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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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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.

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 <sup>will</sup> 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, <sup>had</sup> 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.