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Transcript by
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BRIEFING TO JOURNALISTS BY SIR ROBERT ARMSTRONG,
SECRETARY OF THE CABINET, AT 12 DOWNING STREET,
LONDON, ON THURSDAY, APRIL 24, 1986.

SUBJECT: TOKYO ECONOMIC SUMMIT
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SIR ROBERT ARMSTRONG

Perhaps I should just say by way of introduction that we have had the usual four meetings of personal representatives to prepare for the Summit of Tokyo, which has produced a background paper as a basis for discussions by Heads of State or Government and Ministers at the Summit and that is going forward to Heads of State or Government.

The general shape of the Summit itself seems likely to be, in terms of the arrangements, very similar to previous recent Summits. Heads of State or Government, many of them may arrive early in order to give themselves time to get over the jet lag, but the formal arrival will be on the afternoon of Sunday, 4 May. There will be a reception given by the Japanese Government that evening. Heads of State or Government will dine together on their own that evening.

There will be a first formal session of Heads of State or Government on their own on the morning of 5th May, followed by lunch. Then a plenary meeting in the afternoon of that day and then a plenary meeting on the morning of Tuesday, 6th May, if necessary going through to the afternoon, at which final texts of an economic communique or declaration

will be agreed, and there will be a press conference in the middle of the afternoon, the usual general gathering at which the declaration will be read, followed by national press conferences, and then there is a banquet to be given by the Emperor of Japan for Heads of State or Government and Ministers on the Tuesday evening; and that, as I say, concludes the formal proceedings of the Summit.

On the economic side, I think the general picture will be one in which the Summit countries look back on four years of growth in the industrialised countries, of reduced rates of inflation, and they will no doubt be committing themselves to a continuance of these general lines of policy and they will be taking stock of the implications, particularly of the decline in the price of oil, for their macroeconomic objectives.

I think there will continue to be a good deal of importance attached to the maintenance of policies which tend towards sustainable non-economic non-inflationary growth, sometimes known as SNIG and on policies of job-creating and in particular in Europe where the levels of unemployment remain very high - on policies which encourage the development of new businesses, of small businesses and of particularly high-technology businesses and remove rigidities in capital markets and in labour markets.

So far as the international monetary system goes, the programme of work on the improvement of the functioning of the monetary system which was set in hand at the Williamsburg Summit has gone steadily forward, mainly in the Group of Ten and in the Interim Committee of the IMF, and there will certainly be some gains to report on that front, partly with

the development of compatible policies in the main industrialised countries and the convergence of performance, partly with such coordinated approaches as the PLASA (phon.) meeting last September. It will be certainly a British objective to see that process continue within the institutional framework of the IMF into the Autumn meeting of the Interim Committee and so forward.

I would expect the Summit to express a clear political commitment to the launching of a new round of multilateral trade negotiations, for which there is a preparatory meeting - a ministerial meeting of the GATT - in September, which could well indeed, if the various steps could be got through, constitute the meeting at which the Round is launched.

I would doubt if the Summit would get deep into the content of the new round, though there are undoubtedly going to be difficult issues to be discussed there, with proposals for the extension of the GATT into new areas, new fields.

On the developing countries, there will be, I am sure, a reiteration of the case-by-case approach to the problems of the debtor countries, a general endorsement of the Baker initiative, with the stress on the need for the developing countries, and particularly the debtor countries, to pursue domestic economic policies which will help to attract financial flows and will help to attract the return of capital, the repatriation of capital which has gone out from those countries which in some cases I think amounts to some very considerable sums; a reiteration of the need to maintain, and where possible increase, overseas official development assistance for the poorer countries and renewal of the commitment to the need

for special attention for the problems of sub-Sahara and Africa.

Those, I think, will be the main themes in the Economic Summit. In the course of the discussion, there will certainly be some discussion of the problems of the excessive fiscal deficits of two of the Summit countries, of course notably in the United States, but I think it will really take the form of welcome for the measures that are being taken to reduce the deficit, rather than as it were complain or pressure about not enough being done about it.

There will also be, I should guess, some considerable discussion of the payments imbalances, the United States deficit and, in particular, the Japanese surplus. We shall certainly be wanting to use the Summit to maintain the pressure on the Japanese to improve access to the Japanese market and to increase the propensity of the Japanese to import and Mr. Nakasone will formally present the Micarber (phon.) Report to his colleagues and I think can be expected to endorse its general objectives and we shall no doubt be looking to him to say how much he is going to do about it and how fast. That, I think, could be quite an important area and one of the major objectives which we shall have to discuss.

There has been a suggestion that the Summit will be overshadowed by the dispute between the United States and the European Community on the consequences of enlargement. Provided the United States does not take reprisal measures on 1 May, as was at one time suggested, I think that issue is more likely to arise in the margins than in the main meetings and be left to be pursued in the regular

discussions between the United States and the European Community and in the GATT, but I think that there may well be some discussion at the Summit of the longer-term problems created by agricultural overproduction and surpluses, not just in the Community but in the United States, in Japan; the fact that in all these places these levels of production are being supported by high rates of subsidy in one form or another, and by the fact that the development of biotechnologies seems likely to lead to massive increases in agricultural productivity over the coming years so that we all of us face a problem in which we are, in order to look after farming communities, providing levels of support for levels of production which demand does not begin to sustain. This is a general long-term problem, something to which I think both the Foreign and Commonwealth Secretary and the Chancellor of the Exchequer adverted at the OEEC ministerial meeting last week. There was a good deal of interest in what was said on that occasion and I should be surprised if that did not come up at the Summit/for discussion in that context as well.

On the political level, there will no doubt be the usual political discussions of the major questions of East-West relations and the Heads of State or Government will wish to compare notes about the new Soviet leadership and how they experience them and what is the assessment of their aims and intentions and there will, I am sure, be some discussion of the arms control negotiations in Geneva and some wish to hear from the Americans how they see the future for those, and I have no doubt there will also be some discussions about international terrorism, under which heading Libya is bound to

come up as an issue for discussion, and I am sure there will also be, both at Heads of State or Government level, but also particularly at Foreign Minister level, the discussion of the usual regional issues, particularly the issues of southern Africa and Africa as a whole and no doubt Central America and Afghanistan.

Well I hope that, by way of general introduction, will give you the general sort of shape as how, seen from here, the Summit seems likely to develop. You can never rule out surprises, but I think it might be a relatively quiet Summit, in the sense of there not being likely to be any enormously major issues, certainly on the economic side, which are going to be divisive, but such predictions are always dangerous to make and may be proved wrong in the event.

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QUESTION

Could I pick up on the international terrorism and Libya?
As you/^{may}know, Mr. Schultz was talking on his world net (phon.)
surface earlier this afternoon and seemed to be suggesting that
the time for yet another declaration was past and that he was
going to go to the Summit to look for a further programme of
action, though it was not clear whether he expected to go
further than the Europeans, whether he was going to put forward
a package of concrete ideas. I wonder if you have had any
indication as to what the Americans are likely to be bringing.

SIR ROBERT ARMSTRONG

In this field, I think one has to distinguish fairly
sharply between what is done and what may be agreed, as it were,
in terms of closer cooperation or measures to be taken, not all
of which one would wish to announce, and what will be said.

I think there will be a declaration on international
terrorism, which I would expect, I think, to go significantly
further in some respects than previous Summit declarations on
the subject, but it is a group, of course, which consists not
just of the United States and the/^{four}Community countries, but two
other countries which are rather on the sidelines, particularly
in the case of the Japanese, and it is, to me, a fairly unknown
quantity how far the Japanese will want to get involved in
strong words, strong condemnation, of Libya. They do not, I
think, feel the impact of Libyan terrorism in the same way as
the United States and Europe does. I understand they have a
Libyan Peoples Bureau or whatever the equivalent is, but it is
a fairly small affair and fairly untroublesome. They may

feel their best course is to keep it so, so I think it is a little uncertain. As I say, I think there will be a declaration to which the Japanese will subscribe, which will represent a significant advance on previous Summit declarations. I would be surprised if that went a tremendous long way in being specific about measures to be taken in relation to Libya.

QUESTION

Can I have just a brief follow-up on that? I mean, do you, for example, expect the Americans to try and push the issue of economic sanctions, knowing as they very well do our attitude and the attitude of the Europeans on that?

SIR ROBERT ARMSTRONG

I can only say I have not seen signs of that in my own discussions, but I should guess that the White House and the State Department are only now beginning to prepare the detailed briefs for the President and work out the programme with him, so the fact that the representatives I encountered did not appear to be thinking in that direction is not proof that they will not press for something more. It depends a bit, I suspect, on what happens between now and then. If the provocation, as it were, intensifies between now and then, no doubt that will affect the American attitude and the attitude of the rest of us for that matter.

QUESTION

Turning to regional issues for a moment, you did not mention the Middle East as one of them...

SIR ROBERT ARMSTRONG

I am sorry. That was an accidental omission on my part. Of course, I am sure it will be discussed.

QUESTION

Bearing in mind what Mrs. Thatcher said yesterday, the day before, in the House, on her forthcoming visits to Israel, are there any specific proposals she might discuss with the Group in Tokyo in the Middle East that you are aware of, any specific proposals?

SIR ROBERT ARMSTRONG

I and my Foreign Office colleagues are not aware of any specific proposals that she is likely to discuss. I think she will want to have a general discussion, no doubt particularly with the President, about the possibilities of reviving the peace process, but I know of no specific proposals.

QUESTION

Will the Prime Minister or the Foreign Secretary be pushing ahead with the so-called action package against Libya, specifically closing the Peoples Bureaus, which Sir Geoffrey Howe has been trying to sell on the Continent?

SIR ROBERT ARMSTRONG

I am sure they will both be seeking to encourage their European partners to go further in that direction than perhaps they have up to now. Whether the Summit itself will be used for that purpose, I think I rather doubt, because there are plenty of other things to do at the Summit and the place to bring pressure on the Europeans may be elsewhere rather than there.

QUESTION

Are there any indications of European countries..(inaudible) ...to go on the way to sanctions if the subject is being brought up by the Americans?

SIR ROBERT ARMSTRONG

No more than we already have. I have no other indications in the Summit context of that, no.

QUESTION

There was at the Sherpas level quite a specific American initiative at one point on terrorism, which began by being..which was very unpopular with the French to start with..and then the French turned round recently and appeared really more or less to accept the idea of a common Summit Seven response to future terrorist acts and I wondered what has happened to that initiative.

SIR ROBERT ARMSTRONG

I think it is true that the French attitude has modified and I do not know how far that is a response to events or how far it is the result of the governmental changes in France, but I think that will be, while still reluctant to see the Summit

grouping institutionalised too far in this context, they will readier than perhaps they would have seemed to be some months ago to take part in further discussions and to work with other Summit countries in other international groupings which have to deal with the question of terrorism.

I think one of the interesting things is going to be the representation of the French Government at this Summit.

QUESTION

Has there been a suggestion in the preliminary discussions that the word "Economic" be dropped from the title of these Summits in view of the way economic issues seem to....(inaudible)

SIR ROBERT ARMSTRONG

No, certainly not of any desire to go further in that direction; rather a tendency to try to reassert that they are economic Summits and that was what they started for and they started, if you remember, as extensions of what I think was called the Library Group of Finance Ministers, and as a place where Heads of State or Government could discuss world economic problems and issues without necessarily feeling that they had to agree on specific solutions round the table there, and I think that element of it has remained strong in the minds of all of them, particularly in the mind certainly of the Prime Minister, it remains strongly one of the benefits of the Summit and that it is an occasion when she can share her viewpoints and insights with her colleagues from the other countries. It has not been seen as a forum in which initiatives were taken and, indeed, the nature of the preparatory process is such that it is unlikely to be so,

but that is by deliberate wish of the participants and there is no change to that.

As you say, at a number of the previous Summits, the meeting has taken place at a time when there was some political issue very much dominant. In one Summit I remember it was Afghanistan, at another it was Poland, and at the time of the Williamsburg Summit it was INF, and there will no doubt be discussion of the Libyan problem in the context of international terrorism at this Summit. I do not see that it will swamp the economic discussion by any means.

QUESTION

Mr. Schultz at his World Net Briefing this afternoon, made further reference to the so-called Marshall Plan for the Middle East, which seems to suggest that some of America's partners stump up cash for Middle Eastern countries that have been hit by the fall in oil prices, not just the oil countries, but those that have traditionally supplied labour and other services to the oil countries.

How would Britain react to this idea?

SIR ROBERT ARMSTRONG

I think Britain would react very cautiously to any programme which suggested a significant increase in the amount of overseas aid to be financed from the British budget.

QUESTION

You have said that most of the economic issues do not seem contentious, but at last week's OECD meeting and more recently in their briefings ahead of the Summit, the Americans have been fairly aggressive in saying that there needs to be much stronger growth in Europe and perhaps there should be relaxation of fiscal and monetary policies in some of the stronger economies.

Are you saying that you do not expect any real discussion or argument about that?

SIR ROBERT ARMSTRONG

I think they will continue to urge on the European countries the case for what they call in the jargon "structural adjustments", changes which remove the inhibitions on industry, changes in the direction of deregulation, changes as I said to encourage the development of new small businesses and new high technology and removing rigidities in labour markets.

I have not seen any signs that the American representatives in the process with which I am concerned are urging any of us to relax fiscal and monetary policies. Have you Geoffrey?

SIR GEOFFREY LITTLER

I think there is a certain concern over Japan because that is the one area - and this came up in both Washington and Paris discussions - one does not really see them getting over their huge current surplus. The Americans are embarked on a process of deficit reduction. We are keeping our fingers crossed, but at least they are plainly moving in that direction. Japanese

forecasts are rather dispiriting for many other countries. This contrasts with Germany, where their forecasts are much more buoyant than they were, so I think there will be a certain amount of common ground in probing what Japanese expectations are and particularly how positive they are going to implement and how quickly some of the recommendations discussed in this Micaber (phon.) Report. On that line, I am sure the Americans will be quite strong in the discussions.

I think some of the growth gap material may be rather for domestic consumption.

QUESTION

The Americans have expressed concern about the effect of falling oil prices on the banking system on the economies of some south-western states. Do you anticipate behind the scenes pressure from the US delegation in any way to restrain production or try and work towards a more stable oil pricing system? What would be the British Government's response?

SIR ROBERT ARMSTRONG

I do not anticipate that from anything that I have heard in my discussions. I am aware that some things were said in Washington which seemed to point in that direction, but they were almost as quickly countered by other statements later.

The British Government has made, I think, quite clear its point of view on any question of restraints on quotas and production or anything of that kind.

QUESTION

The Americans seem to have blown hot and cold on the idea of a special monetary conference on exchange rates. Is there any indication that this will figure at all in the Summit?

SIR ROBERT ARMSTRONG

Well Geoffrey may have ideas about this too. I have not detected preliminaries to a great initiative on that at the Summit. I do not think that absolutely excludes it, but my own judgment is that it is not very likely at this stage.

SIR GEOFFREY LITTLE

I can just add actually, as far as the Americans are concerned, Jim Baker made fairly clear in the Washington meetings that his remit was to consider this subject by the end of the year and that meanwhile he was pushing forward in the IMF Interim Committee where I think a certain amount of progress was made. My impression also is that the French may be in a slightly similar position. This is not the moment. At least at the Elysee reception in Paris, he remarked that he was pleased that the world was now implementing his ideas, which I rather read as wait and see how it goes.

QUESTION

In relation with foreign exchange markets, recently the appreciation of the Japanese yen has, according to the Japanese Government, reached to the point where some kind of a counter-intervention is necessary and indeed the Japanese Bank of Japan has started to buy US dollars in order to stop the further fall

of the US dollar against the Japanese yen. On the other hand, the American government seems to think they still want the Japanese yen to appreciate further. Would you think that this kind of current situation of the foreign exchange market will be discussed in the Tokyo Summit and also could I ask you to describe the UK Government's position on that?

SIR ROBERT ARMSTRONG

Well I would like to ask Geoffrey Littler to respond to that because I should think that most of the discussion about that will take place in the meetings of Finance Ministers rather than Heads of State or Government.

SIR GEOFFREY LITTLER

I think it probably will. I mean, this is now kept under pretty close and continuous review.

I do not think one is or should be in the habit of setting targets. We have said publicly we do not do that. The one comment that we do make about the Japanese situation is that there is a major imbalance to be redressed. Ideally, one would like to see fundamental measures taken affecting the behaviour of the Japanese economic population that would have the right results. If those measures are not taken or not effective, then there would seem to be no alternative but for the exchange rate to appreciate further, and it is some mix of one or more of both that is needed, and I think that is very much the American point of view as well. One is trying to grapple with a genuine problem.

QUESTION

Do I understand you correctly that there will not be much pressure on West Germany to stoke up their economy? Is it just concentrating on Japan or is that a secondary target?

SIR ROBERT ARMSTRONG

I can only repeat that on the latest international meetings we had the impression has been both given and on the whole I think accepted that the prospects for the German economy are looking considerably brighter than they were six months ago, whereas the prospects for the Japanese economy seem, if anything, to have shaded off.

QUESTION

So you do not expect any pushing, reduce your interest rates, and that kind of thing?

SIR ROBERT ARMSTRONG

I doubt whether Summits get into precise details of what you do next week on conjuncture.

SIR GEOFFREY LITTLER

Nor do I think there is likely to be the kind of pressure we saw in the Bonn Summit of 1978, for was it called the locomotive theory? I do not see any likelihood of a revival of pressure on particular countries as it were deliberately to be out in front, to lead a programme of recovery in that way, so I would not expect that.

SIR ROBERT ARMSTRONG

We had not mentioned it before; I am sure there will be a welcome for the reduction of interest rates that has already occurred and keen interest in the pursuit of policies which leave scope for further reductions, which points to continuing fiscal prudence.

QUESTION

Yes, coming back to Libya if I may. You did not say exactly how far Mrs. Thatcher is willing to go to be precise on a statement on terrorists. You said talking about the Japanese position, but you did not say anything about the British position.

SIR ROBERT ARMSTRONG

I do not think she is likely to be one of the ones holding back on what is said in the declaration at the Summit, but I do not think I can really say more than that at the moment.

QUESTION

I want to ask you about the structure of these meetings. Is the agenda put together in such a way that if, say, a question on Third World debt was on the schedule, there was no danger of it being omitted because there was an enormous amount of discussion on terrorism? In other words, could non-economic discussion on an emotional issue like terrorism simply squeeze certain stuff off the agenda?

SIR ROBERT ARMSTRONG

Well the fact is, of course, that people like me may propose

but Heads of State or Government dispose of their time at the Summit and to an extent, when they get together, what determines the priorities and distribution of their time is what is uppermost in their minds and what is uppermost in their interest at the moment, but by and large the endeavour and the convention has been to schedule matters so that the formal sessions used for the economic discussion, including the matters of Third World debt, and the political issues tend to be discussed on the more informal occasions over meals and so on, and that is the general pattern which we foresee on this occasion.

QUESTION

A lot of the Bonn discussion last year was taken up by the question of drugs. Do you expect a lengthy discussion this year?

SIR ROBERT ARMSTRONG

I am sorry I have not mentioned it. The Bonn Summit did spend some time on drugs. Mrs. Thatcher indeed raised the subject at one of the meetings with Heads of State or Government and found a good deal of interest among her colleagues, as a result of which a report was commissioned and I think was sent to the Foreign Ministers in September. Is that right, Alison, they took delivery of it in September when they met in the mountains of the General Assembly?

I am sure that that report will be reported to the Heads of State or Government. I do not at the moment expect any new initiatives on that. I think that they will simply be likely to reiterate their determination to try and reduce and where possible

eliminate both the abuse of drugs and the production and trafficking in narcotics.

QUESTION

Again, this afternoon Mr. Shultz said that the US was in favour of expanding the Group of Five to the Group of Seven, by incorporating Italy and Canada. Do you think this Summit will be the occasion for this and what is Britain's view of that?

SIR ROBERT ARMSTRONG

Geoffrey, would you like to deal with that?

SIR GEOFFREY LITTLER

Well, I can only suppose that since certain countries are represented this is almost bound to be discussed in the margins, but we will have to wait for those discussions.

SIR ROBERT ARMSTRONG

I do not think we are going to oppose or to stand in the way of such a move.

QUESTION

Can I just come back on that, because Sir Geoffrey's answer did seem to be rather reserved, implying that Britain might be opposed to the idea of a Group of Seven rather than a Group of Five.

SIR GEOFFREY LITTLER

No, I hope I did not either imply that that was right or wrong. You phrase it "rather than Group of Five". One does not exclude both Group of Seven and Group of Five. There could be all kinds of possibilities and one has to remember that some conferences are best held formally and others informally. I think there is a little array of questions to be discussed about procedure generally and it may be that it will be taken up in the Summit. It is quite likely that discussion will be carried forward there.

QUESTION

The previous Summit at Bonn..there was a big issue of SDI, strategic defence initiative, which ended up rather divisive. Will there be discussion again about the SDI and if so what would be the proportion of it in relation to other topics?

SIR ROBERT ARMSTRONG

I should think there might be some discussion and some general report. I would not expect to, on this occasion, to engage their attention for a long time or to be a particularly divisive issue. I think the positions of people are well established in the matter, and are not likely to change at the Summit.

QUESTION

I am sorry to keep banging on about terrorism.

SIR ROBERT ARMSTRONG

I wish you would not use the words "banging on"!

QUESTION

You have had a lot of questions about terrorism this afternoon but I wonder will Mrs. Thatcher be putting a package of proposals for the tightening of security in Europe, anti-terrorist proposals, and will President Reagan, either inside or outside the meeting, be complaining about the lack of support in Europe for his firm action against Libya?

SIR ROBERT ARMSTRONG

To take the second part first, I think President Reagan's attitude to ... his position on the European attitude is well established in what he has said for himself and he has welcomed the latest changes and no doubt would like to see more.

I think it is very difficult to say more about what anybody's position may be on that because as I understand it there is a meeting even now of European Ministers of the Interior which will no doubt be discussing these subjects and I think we had better see what comes out of that.

QUESTION

The Japanese Government is preparing to launch a new science and technology programme just like the Eureka project in Europe. Has the British Government any intention to participate in this project and what is the position of the British Government on this issue?

SIR ROBERT ARMSTRONG

To tell you the truth, I am not absolutely sure what the position of the Japanese Government is on this. I have seen a

paper about and some representatives of the Japanese Government came round to explain the programme. As I understand it, it is a programme in particular for research in the field of biotechnology and what was contemplated was a ten-year programme to be financed from sources within Japan, but involving scientific and technological contributions from other countries, including Summit countries. I think this will rather be in the margins of the Summit. Certainly, those who have seen the first description of what is proposed, I think they are impressed by the nature of the programme and think that it would be an important initiative if indeed the Japanese Government did decide to take it up. I did not think the Japanese Government had actually decided to take it up yet; I thought that decision still remained to be taken and I should think that the attitude of other members of the Summit would be of interest and support, particularly if the Japanese Government and Japanese industry are going to pay for it all.

QUESTION

Can you tell us whether the Prime Minister has pencilled in a bilateral with President Reagan and if so when it is likely to be?

SIR ROBERT ARMSTRONG

I am sure she will meet President Reagan. I do not know exactly when it will be. These things tend to be arranged when you get there.