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YOUR TELNO 1116 TO WASHINGTON : PROSPECTS FOR HOUSTON  
ECONOMIC SUMMIT

## SUMMARY

1. JAPAN'S TWO MAJOR CONCERNS ARE G7 POLICY TOWARDS THE SOVIET UNION AND CHINA: THEY ARE NOT PREPARED TO OFFER FINANCIAL AID TO THE FORMER, BUT WISH TO RESUME THEIR ASSISTANCE TO THE LATTER. MORE GENERALLY, WHILE THEY RECOGNISE THAT THE SUMMIT WILL CONCENTRATE ON EUROPE, THEY WILL WISH TO STRESS A GLOBAL APPROACH TO THE THEME OF CONSOLIDATING DEMOCRACY. NO APPARENT POINTS OF UK/JAPAN FRICTION. JAPAN WILL BE LOOKING TO COLSE CO-OPERATION WITH THE US AND UK.

## DETAIL

2. WE HAVE SPOKEN TO HARAGUCHI (DEPUTY SHERPA), SATO (DIRECTOR-GENERAL FOR POLICY PLANNING, MFA), AND ARIMA (COUNSELLOR FOR FOREIGN AFFAIRS IN THE OFFICE), AS WELL AS TO OTHER OFFICIALS CONCERNED IN MOF, MITI AND MAFF. THEIR MAIN POINTS WERE AS FOLLOWS:

## HELP TO THE SOVIET UNION

3. JAPAN UNDERSTANDS THE FRG'S WISH TO EXTEND FINANCIAL SUPPORT TO THE SOVIET UNION, BUT THEY DO NOT WISH TO JOIN IN ANY INTERNATIONAL ARRANGEMENT, BECAUSE OF THE SOVIET OCCUPATION OF THE NORTHERN TERRITORIES, THE CONTINUED SOVIET MILITARY THREAT IN THE FAR EAST AND THE RISK THAT SUCH AID WOULD SIMPLY GO INTO A BOTTOMLESS PIT. ABOVE ALL IT IS THE NORTHERN TERRITORIES ISSUE WHICH COUNTS. THEY WILL BE SUBMITTING A DRAFT ON THIS AT THE NEXT SHERPAS' MEETING ON WHICH THEY WILL BE HOPING FOR US AND UK SUPPORT. THEY ARE CAUTIOUS EVEN ON THE IDEA OF G7 COUNTRIES ENTERING INTO DIALOGUE WITH THE USSR AND CONSIDER THAT IT IS IMPORTANT TO CLARIFY BEFOREHAND WITH THE SOVIET UNION THE EXACT PURPOSE OF SUCH DISCUSSIONS. IN THE JAPANESE VIEW THESE SHOULD BE TO SECURE SOVIET DOMESTIC AND POLITICAL ECONOMIC REFORM. ULTIMATELY

AID COULD BE A BALANCING ITEM FOR PROGRESS ON NORTHERN TERRITORIES, BUT FOR THE MOMENT THEY WOULD NOT PLAY THAT CARD.

#### EASTERN EUROPE

4. THE JAPANESE SEE NO PARTICULAR PROBLEMS. MECHANISMS ARE ALREADY IN PLACE AND WORKING SMOOTHLY. JAPAN HAS AGREED TO ASSIST THE EXTENDED G24 ACTION PLAN AND PLACES EMPHASIS ON ENCOURAGEMENT FOR THE PRIVATE SECTOR. AREAS OF CONCENTRATION COULD BE MANAGEMENT IMPROVEMENT, INVESTMENT OPPORTUNITIES AND CLEANING UP THE ENVIRONMENT. THEY WOULD NOT EXTEND THIS TO ROMANIA IN CURRENT CIRCUMSTANCES: THEIR VIEWS ARE SIMILAR TO THE EC'S.

#### CHINA

5. JAPAN WISHES AT ALL COSTS TO AVOID A FORMAL G7 STATEMENT RECONFIRMING LAST YEAR'S POLITICAL DECLARATION ON CHINA. KAIFU WILL BE SEEKING AN OUTCOME WHICH REFLECTS US/JAPAN VIEWS. FANG LIZHI'S RELEASE IS SEEN AS GREATLY ASSISTING JAPAN'S POSITION. THEY HOPE A FORMAL STATEMENT CAN BE AVOIDED AND THE MATTER FINESSED THROUGH THE CHAIRMAN'S PRESS BRIEFING. THEY WANT TO PROCEED WITH THE THIRD YEN LOAN. AFTER HOUSTON AND DO NOT WANT THE SUMMIT TO RAISE ANY OBSTACLES. TANINO (DIRECTOR-GENERAL, ASIA BUREAU) PLANS TO VISIT PEKING SHORTLY AFTER THE SUMMIT, WHILE LI TEIYING (CHINESE EDUCATION MINISTER) WILL BE COMING TO TOKYO.

#### INTERNATIONAL ECONOMIC SITUATION

6. JAPAN EXPECTS NO MAJOR DIFFICULTIES WITH THIS DISCUSSION UNDER STRONG US PRESSURE, THEY HAVE BACKED AWAY FROM THE VIEW THAT SOME MEASURE OF CURRENT ACCOUNT SURPLUS IS NECESSARY FOR JAPAN TO CONTRIBUTE TO THE PROVISION OF INTERNATIONAL CAPITAL. THE MINISTRY OF FINANCE SEES THE NEED TO ENCOURAGE WORLD SAVINGS AND IS LOOKING AT HOW TO IMPROVE THE RECYCLING OF JAPANESE CAPITAL TO DEVELOPING, AS OPPOSED TO DEVELOPED, COUNTRIES. BUT THEY STRESS JAPAN'S CONTINUED SUPPORT FOR THE VIEW THAT SURPLUS COUNTRIES SHOULD ENSURE STRONG GROWTH OF DOMESTIC DEMAND AND PROMOTE STRUCTURAL REFORM. IN GENERAL THEY CONSIDER THAT THE WORLD ECONOMY IS DOING WELL AND THAT IT IS IMPORTANT TO CONTINUE THIS AND TO PRE-EMPT THE GROWTH OF PROTECTIONIST PRESSURES.

#### TRADE/URUGUAY ROUND

7. THE MAIN JAPANESE PRIORITY IS TO DEFUSE US UNILATERALISM. THEY ATTACH GREAT IMPORTANCE TO IMPROVING GATT DISPUTE

SETTLEMENT PROCEDURES AND TO BRINGING THE US TO ABIDE BY THEM. THEY RECOGNISE AND WELCOME THE UK'S EFFORTS IN THIS REGARD. IN PRACTICE THEY CONSIDER A RESTATEMENT OF THE OECD MINISTERIAL FORMULA TO BE THE MOST LIKELY SUMMIT OUTCOME. ON AGRICULTURE, THEY CONTINUE TO SHELTER BEHIND US/EC DIFFERENCES. THEY DOUBT THAT THE US WILL TRY TO FORCE ITS VIEWS ON THE SUBJECT, THOUGH THEY EXPECT THE AMERICANS TO SPEAK STRONGLY BOTH ON THIS AND ON INDUSTRIAL SUBSIDIES. THEY DO NOT EXPECT TO HAVE TO MAKE ANY MOVE ON RICE. IN GENERAL THE JAPANESE LINE IS THAT NO ONE SHOULD BE TOO DISAPPOINTED IF NO ADVANCE ON AGRICULTURE IS POSSIBLE AT THE SUMMIT.

#### ENVIRONMENT

8. THE JAPANESE POSITION IS COMPLICATED BY INTER-MINISTERIAL DIVISIONS. MITI EXPECT MUTO TO SPEAK ON THE SUBJECT. MINISTERS HAVE ANNOUNCED THAT JAPAN WILL STABILISE CO2 EMISSIONS BY THE YEAR 2000 BUT THERE IS NO AGREEMENT ON THE LEVEL. THE MFA EXPECT JAPAN TO DECIDE THIS BEFORE THE NOVEMBER WORLD CLIMATE CONFERENCE AND WOULD NOT OBJECT TO THE SUMMIT SAYING THAT AN INTERNATIONAL FRAMEWORK AGREEMENT SHOULD BE COMPLETED BY 1992 WITH WORK ON PROTOCOLS TO BE EXPEDITED THEREAFTER. MITI HAVE NOT YET GONE THIS FAR.

9. OFFICIALS CONSIDER THAT THE GERMANS GO TOO FAR IN THEIR PROPOSALS ON TROPICAL FORESTS: THE DEVELOPING COUNTRIES, THEY ARGUE, HAVE FIRST TO BE WON OVER. THE JAPANESE POSITION ON THE WORLD BANK ENVIRONMENT FACILITY HAS STILL TO BE CLARIFIED, BUT THEY ARE NOT PARTICULARLY KEEN ON THE PROPOSAL WHILE NEVERTHELESS BEING PREPARED TO USE THE WORLD BANK AS A CHANNEL FOR ENVIRONMENTAL PROTECTION.

10. JAPAN'S MAIN CONTRIBUTION ON THE ENVIRONMENT IS THEIR 'NEW EARTH 21' PROPOSAL WHICH SKETCHES AN ACTION OUTLINE PLAN TO COMBAT GLOBAL WARMING FOR THE NEXT CENTURY. THEY HAVE BEEN BUSY EXPLAINING THIS IN CAPITALS AND WHILE ACCEPTING THAT THE IDEA IS 'VAGUE AND LARGESCALE', HOPE THAT THE SUMMIT WILL ACCORD IT A FAVOURABLE MENTION AND ENCOURAGE JAPAN TO DEVELOPE IT FURTHER.

#### DEBT

11. THE JAPANESE FORSEE NO PARTICULAR DIFFERENCES ON THIS SUBJECT. THEY CONSIDER IT PRIMARILY FOR THE PARIS CLUB TO DECIDE ON ACTION IN RELATION TO MIDDLE INCOME DEBTORS AND FOR THE SUMMIT TO ENCOURAGE THIS PROCESS. THEY HAVE

ALREADY TOLD THE AMERICANS THAT THEY WILL LOOK POSITIVELY ON ANY US PROPOSAL FOR G24 -TYPE ASSISTANCE PROGRAMME TO CENTRAL AMERICA AND THE CARIBBEAN.

## DRUGS

12. JAPAN WIL NOT BE ABLE TO RATIFY THE VIENNA CONVENTION UNTIL DOMESTIC LEGISLATION IS IN PLACE. THIS IS PROVING MORE DIFFICULT THAN ORIGINALLY ENVISAGED: THE MOST THEY ARE LIKELY TO BE ABLE TO OFFER AT THE SUMMIT WILL BE TO MAKE BEST EFFORTS TO RATIFY BY THE FOLLOWING SUMMIT. JAPAN PLANS TO HOST A REGIONAL DRUGS CONFERENCE THIS AUTUMN AND IS PREPARING A PROPOSAL FOR CIRCULATION AT THE SUMMIT.

## DOMESTIC BACKDROP

13. MIFT SUMMARISES THE DOMESTIC POLITICAL AND ECONOMIC UNDERPINNING TO KAIFU'S POSITION AT THE SUMMIT.

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