



Foreign and Commonwealth Office

London SW1A 2AH

29 September 1988

N L Wicks Esq CBE  
10 Downing Street  
London SW1

*Dear Nigel,*

CALL BY THE JAPANESE SHERPA

1. You asked for some briefing notes to use with Kunihiro when he calls on you this Friday.

2. We sent you a personality note on him when he took over as Sherpa in July, but I enclose a copy for ease of reference. Kunihiro is also touring other European capitals; his other London calls will include Percy Craddock, Patrick Wright, and Christopher Roberts at the DTI (no meeting with the Treasury in Geoffrey Littler's absence). I shall be meeting him at lunch on Friday.

1989 Summit procedure

3. You could sound out Japanese views on the procedural points prompted by Attali's letter of 6 September and addressed in Wallis' of 11 September. We support the US preference for only three preparatory meetings next year, the first being not before late February or early March 1989. A Sherpa meeting linked to the OECD Ministerial would make sense, but British Ministers have difficulties with the proposed dates of 31 May-1 June, which fall in the middle of our parliamentary Whitsun recess. We may suggest 6-7 June instead.

4. You might indicate to Kunihiro that we shall query French intentions on associating developing countries with the Summit and seek his views. France, as the host Summit country, is responsible for informal and social contacts, including in the bicentenary context. But we would not welcome any formal links which might encourage the developing countries to put pressure on us.

Summit themes

5. You could compare notes with Kunihiro on the broad themes we expect to come up in the preparatory process. Our views on economic issues are as in Geoffrey Littler's letter of

/ 9 September



9 September. There is the general objective of absorbing the new US Administration into the existing Summit process. There are three specific themes we foresee: global payments imbalances; middle-income country debt; and the Uruguay Round. No surprises here. On the political side, my letter of 15 September added drugs and progress on settling major regional disputes. But the political agenda for the Summit itself could well change rapidly; terrorism, for example, has a way of raising its head.

#### Uruguay Round

6. On the Uruguay Round, you could underline the importance of a successful Mid-Term Meeting at Montreal in December and the need to reach agreements there, where possible. Agriculture will be a key element. We welcome Japanese moves towards accepting PSEs as the basis of an aggregate measuring device. We are aware of Japanese domestic difficulties over agriculture; but reforms are essential for them too and are more palatable if everyone acts together. We are working for a constructive EC approach and hope that the Cairns Group proposals can form the basis of discussions in Montreal. How the Montreal meeting goes will strongly colour Summit preparations, and the Summit itself, as regards trade and agriculture.

7. A report is just in (UKMis New York telno 1198) about the exchanges on trade at the Summit Foreign Ministers dinner. Kuriyama, for Japan, agreed that specific progress was needed at Montreal and that the Japanese were trying to refine their proposals on agriculture in Geneva. This should be encouraged.

#### Debt

8. You may like to have an update of what we know of Japanese views on debt and ask Kunihiro if he can throw more light on them. The Japanese position on implementing the Toronto consensus on sub-Saharan African debt is far from clear. They have said they might choose to combine options. For aid loans they intend to write down one-third of the principal by means of refinancing. But what is their exact position on non-aid official debt? (We suspect it is 25-year rescheduling, like the Americans, but always hope for something better.)

9. At the Berlin Fund/Bank meetings, the Japanese have advanced ideas on middle income commercial debt, which are a modified version of the Miyazawa plan presented at Toronto. Parts of it are still obscure. As one element, the Japanese

/ have



have offered to provide substantial untied finance from their Export-Import Bank to middle income countries in parallel with IMF programmes. As a bilateral move, this deserves praise, but we do not know how much is on offer, whether it is really untied or what is the exact link to IMF programmes. Another element is a scheme for middle income debtors which have medium-term structural programmes with the Fund to securitise part of their debt, the securities being collateralised by an account held by the Fund. The Japanese insist that this would operate case-by-case, on a voluntary basis and without transfer of risk from the private to the public sector. But if so, few debtors would have enough resources to make the scheme attractive. So we are still worried about risk to the public sector creeping back in.

10. As agreed, we shall send you the usual briefing letter before the first, Sherpas-only meeting. Is Thursday 6 October early enough for you to receive this? Or would you like it earlier so that you can put a note to the Prime Minister before you go?

*Warmest congratulations on your new appointment!*

*Yours ever,*

*N P Bayne*

N P Bayne

Copies: Sir G Littler KCB, HM Treasury

MICHIHIKO KUNIHIRO

Deputy Minister, Ministry of Foreign Affairs.

Born 1932.

After graduating from the Faculty of Law at Tokyo University in 1955 he entered the Ministry of Foreign Affairs. In 1973 he became Director of the China and Mongolia Division, shortly afterwards becoming Counsellor at the London Embassy and taking the opportunity to spend a year on secondment to the International Institute for Strategic Studies conducting research on China.

In 1975 he became Minister in the Jakarta Embassy followed in 1978 by his appointment as Deputy Director General of the Economic Affairs Bureau. Between 1980 and 1984 he was, successively, Director of the General Affairs Division in the Minister's Secretariat, Assistant Vice Minister for Administration, and Minister at the Washington Embassy, before returning to the Economic Affairs Bureau as Director General.

Between 1986 and July 1988 he worked as Chief Cabinet Counsellor on External Affairs in the Prime Minister's office. (Senior adviser to, and troubleshooter for, the Prime Minister on overseas issues). In his present post he is the second most senior official in the MFA, has responsibility for all economic issues, and acts as the Japanese Sherpa at Economic Summits.

Well-known to the Embassy, Kunihiro is well-informed, canny and persuasive, with considerable charm. He has excellent English.

Married, with a son and a daughter.

29. IX. 1918