated our research and development in this area. It may be said that high temperature, high pressure, high speed and big scale have formed the basis of our technological development. Naturally, this has involved an explosive increase in energy consumption.

(2) As a result, man's knowledge and his range of activity have expanded by leaps and bounds. While lives have rapidly become richer, we now find ourselves faced with quite a few problems; for instance:

A global increase in burdens on the environment

Depletion of useful resources

An explosive increase in energy consumption

Strained relations between technology and man
(alienation of man; accidents on a large scale)

How to cope with an aging society and an expanding
population, and so on

II. An Innovative Systems of Science and Technology for the 21st Century

(1) In order to facilitate solving these above problems, various measures have been tried, such as the development of substitute energy to replace oil, preventive technologies for environmental waste and control technologies using microelectronic. But we have not yet had much innovation, with respect to the basic direction of technological development. In order to fundamentally reform the existing technological system and reduce energy consumption, alleviate global environmental burdens and improve technological stability to achieve lasting development of the society of mankind in the 21st century and beyonds, scientists and technicians must remark various biological functions -- those for efficient energy conversion, for adaptation to nature; for autonomous adjustment -- and utilize and apply them in new development.

(2) Biological functions can teach us valuable lessons in two main areas. One is in the area of technology directly utilizing the organic reactive function, such as combinant DNA

technology, cell fusion technology. The other is technology applying the mechanisms of biological functions, including protein engineering, biodevices

and educational computers capable of making advanced syllogisms.

(3) Up to now, diverse research and development has been conducted on organism utilization technology, but biological systems' functions application technology has just been started, and basic research and development in this area is expected to be conducted on a full scale in the future.

(4) Progress in science and technology is brought about by an appropriate balance of competition and cooperation. But when we promote technological development to wrestle with issues affecting the whole human race, international cooperation becomes a necessity.

(5) Just as when new civilizations are created, the creation of a new systems of science and technology requires the merging of many different science and technology, and people with various conceptions in an international melting pot.

III. Proposal for a " Human Frontier Program "

In order to meet the requirements I have just described, it may be effective for us to propose to the world a "Human Frontier Program." This would be large scale international research and development projects aiming at producing helpful contributions to human society.

The outline of the Human Frontier Program can be summarized as follows:

I The scope of the program

Themes of research and development will be determined by the program committee of the Human Frontier Program, which is comprised of prominent scholars and researchers both domestic and foreign.

In view of the previously described intent, the new paradigm of science and technology puts emphasis on living organisms, including human beings. Studies should be made on such functions exclusively realized in living organisms as a high level of adaptability to nature and autonomous adjustment.

Our proposal on the major study items are as follows.

(1) Thorough Elucidation of Multi-functions of Living Organisms

Living organisms including human beings possess the most delicate and subtle functions ranging from physical functions such as immunity and self-recovery to mental functions such as sense, memory and judgement. We have a lot of to learn from these organisms. It can be said that living organisms are not only the objects of studies but also a treasure house of seeds of future development of science and technology. It is, therefore, extremely important to thoroughly investigate these multi-functions of organisms.

(2) Basic Research and Development for the Utilization and Application of Organic Functions

Basic studies shall be conducted to apply and utilize innovative technologies generated by studies on organic functions as described in (1). Consequently, specific

directions shall be given to solve various problems we are facing today.

2. Organization; Operation system

The Human Frontier Program Promotion Center (tentative name) will be established as a supervisory body of the program. Its projects include:

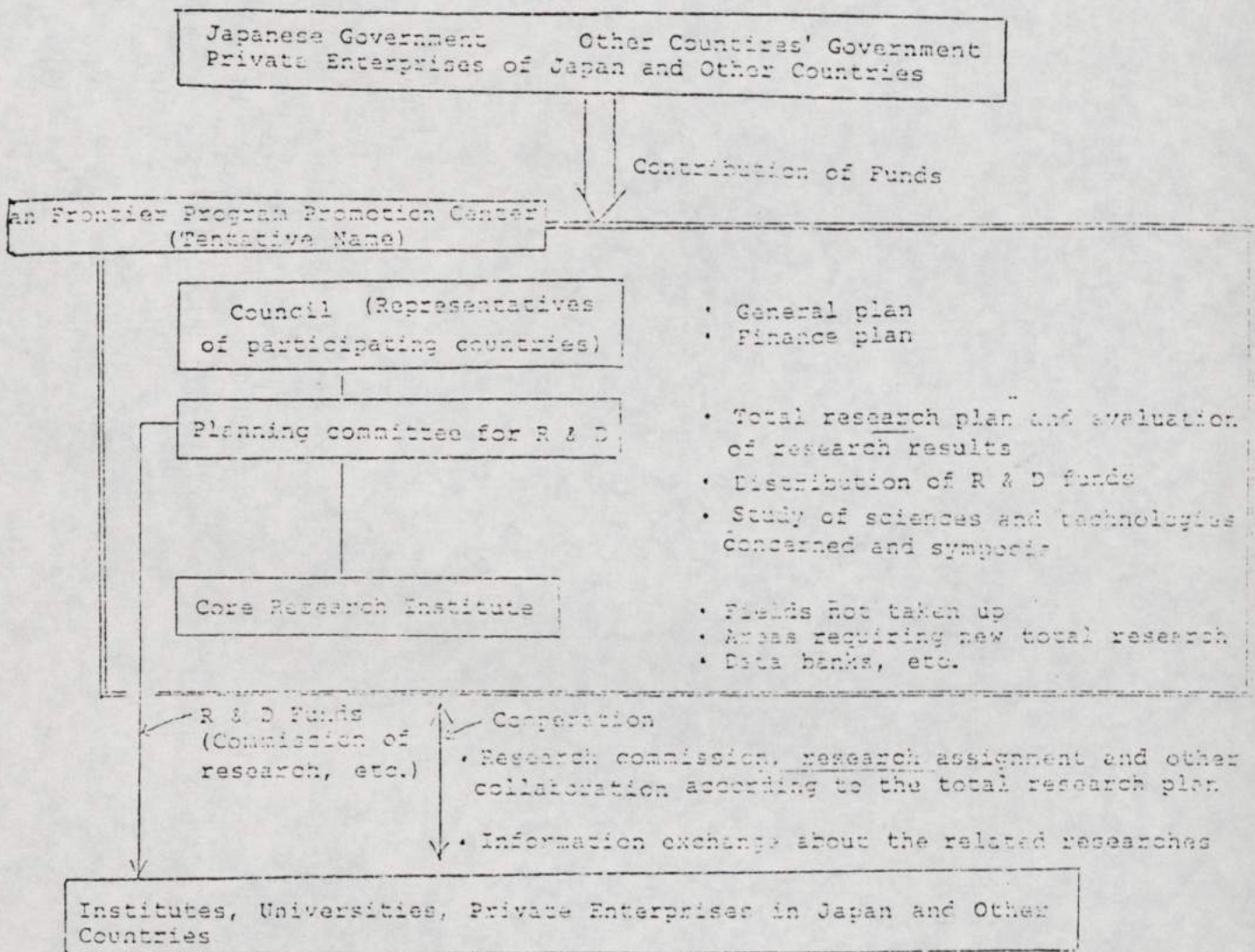
- (1) Establishment of the comprehensive plan, screening of R & D themes, and assessment of R & D results in cooperation with prominent scholars and researchers both domestic and foreign.
- (2) Funding for R & D activities conducted in research institutes, universities, and private enterprises, both domestic and foreign.
- (3) Promotion of collaborative researches on the global scale.
- (4) Consolidation of research facilities in order for the smooth implementation of international collaborative research.
- (5) Holding international symposia; giving awards to outstanding researches.

3. Fund for the Program

- (1) Japan now considers providing all the fund basically necessary for the initial stage of this program. Additional contribution to the fund by foreign governments and the private enterprises is welcome for fortifying the project and making it more fruitful.
- (2) At the following stage of the program, Japan considers bearing the major portion of the fund, while foreign governments and private enterprises would be expected to bear an appropriate portion of the fund.

(Annexed Paper)

Organization for Research and Development



(Reference) Conceptual diagram

Measures in the fields of science and technology

