

CONFIDENTIAL



10 DOWNING STREET

*From the Private Secretary*

SIR ROBERT ARMSTRONG

TOKYO ECONOMIC SUMMIT

The Prime Minister has read with interest your minute of 7 April reporting on your conversations in Washington about prospects for the Tokyo Economic Summit.

The Prime Minister agrees that it would be better to avoid any multilateral discussion of South Africa at the Summit or any attempt to agree language for the declaration. But she hopes to have a discussion of South Africa at her bilateral with President Reagan and will probably also want to discuss it with Mr. Mulroney. It would be helpful if the Foreign Office could bear this in mind when preparing briefing for these meetings. Indeed it would be best to put the Americans on notice now of the Prime Minister's intention to raise this subject.

I am copying this minute to the Private Secretaries to the Foreign and Commonwealth Secretary and the Chancellor of the Exchequer.

*C.D.P.*

(C.D. Powell)

8 April 1986

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*cc Sir P. C. Gabor*

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Prime Minister

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MR POWELLTokyo Economic Summit

While I was in Washington last week I had a number of conversations with people from the White House and the State Department about prospects for the Tokyo Economic Summit.

2. In general I formed the impression that officials had only just begun the process of briefing the President, and that the Administration was still some way from identifying its intentions and objectives for the Summit itself.
3. There seemed to be a disposition to think that there was not very much that was strikingly new to include in the economic declaration from the Summit. The fact was that for a number of reasons, including the fall in the price of oil, the world economy was not going too badly for the industrialised countries. The main elements might therefore be:
  - a. continuing the pursuit of sound non-inflationary growth;
  - b. making the most of the scope for improved international monetary co-ordination (including exchange rates);
  - c. encouraging the launching of a new round of multi-lateral trade negotiations in the GATT in September 1986;
  - d. encouraging the pursuit of sound domestic economic policies by the developing countries;
  - e. continuation of the case by case approach to the problem of international debt.



4. One suggestion was that the President felt that the present relative prosperity and growth of the industrialised countries was attributable to the inherent strength of political systems which allowed market forces the maximum scope to operate: he might wish to make something of this point in the declaration.

5. Those to whom I talked did not seem to expect any dramatic American initiative for improved international monetary co-ordination at or before the Summit, though they recognised that this was something on which all concerned would have to take stock in the light of the International Monetary Fund and World Bank meetings this week and the OECD Ministerial meeting next week.

6. It was clear that the Administration remained worried about protectionist pressures from the Congress. There were proposals from the Democratic side of the House of Representatives for a Trade Bill which would seriously inhibit the powers of the President and would therefore have to be vetoed, though it was hoped that that would not emerge before the Summit. The United States Administration would be continuing to press for the new trade round to cover trade in services, barriers to investment and intellectual property rights.

7. Other issues that cropped up in the conversation as possible ingredients for discussion at the Summit included agriculture. I did not think that I was being told that the United States Administration expected to use the Tokyo Summit to pursue its dispute with the European Community on the consequences of enlargement (though I do not think that that can be excluded). There was more inclination to suggest that the Summit should begin to address itself to the longer term problems created by over-capacity in the agricultural industry, including the improvements in output levels and prospective advances in biotechnology which could lead to greatly increased yields.



8. One of my collocutors thought that the President might wish to discuss at the Summit the implications of "living with a sick bear". The United States Administration thought that the economic problems of the Soviet Union were already serious and were going to get worse, and that the West ought to consider the implications of this prospect for their own countries' economic policies, as well as the political implications.

9. On the political side, it was clear to all those to whom I spoke that the United States Administration would be looking for something on terrorism. I concluded that they had not yet decided exactly what they wanted. The White House emphasised the importance of action rather than words, and wanted to see how the Summit countries could improve their co-operation in the fight against terrorism and the exchange of intelligence; but I have no doubt that the words will be important too.

10. I also had it both from the White House and from the State Department that they were thinking about some discussion and declaration on the problems of South Africa at the Economic Summit. I tried to be pretty discouraging about that: I said that I thought that the Prime Minister would be perfectly ready to take part in an informal discussion, but would be reluctant to see any public statement which appeared to foreclose or put pressure on the process associated with the Commonwealth Group of Eminent Persons and its activities. She had expended a great deal of political capital at Nassau in getting that group set up and in steering the Commonwealth away from sanctions. The resulting process was applying pressure on the South African Government, and she would not wish to put at risk prospects of progress to be achieved by the process of peaceful persuasion and political activity which was resulting.

*Should welcome with the President*

11. I am sending copies of this minute to the Private Secretaries to the Foreign and Commonwealth Secretary and the Chancellor of the Exchequer.

*REA*

ROBERT ARMSTRONG

7 April 1986