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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 NIPPON KEIZAI 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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