

NOTE FOR RECORD

1. Mr Kosaka, the Director of Economic Planning and four aides called on the Chancellor at the Residence after dinner last night. Mr Couzens and Mr Warren, the Ambassador's Private Secretary, also participated in the discussions.
  
2. After initial exchanges, in which it was made clear that Mr Kosaka had come at the wish of Prime Minister Ohira, it became apparent that the main purpose of Mr Kosaka's call was to probe UK attitudes to a US proposal to initiate country by country oil import saving targets (as opposed to global targets) for the Summit members, and also to convey Japanese unease at setting targets as far ahead as 1985, as agreed by the European Council at Strasbourg. The Japanese also conveyed an impression of United States disquiet with the choice of 1978 as the base year for measuring import saving targets, their preference being for 1977. For their part the Japanese appeared undecided whether to support one base year or another, or alternatively to press for some average base period; given that countries at different points on the business cycle could be faced with unequal pressures to achieve targets related to a particular base year.
  
3. In reply the Chancellor and Mr Couzens stressed the need for the Summit countries to make plain to OPEC the strength of their commitment to reduce demand for oil by measures of conservation, use of the price mechanism, or by encouragement of new sources of energy. In this respect it was significant that, even after de-control, the price of petrol to US consumers would be no more than half the price to consumers in Western Europe. On the matter of energy saving targets the Chancellor stressed the Community view that a time scale to 1985 was justified by the continuing nature of the energy problem. As for the choice of base this was a matter for discussion over the next two days as was the suggestion for adopting country by country import saving targets - although the members of the European Community had already agreed at Strasbourg upon a target for the Community as a whole rather than separate country targets. It was clearly in the common interest of all Summit participants to work out a credible approach to the energy problem. The Chancellor, despite persistent pressure from Mr Kosaka, refused to be drawn further on whether the UK would be prepared to go along with moves to individual country targets, standing on the proposition that the form and nature of energy saving measures, choice of base period and period of application were matters for

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consideration by the Heads of Government in the Summit discussion.

4. Mr Kosaka thanked the Chancellor for receiving him and for discussing matters in a preliminary way.

*AMB*

A M W Battishill

TOKYO

28 June 1979

cc: Mr Couzens

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