

S
807

PREM 19/823

M.T

PART 1

CONFIDENTIAL FILING

P.M.'s Visit to Japan September
1982. Policy

JAPAN

July 1982

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
6-7-82							
7-7-82							
20-7-82							
26-7-82							
10-8-82							
25-8-82							
20-9-82							
PHI Ends							

PREM 19/823

PART 1 ends:-

Suzuki Speech 2019

PART 2 begins:-

Tokyo Tel 503 2019

PRIME MINISTER'S VISIT TO THE FAR EAST

LIST OF BRIEFS

JAPAN

1. STEERING BRIEF (WITH PROGRAMMES & PERSONALITY NOTES)

BILATERAL MATTERS

2. INDUSTRIAL ISSUES (INCLUDING INWARD INVESTMENT AND INDUSTRIAL AND SCIENTIFIC COOPERATION)
3. COMMERCIAL ISSUES (INCLUDING BAe 146)
4. DEFENCE RELATIONS AND SALES
- 4(a) PROPOSED TECHNOLOGY AGREEMENT

INTERNATIONAL MATTERS

5. EC/JAPAN (TRADE/POLITICAL COOPERATION)
6. JAPANESE ECONOMY - INTERNATIONAL IMPLICATIONS
7. EAST AND SOUTH EAST ASIA
8. EAST-WEST POLITICAL RELATIONS (INCLUDING AFGHANISTAN)
9. EAST-WEST ECONOMIC RELATIONS
10. DEFENCE (AND FORCES)
11. NORTH-SOUTH DIALOGUE
12. MIDDLE EAST

BACKGROUND BRIEFS

13. JAPAN FOREIGN POLICY
14. ANGLO-JAPANESE POLITICAL RELATIONS
15. POLITICS IN JAPAN
16. NORTHERN ISLANDS
17. OTHER BILATERAL ISSUES

PMVW(82)1-17
Preserved in CAB133
This set therefore
destroyed.

R. Ponman
8 Jun 11

CONFIDENTIAL

Japan Policy

Speech delivered by
H.E. Mr. Zenko Suzuki,
Prime Minister of Japan,
at the dinner in honour of
the Right Honourable Margaret Thatcher, M.P.
Prime Minister of the United Kingdom of Great Britain
and Northern Ireland

on September 20, 1982

Your Excellency the Prime Minister,
Excellencies,
Ladies and gentlemen,

I would like, first of all, to express my sincere welcome to Prime Minister Thatcher and the members of her party. It is a great pleasure for me that her visit to this country has been realized so soon, as I wished when I extended the invitation to her in London last year.

I am very glad that this is her second visit to Japan as British Prime Minister, following her visit at the time of the Tokyo Summit Meeting, and her third if we include her visit as leader of the Opposition. This is perhaps a manifestation of the fact that, among the succeeding British Prime Ministers, she is paying an especial attention to strengthening relations between our two countries. As one who believes in the importance of Anglo-Japanese relations, I express my deep appreciation for her interest in my country.

Prime Minister,

I need not dwell upon the fact that our two countries have a long history of cooperation, including those years of their alliance. In the process of her modernization, Japan owed much to Britain in wide-ranging areas, such as culture, science and technology, and the social system. It is also well known that your Royal Family and our Imperial Family are on very close and friendly terms.

Our

Our countries are bound by such strong ties, but the relations between them after the Second World War have rather tended to be concentrated in the fields of bilateral trade and economy and have not always been satisfactory in the light of their roles and responsibilities in international society.

It is required of the advanced democracies of the West to act with a common understanding and recognition of international politics, especially in this age, the 1980s, when international relations are undergoing a great change towards the 21st Century. I must say that it is a matter of vital importance for Britain, as a leading power of Europe and the pivot of Americaⁿ-European relations, and Japan, as an advanced industrialized country of Asia, to practice political cooperation with a broad, global perspective.

Prime Minister,

In this sense, I am convinced that your present visit to Japan is an event that opens a new era in Anglo-Japanese relations. At the two meetings we have had, we reached an agreement that the two Governments should conduct close consultations on important international matters, such as East-West relations and the Asian situation. It not only sets a new political framework in Anglo-Japanese relations, but will also provide a broader perspective of cooperative relations among the advanced countries of the West, a triple

group

group of Japan, the United States and Western Europe.

At these meetings we also took up the matter of making our cooperation still closer and broader in economic affairs through exchanges in the sphere of industrial technology. Moreover, we found that we shared the same view concerning the basic problems confronting the world economy.

I am convinced that cooperation between our two countries will be further strengthened and contribute to the peace and stability of the world, if we continue consultation and accommodation on each issue as it arises. For giving me an opportunity to have such fruitful talks, I cannot but express to you my deep gratitude.

Prime Minister,

When our people, as young boys and girls, start learning English at junior high school, they are soon taught, almost invariably, the British proverb, "Where there is a will, there is a way." Your attitude in coping with difficult conditions at home and abroad, according to your firm political belief and with a determination of "no U-turn", fully conforms to the spirit of this proverb. I understand that your television interview will be broadcast tomorrow. I am sure that our people, upon personally knowing your resolute will and courageous opinion, will renew their respect for Britain and the British people.

Excellencies,

Excellencies, ladies and gentlemen,

This year turned to be a joyous year for the British Royal Family with the birth of Prince William. With that happy event in mind, I wish to raise my glass in a toast to the good health of Her Majesty The Queen and to the ever greater success of Prime Minister Thatcher in another years to come.

MR. COLES

Japan Policy *Prime Suzuki*

A & C. 20/9

Mr. Kato expressed concern to me that neither Prime Minister had had their promised discussion on East-West relations, with particular reference to the Soviet pipeline and the Japanese difficulty over the Sakhalin oil and gas project. He urged me to brief the Prime Minister to raise this topic over dinner tonight with Mr. Suzuki. The Japanese would like to have our views on how to solve the problem of "this entanglement with the US". They were encouraged by Mrs. Thatcher's preliminary comment to Mr. Suzuki during his welcoming call to the effect that the fundamental unity of the alliance had not been affected.

Mr. Kato is in any case briefing Mr. Suzuki to touch on this topic during dinner tonight.

Suggested points to make

1. Interested to hear how Sakhalin project has been affected by American measures.
2. Agree that this difficult Transatlantic dispute only benefits the Russians.
3. Doubt US view that trade can be used as a lever to achieve the sort of political and security changes in Soviet policy which they appear to envisage.
4. This is particularly true when the ^{of} three industrial democracies have firms which have already committed themselves in contracts.

Background

The Japanese appear to have ^{accepted} ~~expected~~ that they will not be invited to go to the meeting of Foreign Ministers in the US to

/ discuss

discuss the problem ,but Mr. Kato has said that the Japanese Prime Minister attaches importance to solidarity ,and will follow the discussions in America"with keen interest".

Arnold

20 September 1982

PRIME MINISTER

cc Mr Butler
Ambassador
Mr Coles
Mr Gray
Mr Donald
Mr Kydd

TOMORROW - MEDIA DAY

You have an extremely busy media day tomorrow:-

Visit to department store where we hope you will strongly promote British goods (0915-1000).

NHK (Japanese equivalent of BBC) television interview starting 1030 for 45 minutes.

Press Club speech followed by Press Conference (1500-1630)

Press Conference, here in the Palace, for British journalists, followed by short news interviews for BBC Radio and TV; ITN; and IRN from 1645.

Each occasion is dealt with in more detail in the annexes. I have tried to keep the amount of briefing down.

In this covering note I confine myself to a few points about each occasion.

Store visit

Here the objective is to give maximum visual support to a British promotion. It is vital on a day when bad new unemployment figures will come out that you should be seen on British as well as Japanese TV trying to drum up business and jobs - please perform for all you are worth in front of the cameras. (One selling point is that the store this year will buy twice the value of British goods it ..bought last year.)

./NHK

NHK interview

This will take place in the Sairan-no-ma on your floor in this Palace. The room is inevitably ornate and the colours predominantly white and gold with crimson drapery. Make-up will be available if required

You have seen the annex which sets out the detail. This remains valid. The panel, notwithstanding its eminence, will inevitably take a lot of interest in you as a person and political phenomenon. The occasion will afford you an opportunity to say some nice things about Japan which it is important to take as a counterweight to the main objective: to put the case to the Japanese public for the need to conduct their trade with the world prudently if they are to continue to enjoy the benefits of the open trading system.

Press Club speech

It has been distributed to the press. We expect a full house of 200 - mainly Japanese journalists ^{but, foreign media,} including the travelling British press, will be there. After the speech (which will be translated consecutively) there will be questions from the floor. Almost certainly they will go wider than the speech. I deal with difficult issues likely to arise in Annex 4.

British Press Conference and Broadcasts

It is important to give British correspondents and your travelling party an opportunity to talk to you on the record and I have arranged for them to leave the Press Club a little earlier to join your motorcade back here to the Palace.

I am laying on drinks in the Sairan-no-ma.

I would like this to be a fairly relaxed affair in which you give them, among other things, some impressions of your visit with plenty of illustrative anecdotes.

/Inevitably

Inevitably a number of more difficult issues will be on the correspondents' mind if they have not already been dealt with at the earlier "international" press conference. I set these out in the annex.

After the press conference I have arranged, subject to your agreement, for you to give the usual short news interviews to radio and TV in my marginally less ornate sitting room on the ground floor.

Content to give radio and TV interviews?

20 September 1982

BERNARD INGHAM

PRIME MINISTER'S VISIT TO TAKASHIMAYA DEPARTMENT STORE:
TUESDAY, 21 SEPTEMBER, 0915 HOURS

Takashimaya Department Store

Takashimaya (pronounced with even stress) have a chain of prestige department stores and are one of Britain's major customers for consumer goods in Japan. The company began as a drapery in 1831 and is now Japan's second largest department store. (Sales in 1981 amounted to ¥3.4 billion.)

This year's Takashimaya British promotion, supported by the British Overseas Trade Board, follows another held in 1980; and is a mix of direct buying from the UK, featuring the Covent Garden shops, and goods bought via local wholesalers, the standard route for UK imports. Total Takashimaya purchases of British goods this year will be about £6 million at FOB values, about double last year.

A supporting feature of the promotion is an exhibition of Lord Lichfield's photographs. Pipers of the Scots Guards from Hong Kong will add atmosphere. (Those concerned were not involved in action in the Falklands.)

The President of Takashimaya, Mr Shinichi Iida, is 70 and has spent 41 years with Takashimaya, becoming Chief Executive in 1960. He has been honoured by France and Italy. He is likely to speak through an interpreter.

Timetable for Visit

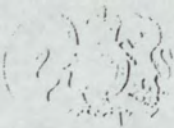
0915 Arrive main entrance Nihonbashi store. Met by Mr S Iida (President) who will be accompanied by his wife and introduce Mr Takeuchi (Vice President), Mr Hidaka (Managing Director), Mr Aya (Managing Director and Manager of Nihonbashi store) and Mrs Ishihara (Director in charge of public relations). One of five girls in traditional Japanese kinono will present to the Prime Minister a bunch of flowers (which she will not be

/expected

expected to carry round with her). Proceed to bank of elevators on ground floor opposite entrance. (No 3 elevator for main party; Nos 1 and 2 for others accompanying.)

- 0920 Arrive at 8th floor. Scots guards pipers will be playing and stop just after party arrives. (The pipers have been brought from Hong Kong for the promotion. Their battalion was not involved in the Falklands.) Walk round the main part of the British promotion, including the Covent Garden shops and other direct imports. The route includes the area where Lord Lichfield's photographs will be on display and also passes a Scottish country dance team from St Andrews University (who will not be dancing). At the end of the route representatives of British companies displaying their wares on other floors will be assembled.
- 0935 Proceed to a room in the Takashimaya private office on 8th floor. Prime Minister, Mr Thatcher, Ambassador, Lady Cortazzi, and PPS seated on one side of a table, with Takashimaya representatives on the other. (Others in party to sit at the side.) Mr Iida will say a few words welcoming the Prime Minister and refer to Takashimaya's links with the UK, including the visit by the then Prince of Wales in 1922 (of which he will show photographs). Mr Iida will present a gift to Mrs Thatcher, so wrapped that it can be easily inspected. (The only photography during this part of the visit will be by a Takashimaya photographer and one representing the British Overseas Trade Board.)
- 0945 Return to elevators and go to 7th floor. Walk round area where some more regular imports from the UK will be on display. (Route also passes an area with traditional Japanese goods.) Descent by escalator to 6th floor to look at Ercol furniture display.
- 0955 Return by elevator from 6th floor to ground floor. Mr Iida will escort Prime Minister to the main entrance and take his leave.

- 2 -



Points to make

- (1) Grateful for Takashimaya's activity in promoting British products so positively. Japanese consumers are important for our exporters who depend heavily on department stores for sales. In what ways can we further expand sales of UK goods?
- (2) I noticed the extent of your direct imports, eg, from the Covent Garden stores. What is your policy for the future as between direct and indirect (ie, through wholesalers) buying?

PRIME MINISTERYOUR VISIT TO JAPAN: NHK-TV INTERVIEW IN TOKYO

You agreed to take part in a television discussion programme whilst in Tokyo subject to being satisfied with the other participants.

NHK is the Japanese equivalent to the BBC. The programme, which will run 45 minutes, will be recorded on the morning of Monday, 21 September, at the Akasaka Palace where you are staying. It will be broadcast that evening and will be conducted entirely in English. Sub-titles will be inserted after the recording. There will be no editing.

The programme will be entitled "Mrs Thatcher's Britain". It is proposed to cover the following themes:

- your impressions of Japan;
- the British economy and your handling of issues such as unemployment, labour/management problems, denationalisation and trade unions;
- crisis management and your style of leadership;
- bi-lateral relations;
- East/West relations;
- the Falklands;
- your view of Japan in the future.

Those taking part with you will be:

Hisanori Isomura - programme chairman.

Director General, NHK News. Aged 53. 29 years with NHK, most of which was spent in Europe and the US as special correspondent and bureau chief. By reputation one of Japan's best journalists. Nicknamed "The Walter Cronkite of Japan".

Professor Masataka Kohsaka.

Professor of International Politics at Kyoto University and director of Japan's Institute of International Strategic Studies. Born 8.5.34. Publications: The Balance of Power in Modern Europe, Detente Politics After World War 2, Economic Power in the Age of Mutual Interdependence. He is a regular and popular TV personality who has a relaxed and easy manner when conducting serious in-depth interviews. He is objective,

has a quick grasp of and profound interest in current international political affairs and specialises mainly in Soviet and defence questions. Politically he is reckoned to be far to the right. He was at Harvard from 1960-62 and became friendly with Reischauer, former US Ambassador to Japan, and is reputed to know Kissinger and Brezhinski well.

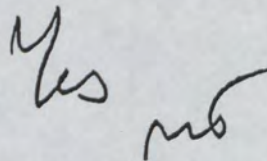
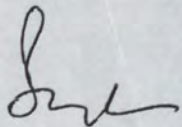
Shuzo Muramoto.

President of Dai Ichi Kangyo Bank. Born February 1915. Tokyo University (Economics graduate), Dai-Ichi Kangyo bank manager in New York and London 1957-60. Member of US-Japan "Wise Men" group. Muramoto is interested in your economic policies. His views on economics tend to be international and liberal. As for the present state of the Japanese economy, he is against a Keynesian type fiscal stimulus, but favours micro-economic measures to help seriously affected sectors. In the longer term he is generally in favour of the recently recommended vigorous cutting of public expenditure and reducing the size of Government and as a banker he supports the decontrolling of interest rates, the gradual internationalisation of Japan's financial markets, and wider activities for banking.

All three speak English fluently.

The proposed participants for the programme seem quite satisfactory and should give you every opportunity to put across your views and impressions of your visit to a very large audience on the last night of your stay in Japan.

Content that we should proceed?



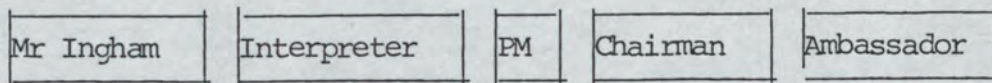
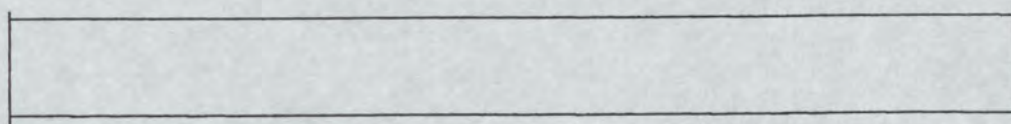
B. INGHAM

9 September 1982

PRIME MINISTER'S PRESS CONFERENCE AT THE JAPANESE PRESS CLUB

1. On arrival you will be met at the ground floor entrance to the Club by Mr Kasagi (Director General of the Club) and escorted in the lift to a small guest reception room on the 9th floor. You will there be introduced to the Chairman for the press conference, Mr Wakamatsu, Vice President of Tokai Television and formerly Managing Director of the Chunichi Shimbun. There will be a short pause there before you are escorted up a short flight of stairs to the press conference room on the 10th floor.

2. Mr. Kasagi will then lead the way to the top table, which will be arranged thus:



3. The Chairman will briefly introduce you (and we have emphasised it should be a short introduction). You then launch into your speech, which will be translated consecutively.

4. After the speech which, with interpretation, we hope will last about 45 minutes, the Chairman will thank you and throw the floor open to the media for questions. Those wishing to pose questions will be invited by the Chairman to come to the front of the room where 2 microphones will be positioned, announce their name and organisation, and speak.

5. There will be about 40 minutes for questions, during which copies of your speech in Japanese and English will be distributed. We shall record the whole session

6. Finally the Chairman will close by thanking you and giving you a small gift (a fountain pen), after which you (and

the top table guests) will be escorted to the lift and
thence direct to the ground floor.

SPEECH BY THE PRIME MINISTER TO THE
JAPANESE PRESS CLUB ON 21 SEPTEMBER

I am grateful for the opportunity to speak tonight

to the Japanese press.

A free and flourishing press is a powerful symbol of the democratic ideal.

Like you, we in Britain have a strong tradition of national newspapers.

More people read the national press in Japan and Britain than in other major industrialised countries.

In Japan, as in the United Kingdom the media are free of interference by government:

they criticise - or occasionally even praise - as they see fit.

Without the free transmission of information and comment there can be no guarantee of political freedom: and political freedom

/ brings

brings greater tolerance and understanding.

The same principle - the free exchange of ideas and information - should apply internationally, both within and between nations.

Britain and Japan have the means and the freedom to speak to each other.

We have much in common.

We are democracies.

We both have a Royal Family.

We are island peoples with a history of powerful continental neighbours.

We both have a maritime tradition, comparatively few raw materials and a need for overseas markets.

/ And yet,

And yet, despite the close contact we have developed in various fields over past decades, we still know too little of one another; and such knowledge as we have has not always led to full understanding.

The problems are obvious enough: in distance, we are almost half a world apart; we have different historical perspectives; different languages and cultures; and we face different domestic priorities.

/ As a

As a result, we have had rather different perceptions of the world.

And yet I believe our fundamental interests are identical.

These interests are threefold:

First, we both want a world of freedom and justice, for nations and individuals;

second, we both want to further the system of free trade and free exchange;

third, we both want to improve the quality of our lives: better social and educational opportunities, better working conditions, better application of new technologies to create jobs and wealth.

/ Perhaps

Perhaps I may expand on each of these three objectives.

IN DEFENCE OF FREEDOM AND JUSTICE

Freedom requires vigilance, for nations as for individuals.

It also means resolute commitment to the defence of international law and to the principle of self-determination.

If the world is not to slip gradually into violence and lawlessness, it may sometimes be necessary to defend these principles by force.

We in Britain have recently had to do this.

It is in the interests of every free people that aggression should be defeated.

Security depends on strong defences, to deter and resist attack.

And above all, it means the will to use them / when

when necessary.

Nevertheless, security can be achieved at a lower level of armaments provided the balance is maintained.

I doubt if anyone here would dispute these principles.

But they need to be applied to specific, and often fast moving situations, and to be defended by us all acting in concert.

Britain's major partnerships and alliances are with the European Community, NATO, and the Commonwealth.

/We

We have many ways of maintaining contact with Japan.

But I question whether we consult each other sufficiently.

Economic success brings power, and this in turn brings political obligations.

Japan's weight in world affairs has increased enormously.

We want to know more often, and in more areas of the world, what Japan thinks.

/The pressure

The pressure of events demands greater consultation amongst friends.

The flashpoints of world tension are as numerous now as at any time since 1945.

The Soviet Union has occupied and holds by force of arms the independent country of Afghanistan.

As it seeks to extend its empire to the South, it fears the erosion of Communist regimes in Eastern Europe.

Nowhere is this clearer than in Poland where the first signs of liberty have been ruthlessly suppressed.

But the flame of freedom cannot be snuffed out for ever.

/Though

Though politically and economically weak, the Soviet

Union still seeks to assert itself by military means.

Along the dividing line which, 37 years on, still separates the two halves of Europe the Soviet Union has increased its battle strength.

In both conventional and nuclear weapons it outnumbered the defences available to NATO.

And in Africa, Latin America and Asia, the Soviet Union and its proxies pursue her policies of destabilisation and subversion.

/Western

Western nations have not always resisted these pressures as strongly as they should.

That is why we in NATO committed ourselves to a real increase in our defence expenditure over the coming years.

We also took a decision to modernise NATO's intermediate range nuclear weapons systems in Europe, unless negotiations with the Soviet Union succeed in making the future deployment of such weapons unnecessary.

We are serious about the 'zero option': the elimination of all longer-range land-based missiles capable of striking targets in Europe.

So far, the Soviet attitude gives little hope for thinking that their intentions are as constructive or far-reaching as our own

/This

This is how it looks from Europe.

But you do not need me to remind you that the continuing Soviet threat to the free world has implications for Japan as well.

Economic strength generates not only political responsibilities but defence obligations too.

I know there is a lively discussion in Japan and elsewhere on the right level of your defence effort and expenditure, and I do not wish to be caught in the cross-fire.

But you will understand the concern of a fellow maritime nation that Japan should be capable of defending herself, her territory and her vital sea lanes and other approaches.

/The Middle East

The Middle East is also an area where Japan has a role

to play in support of our common interests.

Continuing instability in the Middle East

must be a serious matter to a country like

Japan which depends so heavily on imported

energy.

We in Britain are profoundly concerned about

the conflict between Iran and Iraq and the

continuing dispute between Israel and her Arab

neighbours.

And we warmly welcome the constructive and

imaginative approach to the Palestinians

recently announced by the American Government.

/We

We greatly value Japanese support for strategic

countries bordering on the Middle East which have experienced economic problems, including Turkey and Pakistan.

But again we would welcome closer Japanese involvement in consultations over the free world's strategy in this crucial region.

In Asia, we already work closely and effectively together.

The Commonwealth is a powerful force in the area, and we all work for the same objectives of political stability and economic development.

/Japan

Japan and Britain have supported the development of a strong and independent Association of South East Asian Nations.

We both welcome the ^{ASEAN} ~~Asian~~ efforts to promote the coalition in Cambodia which we believe is a healthy step towards solving the problems of that unhappy country.

We have worked together to re-settle the refugees who are the tragic victims of Vietnamese policies.

We both maintain considerable programmes of overseas aid.

An increasing proportion of Japanese aid is now going to countries beyond Asia. Your aid

/transmitted

transmitted through United Nations and other international agencies continues to grow. This is a sign not only of the economic success of your country, of which we are all aware, but of your growing international involvement which we welcome.

It is good that Japan and Britain strive together, with the other countries of the free world, in defence of freedom and justice.

FREE TRADE

Let me now consider our second area of common concern, that of free trade and free exchange. The post-war liberal trading system has benefitted the whole free world, perhaps most especially Japan. We are

/ now

now living through a world recession.

You in Japan are suffering from its effects
as we are.

The deficits created by the oil price rises of
the last 8 years, coupled with expenditures which
have run ahead of output, are causing serious
problems for the world banking system.

Our economies are not able to expand to match
past performance or current expectations.

The temptation to interfere with the workings
of the free trade system is strong.

But to restrict imports by any means is to
invite retaliation against exports.

/We must

We must not allow ourselves to be divided
in that way.

We all face the same problems.

The responsibility for maintaining the open
trading system is a shared one.

Now more than ever we must work together for
a balanced and reciprocal expansion of
international trade.

The advantages which will flow from it will
be mutual and long-lasting.

/But

But we must be realistic. In the 1980s our economies will not grow at the rate of the past two decades.

The reasons are not far to seek: the great increase in energy prices looks like limiting for some time ahead the potential for rapid expansion of production and employment.

It is this prospect which makes especially serious the problems in the commercial relationship between Japan and her trading partners - not only the United Kingdom and the European Community, but also the United States and other members of the OECD. and of the GATT. The plain fact is that imbalanced patterns in our trade with Japan have persisted for at least a decade now. This cannot continue without threatening / the

the breakdown of the free trading system. I welcome the measures which your Government has taken during the past twelve months to dismantle some important barriers to trade. I hope that your market will become progressively more open to imports, especially of manufactured goods. What we are looking for are financial and economic policies which will lead to a steady increase in Japanese imports of manufactures. Your trading partners are watching the position closely, You will understand if I say that we are bound to judge by results.

Trade friction is rarely the fault of one party alone.

Japanese export successes come from the skill, flexibility and adaptability of Japanese industry. We must match your performance.

/ It

It is sometimes said in Japan that foreign companies could easily sell more here if only they would try harder. We have tried hard. We will try even harder. But the strenuous sales efforts in Japan by some UK industries who have been highly successful in other markets have resulted in meagre successes here. I will give you some examples of comparative results by our top exporters in important sectors for British industry. We sold in 1980 seventeen hundred million pounds worth of aerospace products worldwide: we sold only £30 million of these same products in Japan in the same period. In the vehicle components sector we sold over £170 million to the USA, over £280 million to Germany, but only £7 million

/ to

to Japan. These figures suggest that, for whatever reason, it is harder to penetrate the Japanese market than any other in the industrialised world. If so it is surely in our mutual interest, both economic and political, to correct the situation. Any barriers to a balanced expansion of trade which may remain must be dismantled.

THE QUALITY OF LIFE

I now deal with our third area - improving the quality of life. This means using the opportunities created by new technologies to create jobs and wealth, to extend our knowledge and widen our horizons. We must look beyond the immediate economic storms. Investment in the new processes / which

which we are now developing will ultimately create employment and improve living conditions, even though they may at first seem to have the opposite effect. That is the history of all industrial revolutions - and the new technologies, especially the new electronics, constitute a third industrial revolution.

/Japan has

Japan has shown how to tackle this new challenge.

She has been particularly successful in putting new technology to work, and in getting management and workforce to co-operate in reaping the benefits.- and unemployment in Japan is virtually the lowest in the world.

We should like to learn from your experience.

We too have a long and distinguished history in research and new technology from Newton's discovery of the force of gravity to the latest science of genetic engineering, from radar to nuclear energy, from jet engine to vertical takeoff, from television to carbon fibres, from penicillin to the new electronic scanner which can detect

presence of cancer.

I saw the prototype in Aberdeen University
two weeks ago.

We are superb scientists and inventors,
perhaps not always so good at turning these
abilities to industrial profit.

Some people fear it but over the years the
new technology has created new prosperity
for our people.

And it has brought millions of new jobs whose
existence could not have been predicted only a
short time ago.

One of the main themes of the Versailles Summit
was the need for the 7 leading industrialised
countries to take the lead in stressing the
positive features of technological change.

/A greater

A greater exchange of information between Britain and Japan is an important element in fulfilling this aim.

Industrial collaboration between us has advanced rapidly over the past few years.

Two days ago I saw the advanced robot production facilities of Fujitsu-Fanuc, who are now in collaboration with the British '600 group'.

The leaders of both concerns assure me that co-operation has already brought substantial benefits to both parties.

Another example: the British computer company ICL has developed an association with Fujitsu.

/This has

This has increased joint sales in third markets and has given us access to one another's research into the next generation of computers.

And again, our largest car manufacturer, British Leyland, is collaborating with the Honda Motor Company.

They are now jointly designing a new passenger limousine, for sale in both Japan and in Europe.

Britain has always welcomed inward investment by foreign companies.

Already some 30 Japanese manufacturers are producing goods in a wide range of industries in the UK, with consequent benefit for our own industries.

/These

These companies know that Britain is one of the most stable countries in the world, that it provides access to the whole European Community, that it has sound economic policies which are bringing down inflation (from 20 per cent to 8 per cent) and are reducing interest rates, that in the private sector the record of labour relations is good and that unlike many of our competitors we have the great advantage of secure energy supplies.

/These

These manifold attractions are increased still further by the long-term policies on which we have embarked - to restore sound money and free our economy from artificial restrictions.

We are pursuing those policies rigorously.

They are beginning to show results.

We shall continue to pursue them.

They were not designed for temporary use.

They are policies for a decade.

How many other countries can offer all the advantages which I have described?

/I have

I have talked a lot about trade and investment.

But there is another form of international exchange: that of people, culture and ideas.

There has been a boom of Japanese culture in Britain during the past year, crowned by the triumphant success of the Great Japan Exhibition in London: my Japanese friends have told me that no such exhibition has been mounted before abroad or in Japan.

It was accompanied by a host of other Japanese cultural events, and a whole series of television broadcasts which brought knowledge of the virtues of present-day Japan to the widest possible audience.

/In Britain

In Britain today Japan has become a by-word for
effort, ingenuity, excellence and success.
Your art and design have long excited our
interest and admiration.
You have a sense of tradition, a taste for
beauty, a pride in loyalty and a habit of
harmony.

Throughout history we in Britain have always been an
outward looking people, seeking discovery and
adventure.

A people with tolerance, integrity, steadfastness
and courage.

/A people

A people to whom liberty and justice are as important
as the air we breathe.

Rightly we have the reputation of being
staunch and true friends.

Building on the qualities of our two
peoples let us achieve closer co-operation
and deeper friendship.

BRITISH PRESS CONFERENCE AND RADIO AND TV

Your Press Conference for British correspondents and your travelling media party will be in the same room as the NHK interview. We are expecting 30 to be present.

If you agree to give interviews to British radio and TV we shall not allow them to record your Press Conference.

They will be given drinks on arrival and will sit in a semi-circle in front of you at one end of the room.

This is the occasion for you to give the flavour of your visit - to characterise its achievements as you see them - and briefly to set the tone of your approach to China

I want you to be as relaxed as possible because some critical, not to say anxious eyes, are upon you after your operation. You should be seen to be enjoying yourself doing a job - selling Britain and British goods and winning jobs.

It is all the more important to appear positive on the day when bad new unemployment figures will appear, though not publicly before your Press Conference or radio and TV interviews. I should add that this is also the day before the 22 September Day of Action. It will be a day on which most of the press will not be printing; all the more reason to be seen promoting business on TV.

The main awkward issues that could turn up are:-

Protectionism

Just how serious do you think is the risk of a collapse of the free trading system? And what can you do about it if Japan won't budge?

/Day of Action

Day of Action (possibly linked with the threat of a miners' strike)

I have told the media you will not be commenting on the Day of Action but you might get over the point somewhat tangentially - a point that will strike a real chord with many correspondents - that any disruption at home does not help you in trying to promote British goods and work in our factories.

Lebanon - here we wait upon events and John Coles is arranging to keep you up-to-date.

Hong Kong/China - you will need to be firm in resisting attempts to draw you into comment before you have seen the Chinese leaders. We do not want to build up expectations. You should be very firm and say you prefer to leave comment until after you have seen the Chinese leadership.

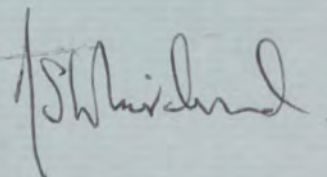
AOL $\frac{20}{9}$

Private Secretary (Mr Coles)

h.a.

PRIME MINISTER'S MEETING WITH MR SUZUKI ON 20 SEPTEMBER

1. I saw Mr Kato again this afternoon and spoke as agreed.
2. On the agenda I said that the Prime Minister would prefer to take item (vii) "UK/Japan bilateral economic problems" immediately after item (i) political cooperation between the UK and Japan. Item (viii) on technological cooperation could follow. Thereafter the agenda might be as suggested by the Japanese, taking East/West economic relations next.
3. The Prime Minister agreed that the Middle East, South East Asia, Korea etc. could be left over to the talk with Mr Sakurauchi.
4. The Prime Minister would be prepared to have an exchange of views on the situation in the Federal Republic of Germany. (It is not clear exactly when this will come but Mr Suzuki will lead into it by asking for the Prime Minister's views at a suitable moment.)
5. On Japanese interest in being included in the Five-Power Foreign Ministers meeting in New York later this month, I said that this presented difficulties. The French had only reluctantly agreed to attend. On the other hand, the Netherlands and the Commission were both very keen to be included, although my understanding was that they would not be. This was a preparatory meeting and participation might most reasonably be limited to countries involved in the pipeline and which had had denial orders issued by the United States against shipments. In the future, there should be wider discussions in the Group of 7. Some consideration might be given to bringing forward the next SHERPAs meeting and possibly to advancing the next Economic Summit.
6. Mr Kato took note and said our position was clear. In particular, he noted the exclusion of the Netherlands and the Commission. He repeated that Japan was prepared to participate but was not specifically asking to do so. In response to my question, he said that Japan had not yet approached any other countries about this.
7. In these circumstances, I said that presumably Mr Suzuki would not raise the matter in the way that had been proposed by Mr Kato yesterday although the general subject would undoubtedly come up. The Japanese will, I think, wish to be kept closely informed of progress at the meeting; there might be some advantage in the Prime Minister offering to do this.



19 September 1982

J S Whitehead

TALKS WITH MR. SUZUKI

1. Political Co-operation between the UK and Japan
 - (a) Need for closer consultation a main theme of 2 speeches - at your banquet tonight, and at Press Club tomorrow.
 - (b) Want to hear Japanese views on many world problems.
 - (c) We have annual consultations at Foreign Minister level. Recently agreed to have regular consultations at official level on East/West affairs, Africa and the Middle East and aid. Good.
 - (d) We must maintain contact at our level. Hope you will feel free to send me messages on matters of importance to you. (Hope you will visit us in London soon).
 - (e) Differences over Falklands. Disappointed at the time, but that is now in the past. UN General Assembly - we can't negotiate with Argentina.

We hope U.S. are anxious about this.
Consultation - to joint action.
No institutional framework - like E.C. N.A.T.O.

2. Economic Co-operation between the UK and Japan

- (a) Thanks for rapid translation of your speech.
- (b) Shall be speaking publicly about UK welcome for Foreign investment. Only 24 Japanese manufacturers

in UK - compare 180 from Germany and 1000 from USA.

✓ 7,000 jobs so far. - note had beginning.

(c) DOI/MITI agreement. List of projects of interest to UK handed to MITI in May. Look for progress at next official talks in Tokyo in November. Disappointed at lack of progress from Japanese side.

←

Only 2 for MITI.

but denied.

(d) Recent import packages welcome. But impact on growing trade deficit with UK not likely to be significant.

Want Japan to change attitude to foreigners.

(e) Acute need for Japan to increase imports of manufactured goods. 3% of GDP for Japan compared with 6% for EC as a whole and 5% for the US.

Further

(f) Hope to sell you British Aerospace 146 when your domestic fleet replaced in 3 to 4 years. Also, consider Harrier and other defence equipment.

Wanna 1000 - c.
663:
990. 1000;

1980. \$5-
~~1981~~ \$5
1982
Sea Harrier
Search - select
action

(g) Welcome effective operation of vehicles understanding and Japanese government contribution.

✓

Assn. of British Chamber of Commerce.

(h) Bilateral inter-industry understandings essential to avoid need for Government intervention.

✓

British can - Sea / (i)
Harrier.

(i) especially concerned about level of exports of numerically controlled machine tools to UK.

Japanese penetration of market for nc machinery centre increased from 1% in 1977 (by volume) to 60% in 1981 - and of UK nc lathe market from 21% in 1977 to 44% in 1981. Will Japanese government ask its industry to meet ours and try to reach an understanding on export levels of nc machine tools?

On manufacturing in U.K.

*Talks by October, within
2-3 weeks, within
MITA*

3. Technology agreement

Officials have reached agreement on joint statement (Flag A) envisaging further discussions with a view to preparing a draft text. I want an agreement that means something and brings practical benefit. (if necessary). Exclude science - would undermine Anglo/Japanese cultural agreement and Royal Society agreement and dilute value of agreement concentrating on technology.

4. East/West Economic Relations

- (a) New York Foreign Ministers' meeting (UK, US, Germany France and Italy).

We wanted this ages ago but French obstructed. Have at last agreed. These 5 are all involved in specific project. (Siberian pipeline) and have had US denial orders against shipment. They then have a particular problem to discuss. But there should be wider discussions later in Seven. Could consider bringing forward meeting of 7 personal representatives, and perhaps even Economic Summit.

- (b) Sakha lin - how affected by American measures?

5. China

- (a) Impressions of party congress
- (b) Deng's position
- (c) Suzuki's own visit - where going?
- (d) Do Chinese listen to Japan?
- (e) Hong Kong - we shall do everything possible to maintain

Hong Kong as a prosperous and stable financial and commercial centre. Chinese must understand that if they harm confidence by unreal plans for its future, great harm could be done.

6. India

Suzuki to lead (item is at their suggestion).

7. International Economic Situation

- (a) Banking crisis. Mexico. Argentina (?) Eastern Europe.
- (b) World recession beginning to affect Japan.
- (c) Need for greater Japanese reliance on domestic growth. Speed with which Japan reduces budget deficits should take account of short-term private demand.

The Yen.

8. GATT Ministerial Meeting

EC decision to seek consultations with Japan under dispute. Settlement procedure of GATT reflects increasing anxiety felt throughout EC at present unsatisfactory situation.

Hope you will respond constructively. Otherwise have to consider option of further action in GATT.



The two Prime Ministers have noted the progress which has been made in industrial and scientific cooperation between Britain and Japan. They agreed that further efforts should be made in the field of technology. They have accordingly instructed their officials to hold further discussions with a view to preparing a draft text.

UK exports to Japan

1979	£ 600m
1980	£ 600m
(first 10 mths) 1981	£ 519m

UK visible trade deficit with Japan

(first 6 mths) 1982	£ 990m
" 1981	£ 643m

EC visible trade deficit with Japan

1980	\$9.3b
1981	\$10.3b
(first 6 mths) 1982	\$4.7b

Imports of manufactured goods

<u>Japan</u>	3% of GDP
EC	6% of GDP
US	5% of GDP

MS

MR. BUTLER

c.c. HE
Mr. Whitehead

The International Trade Scene

This note is intended to show how various trade aspects are inter-related and to highlight the main points. The Prime Minister can use any or all of it. There is some deliberate deference to some Japanese points of view.

2. The UK and Japan as large trading nations both have a vital interest in a healthy trade and payments system. The problems at the present time are immense - from a protectionist US Congress to huge indebtedness in e.g., South America.

3. Japan and UK both recognise need for prudence and careful management - for the recession itself adds to the tensions and makes these more difficult to handle. That is why we support the holding of the GATT Ministerial in November - in the hope that some problems can be solved or put on the way to solution and confidence in the GATT system maintained.

4. GATT Ministerial still needs more preparation - difficult issues need careful handling, but we have great confidence in Arthur Dunkel (who has just left Tokyo) and whom the Prime Minister met privately in Geneva.

5. No secret that were some hesitations in some EC elements about whether risk of GATT Ministerial failure made postponement the wiser course. We ourselves did not hesitate, and those who did have come round to our point of view.

6. Japan and UK both have much to fear from US protectionism - understand new cases imminent against Japanese steel imports and powerful lobbies want virtually to exclude all imported cars. Not only danger of loss of US market - but spiral that US protectionism would cause. Our protectionist elements would ask us to emulate the US.

7. We do not doubt that US Administration doing its best. But they, like EC, find Japanese propensity to import manufactures too low. Nobody is saying that Japan should not have surplus on manufactures to buy food raw materials - she must. What the EC and US are saying is that Japan has not yet fully participated in the exchange of manufactured goods between industrial nations that has formed a dynamic part of world trade picture.

8. Illustrate this in two ways. First, Japan's imports of manufactures as per cent of GDP is around 3 per cent. The US is 5 per cent and the EC 6 per cent, and in both the US and EC this figure has been rising. Second, compare Japan's imports of manufactures per head with others.

1980: \$ per head

Japan	230 approx
US	550 approx
EC	800 approx

9. We welcome the two import packages introduced this year. But we particularly welcomed Mr. Suzuki's statement on the occasion of the second package calling on public officials and private firms to "extend a welcoming hand to foreign products and investment". We acknowledge that the average tariff in Japan - on industrial goods - is low. But the Japanese economy was fairly closed until a decade ago, so it was good that the situation as it is now was underlined by Mr. Suzuki. We know, of course, that it is our job to sell our products, but when they are good we want a fair chance.

10. The EC action in GATT under Article 23 should be seen in this light. Recognise that Japan finds complaint broadly based, but two points:-

/ (a)

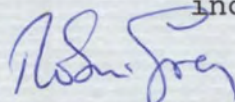
- (a) We are not asking Japan to change whole social system but to bring home the perception of an unequal balance of advantage in EC/Japan trade.
- (b) Use of GATT procedures strengthens GATT and in every way preferable to protective threats as for example from US Congress.

]]. The fact that EC Foreign Affairs Council will not this week have Japan on its agenda does not mean divisions or loss of interest. We have immediate problems with US on pipeline and steel. The concern about Japan is shared in the Community and there has been much drawing together of member states, including Germany, in the past 2 years.

]2. In general UK/Japan problems being handled by common sense and prudence. Welcome investments we have and want more to create jobs. Understandings in a number of sectors working well - on numerically controlled machinery centres and lathes there are difficulties with Japanese imports rising sharply over past few years to take half the market. Britain must have a capability of its own in this area. Hope therefore that discussion and cooperation between our industries can be pressed forward urgently.

]3. It seems hopeful that UK/Japan problems can be managed by mixture of:

- (i) prudence in Japanese exports (especially at this difficult time)
- (ii) Vigorous selling by us, with your public welcome
- (iii) A growing exchange of texhnoogy and investment in all industries - service or manufacturing.


ROBIN GRAY

19 September, 1982.

*Copied to Anglo / Japanese
Relations*

LDW 589/19

OO FCO

GR 130

CONFIDENTIAL

FM TOKYO 192300Z SEP 82

TO IMMEDIATE FCO

TELNO 561 OF 19 SEP 82.

FOLLOWING FOR SCHOLAR FROM BUTLER.

BEGINS:

PLEASE PASS TO FCO, DOI, TREASURY.

THE FOLLOWING IS THE TEXT OF THE PRESS STATEMENT ISSUED AFTER THE CALL ON THE PRIME MINISTER BY MR KAWAMATA, CHAIRMAN OF NISSAN.

QUOTE

THE PRIME MINISTER AND MR KAWAMATA DISCUSSED THE WORLD ECONOMIC SITUATION, THE WORLD AUTOMOBILE INDUSTRY SITUATION, AND THE CURRENT STATE OF THE JAPANESE AND BRITISH AUTOMOBILE INDUSTRIES.

THE QUESTION OF NISSAN INVESTMENT IN BRITAIN WAS DISCUSSED, AND THE PRIME MINISTER MADE IT CLEAR THAT SHE WOULD WELCOME IT.

THE DETAILS OF THE CONVERSATION ARE OF COURSE CONFIDENTIAL.

UNQUOTE

BOTH SIDES AGREED TO CONFINE THEMSELVES DIRECTLY TO THIS STATEMENT.

ENDS.

CORTAZZI

NNNN

016
To Prime Minister

on return journey

September 18, 1982

Ms 27/9

Dear Prime Minister Thatcher:

It was indeed a great honour and privilege for me to be able to meet with you again in Tokyo on the eve of your state visit to our country.

On my departure from Tokyo for Europe on official business today, I have taken the liberty of forwarding to you herewith enclosed an article I have written. I would appreciate your going over it at your convenience.

I wish you a very pleasant stay in Japan.

Respectfully yours,

Michita Sakata
Minister of Justice of Japan

The Right Honourable Margaret Thatcher, MP
Prime Minister of the United Kingdom
of Great Britain and Northern Ireland,
c/o The Akasaka Palace,
Minato-ku, Tokyo.

変り色の...



坂田道太氏

1916年生まれ。
東京大学文学部独文科卒業。
厚生大臣、文部大臣、防衛庁長官を歴任。
現在、衆議院議員、安全保障特別委員会委員長。
著書には『大学・混迷から再建へ』『小さくとも大きな役割』など。

Michita Sakata

Born 1916.
Graduated in German literature, Tokyo University.
He was appointed Minister of Health and Welfare and Minister of Education. He also served as Director General of the Defense Agency.
Currently a Member of the House of Representatives and Chairman of the House Special Committee on Security Policy.
His writings include, among others, *Daigaku - Konmei Kara Saiken e (Universities: From Confusion to Renewal)* and *Chiisaku tomo Okina Yakuwari (Small in Size Yet Large in Stature)*.

第2セッション

An Odd-man Country?

The 2nd Session
March 20th Friday
第1日 3月20日(金)

2



変りものの国日本の防衛力

今日、日本は世界の経済大国であって、その成功は日本の自然的、地理的条件を考えれば、一見極めて不思議にさえ思えるほどである。国土は狭小、人口は過剰で稠密、しかも資源は非常に乏しい。それでいて自由世界第2位の経済力を持ち、今また欧米先進各国が経済停滞に陥っている中で、ひとり良好な経済成果をあげている。

日本はまた、明治以来の西洋文明の吸収と独自の近代化努力によって、アジア有色人種の中でもっとも高度に、ヨーロッパに起源を持つ近代産業社会の形成に成功している。しかもこの近代化は、日本の伝統や文化的特質と対立することなく、今日まで両者が共存しているのである。例えば、奈良や京都では千年前の建物や行事が、今もそのままに息づいている一方、最も現代的な技術や風俗もこれらと混在し、大きな異和感もなく一体化している。

こうした不思議とも思える日本の、様々なイメージや言動が、外国から見れば時には“変りものの”あるいは“奇妙な”国として、映ずるのはある程度まで不可避であろう。しかし、日本の現実が“変りもの”であり、その事態は変えられないとしても、日本が国際社会の一員である以上、少なくともそれなりに他に迷惑をかけず、魅力ある友人として努めることが必要である。そのためには、近代国家日本の今日の繁栄の基盤を、さぐってみることも意味なしとしない。

それには、大きく分けて二つの背景がある。第一は、日本における明治以来の国民教育の普及である。西洋の文明、技術を取り入れ、急速な近代化政策を進めた明治政府は、教育の面でも明治5年には早くも近代的な学制を發布し、明治36年には、就学率はすでに90%に達しているのである。こうした急速な普及を可能ならしめたのは、明治を遡る徳川末期における藩校や寺小屋の存在であり、この時期に教育環境、教育土壌ができていたからに他ならない。今日では義務教育の就学率は99.9%、高校進学率も90%を上回っている。高校クラスの進学率では、日本は欧米に比較してはるかに高い。このことは、英国エコノミスト誌のノーマン・マックレーが「驚くべき日本の経済成長の秘密は、日本の教育にある。」と述べているところである。

特に最近の第一次、第二次オイルショック以降の産業調整、生産合理化において、日本経済は他国に比べて優れた転換能力を示している。これも日本の労働者の教育レベル、能力の高さと、職種転換などにおける柔軟な適応力に負うところが大きい。


Defense Powers of an Odd-man Out Country, Japan

Japan is now an economic power, but, when one thinks of her natural and geographic conditions, her success seems quite mysterious even. Her land is small, her population exceedingly big and dense, and on top of that, her resources are extremely limited. Yet Japan is the second economic power in the Free World and is the only country which is achieving excellent economic results while in advanced nations of Europe and the United States, economy has become stagnant.

In addition, among all Asian non-white nations, Japan has succeeded most in the formation of modern industrial society which has its origin in Europe, through her absorption of Western civilization and her own modernization efforts since the Meiji era. What is more, this modernization does not oppose her tradition or cultural characteristics, and they have co-existed until today. For instance, while architecture and events of one thousand years ago are still alive in Nara or Kyoto, the most up-to-date technology and fashions are found mixed with them, forming one whole without overly giving a sense of incongruity.

It is inevitable to a certain extent that such seemingly mysterious images and actions of Japan sometimes give the impression of an “odd” or “strange” country to foreign observers. However, even if actual Japan is “odd” and that state cannot be changed, as long as she is a member of international society, it is necessary for her to try at least to be an attractive friend in a way possible to her without causing undue trouble to the other countries. For that purpose, it is not without meaning to look into what formed the basis for the present prosperity of Japan as a modern state.

Largely divided, there are two backgrounds. One is the spread of national education in Japan which goes back to the Meiji era. The Meiji Government which imported Western civilization and technology and promoted the policy of rapid modernization enacted a modern education system as early as the fifth year of Meiji (1872) and school enrollment already reached 90% in 1903. What made such a rapid spread possible was the existence of *hankō* (schools established by *han*



まぎれもなく日本経済の環境変化への適応能力の一つの鍵は、日本の大衆的な教育の普及とその水準の高さにある。

第二は、日本が戦後のみならず、歴史的にも平和主義国家であったことが、自国の安全保障を高め、資源、投資、人材の有効な配分を可能にして、経済発展に寄与したということである。

もともと日本は、アジア大陸の果てるどころ、四周を海に囲まれ、地続きの国境をもたないために、今日まで長年にわたり、安全を保つことができた。過去を振り返ってみても、日本が直接侵略にさらされたのは、第二次大戦時の沖縄、そして、蒙古が襲来した文永の役(1274年)、弘安の役(1281年)のときだけである。しかし、700年前の外敵来襲の際は相手側の内部混乱と台風之力で追い払われ、本格的な戦闘が行われた訳ではない。地政学的にも、日本はそうした有利な位置にあった。

次に、徳川時代300年は、その内政においても平和、平穏に徹した時代であった。本来幕府は武士集団であり、武力による統治をたてまえとしながら、現実には武力を用いずに、内には儒教を中心とする治政を行い、外に対しては鎖国政策をとった。そして300年間の平和を背景に、資本や潜在工業力の蓄積や、広範な庶民階層への文化の浸透など、明治維新後の発展につながる土壌が培われた。徳川300年の鎖国は、一種の安全保障政策だったと見ることができる。

確かに史上何回か、日本は平和主義とは相容れない軍事力優先の膨張主義をとったが、それらはことごとく失敗に終わったということもまた、歴史の語るところである。膨張主義の行きつくところとしての、第二次大戦での日本の徹底的敗北は、戦後、平和主義を日本の国家理念として定着させ、経済成長を国民的合意として、これに邁進させた。

今日の豊かな国日本をもたらしたのは、一つには明治以来の教育普及への絶えざる努力の積み重ねである。さらには、歴史的根拠と背景をもつ平和主義国家、日本であることが、経済的発展の可能性を高めたといえよう。

ところで日本が平和主義を貫くこと自体は、否定すべきでないにしても、厳しい国際情勢の中で日本の安全保障を、あるいは防衛力をどう考えるべきか。

第二次大戦後の核兵器の出現と、米ソの激しい核競争は、核戦争が人類の破滅をもたらす恐れから、お互いが核使用を避けようとすることで、全面戦

or feudal clans) and *terakoya* (schools for townspeople) at the end of the Tokugawa era, which preceded the Meiji era, during which the environment or soil for education had been prepared. Today, attendance on the level of compulsory education has attained 99.9% and the proportion of students going onto senior high school has exceeded 90%. As far as the percentage of young people going to higher institutions of learning is concerned, on the high school level, Japan shows a far higher result than Europe or the United States. Norman Macrae of the Economist (England) has remarked that the secret of the surprising Japanese economic growth lies in her education.

Japanese economy has shown better ability for conversion than other countries, particularly in her industrial adjustment and production rationalization after the first and second oil shocks of recent years. This also owes a great deal to the high educational level and abilities of Japanese labourers and their flexible adaptability shown, for instance, in a change of job category.

Undoubtedly, one of the keys of Japanese economy's adaptability to changes in its environment lies in the spread and high level of popular education.

The other background is that Japan has always been a pacifist country not only in postwar years but also throughout her history and this made it possible to enhance her national security and to distribute her natural and human resources and investment effectively, which contributed to economic development.

To begin with, since Japan is situated where the Asian Continent ends, surrounded by the sea and has no borders on land, she has been able to keep herself safe for a long time. Looking back on the past, the only time Japan faced direct invasion was during the Second World War in Okinawa and in the wars of Bun'ei in 1276 and of Kōan in 1281 when Mongols attacked her. But at the time of the attacks of 700 years ago, the enemy forces were compelled to retreat because of internal disorder and typhoons. There was no real fighting. Geopolitically, Japan has always held an advantageous position.

争の危機を遠ざけることになった。そのことは、局地限定戦争に終わった朝鮮戦争、ベトナム戦争の経緯を考えれば明らかである。

猪木政道教授の言を借りれば「核がなかったら第三次世界戦争はとうに起っていたと私は思うのです。核兵器のおかげで第三次世界戦争が抑止されているという面も見逃してならない」ということである。これは一つの見識と言えよう。つまり核兵器の強大化によって、それ自体の使用が困難になり、通常兵力が逆に威力をもつようになった。しかし、その通常兵力行使ですら、過度になれば行きつくところ核戦争の恐れがあることから、過去のいかなる時代よりも目的、手段、方法、時間、場所において抑制され限定されることになった。これが核出現後の軍事力行使の変化であって、その結果、中小国と大国の軍事力に非常に大きい差がありながら、中小国のもつ小さな軍事力が今日ほど大きな意味をもってきた時代はないのである。

この辺の事情は、ベトナムからの米国の撤退、アフガニスタンでのソ連の不如意な状況がこれをよく示している。最近のイラン・イラク戦争にしても、当初米ソ衝突の可能性や、ペルシャ湾からの石油供給ストップの不安が唱えられた。しかし、米ソをはじめとする抑制的な働きかけによって、紛争は局限化され、両国とも石油施設の徹底的破壊は避けている。以上のような姿が、現代の核時代における軍事力行使のパターンである。

こうした中で、二大超大国である米ソの関係の推移を見てみよう。'50年代、'60年代は米国の圧倒的な軍事的、経済的優位によって、ソ連は世界革命の思想を実行に移すことは困難であった。局地的な小さな紛争にすら介入しえなかったのである。すなわち、ソ連の国防政策は防衛的であった。ところで、米ソの力の差を見せつけた顕著な例が、1962年のソ連のキューバ撤退である。しかしその後のソ連の著しい軍事力増強と、1975年の米国のベトナム撤退を契機として、米ソの軍事力の差は縮まり、国防支出はソ連が米国を上回り、かつソ連は自信を高め米国は自信を失う、やがてソ連は積極的な膨張主義的国防政策をとりはじめる。アンゴラ、エチオピアへの介入、さらに一昨年末にはアフガニスタンに侵攻した。そしてわが北方領土にも1箇師団相当の陸上兵力を常駐させ、軍用施設を拡充、火力を増強して日本に圧力を加えることになる。しかしながら、ソ連のこれまでの膨張主義を注意深く見つめると、現在予見される限り、アメリカにとって最も死活的な地域への直接的介入の意図は少ないと考えることができる。米国が強くコミットしてい

Another important point is that three hundred years of the Tokugawa period was also thoroughly peaceful and calm in domestic affairs. Originally the Shogunate was a body of samurai warriors and professed rule by armed force, but actually it did not resort to force. Internally, it governed the country on the basis of Confucianism and internationally it adopted the policy of closing the doors to the outside world. With this three hundred years' peace as the background, capital and industrial potential were accumulated and culture spread widely among the masses; in other words, the soil was prepared for the development that took place after the Meiji Restoration. Closing the country for three centuries of Tokugawa rule could be regarded as a kind of security policy.

To be sure, for a certain number of times in her history, Japan did choose expansionism which gives priority to military power and is incompatible with pacifism, but history has also witnessed that each and every attempt of this kind ended in failure. The complete defeat of Japan in World War II in which this expansionism reached its end, led to pacifism taking roots in Japan as a national doctrine after the war, and to her people striving for economic growth upon national consensus.

What brought about today's affluent Japan is, for one thing, the continuous efforts to spread education since the Meiji era. Furthermore, the fact that Japan is a pacifist country with historical reasons and background must have increased the possibility for her economic development.

Even if one should not deny Japan's efforts to be consistently pacifist, how is one to think of her security or defense powers in this difficult international situation?

The appearance of nuclear arms and the stiff nuclear race between the United States and the Soviet Union warded off the crisis of a full-scale war because the two countries tried to avoid the use of such arms since a nuclear war might destroy mankind. This is clear when one looks back on the Korean and Vietnam Wars which remained limited warfare until the end.

To borrow the words of Professor Masamichi Inoki, "Had there been no nuclear arms, I think the Third World

る西ヨーロッパ、あるいは日本を中心とする北東アジア地域に対しては、安易に介入することは困難といえる。また、米国はベトナムから軍隊を撤退させたとは言え、同時に今まで敵対的関係にあった社会主義大国の中国と国交を回復した。これが世界各国、殊にアジア地域に与えた政治的影響力は大きかった。軍事的に考えてもソ連は、陸及び空の全兵力の $\frac{1}{4}$ を世界で一番長い中ソ国境線に釘づけせざるをえなくなった。NATO正面はそれだけ荷が軽くなった。ソ連は結局2正面作戦を余儀なくされるに至ったのである。

以上が最近の世界の軍事情勢の推移である。核を含めて最近の米ソの軍事バランスはほぼ同等であり、ソ連の軍事力増強は著しいものがあるにせよ一方、レーガン政権になってからの米国の国防力増大計画と意思は目をみはるものがある。このような米ソ関係を見据え、核出現後の軍事力行使のパターンの意味を考え合わせれば、今ここで急速な軍備増強によって日本の安全保障を計ろうとする主張は、決して大多数の国民を納得させる現実的政策とは言い難い。これまでの見解に立てば、日米安保条約が相互の信頼の上に堅持され、日本の政治、経済、社会が安定しているならば、比較的小さい防衛力であっても日本の安全は保たれる。日本の独力の対処能力とともに、それ以上の侵略事態に対しても、日米安保条約が大きな抑止効果をもつからである。しかしまた、現在まで日本は必要最小限度の防衛力すら保有していない。これでは日本の安全保障上危険である。したがって当面政府決定の防衛計画大綱の水準は早急に達成する必要がある。それでなければ、日本は独立国として、また自由主義諸国の一員として、当然の責任を果たすことにならないからである。一方、巨大な工業力をもつ日本が、軍事的にも大国化することは、周辺各国に日本の覇権主義への疑念を抱かせよう。したがって、日本の防衛力の限界は、日米安保条約を維持しつつ、自国の独立と安全を確実に保ち、間接的に北東アジアの安定に寄与しうるに十分な程度であるべきであろう。

日本が必要な防衛努力を着実にに行いつつ、国内の政治、経済、社会の安定を維持し、これを高めていくことこそが、自由主義諸国の、ひいては日本の安全保障に最も大きく寄与する道である。

“よそ者の国日本”と言われる、不思議な国の不思議な話が、他国の人々に少しでも理解され、支持され、協力されるなら、それは21世紀を開く理想と現実との契機となろう。

War would have already broken out. We should not overlook the aspect of nuclear weapons deterring the Third World War.” This is a profound insight. Development of more powerful nuclear arms itself precluded their use and conversely conventional forces came to have power. But because the use of conventional forces itself may lead to nuclear warfare if it becomes excessive, it is deterred or limited in its purpose, means, methods, time, and place more than in any age in the past. This is the change the use of military power underwent after the appearance of nuclear arms, and as the result, in spite of an enormous difference between the military powers of small and medium countries and big ones, never in history did the smaller military capacity of smaller countries have a greater significance.

The American withdrawal from Vietnam or the difficulties the Soviet Union is experiencing in Afghanistan clearly demonstrates the point above. Even in the more recent war between Iran and Iraq, the possibility of a clash between the United States and the Soviet Union or the fear of oil supply from the Persian Gulf being cut off was whispered about at the outset, but restraining efforts by countries including those two big powers limited the conflict in locality and both Iran and Iraq are avoiding the complete destruction of oil facilities. Such is the pattern of the use of military force in the present nuclear age.

Let us see how the relations between two superpowers, the United States and the Soviet Union, have developed. In the '50s and '60s it was difficult for the USSR to put the idea of a world revolution into action due to the overwhelming military and economic predominance of the United States. It could not even intervene in a local, small dispute. In other words, the emphasis of the Russian national defense policy was on the defensive. The remarkable instance which displayed the difference between the power of these two countries was the Russian withdrawal from Cuba in 1962. However, this difference in military power was reduced through marked increase in the Russian military strength in the subsequent years and the American withdrawal from Vietnam in 1975, and the Russian defense expenditures sur-

他国に対して迷惑をかけず、侮られもせず、侵されることもなく侵すこともなく、必要な限度の防衛力を保持して日本が安全を守りぬき、さらに日本が本来の面目たる平和に徹し、ようやく手に入れた経済力をもって、ひろく政治、教育、技術、文化の非軍事的協力を手段としてアジア及び世界に貢献できれば、それこそ日本の進むべき道である。

核時代の限定的軍事力行使のパターンの存続及びその前提条件たる核戦争回避のコンセンサスの堅持と軍縮をこのときにあたり日本が世界に向かって提唱すれば、それは説得力を持つことになるであろう。

passed that of the United States. At the same time, the Russians gained confidence while the Americans lost it. Soon the Soviet Union began to take a positively expansionistic defense policy. She intervened in Angolan and Ethiopian problems and invaded Afghanistan at the end of the year before last. Furthermore, she came to station approximately one division of land force permanently in our Northern Territories, expanding military facilities, increasing her firepower and putting a pressure on Japan. However, if one looks carefully into the expansionistic tendency shown by the Soviet Union until now, one may expect she will have little intention of direct intervention in the areas which have the most vital importance to the United States, as far as one can foresee today. It would be difficult for her to intervene easily in Western Europe or the Northeast Asian region around Japan to which the United States is strongly committed. Another thing is that although the United States withdrew her armed forces from Vietnam, she re-established ties with China, a big socialist power to which she had been hostile. The political influence this move had on various countries of the world, on Asia in particular, was enormous. Even militarily speaking, the Soviet Union has been compelled to keep a quarter of her land and air forces stationed on the world's longest border, the one that separates her from China. The NATO front has so much less burden to bear. In other words, the Soviet Union has been forced to take the two-front strategy.

The above is the summary of how the recent military situation has changed. The military powers of the Soviet Union and the United States including their nuclear arms balance almost equally nowadays and even though the former is increasing her military capacity in a marked manner, the American plan and determination to strengthen her national defense are quite remarkable. When one considers what the pattern of the use of military power after the appearance of nuclear arms means on the basis of the understanding of the Russo-American relations, the opinion that Japan should plan for her security by rapid increase in her armaments right now cannot be called a realistic policy which would be accepted by a great majority of her people.

According to the view outlined above, if the Japan-U.S. Security Pact is held fast upon mutual trust and if Japanese politics, economy, and society in general are stable, she will be able to maintain her security even with comparatively limited defense power. Even in a case of more serious invasion, the Japan-U.S. Security Pact along with Japan's own defense capacity will have a strong deterrent effect.

However, until now Japan has not even built up defense powers of minimum requirement. The present situation harbours danger to the security of this country. As a consequence, it is now necessary to attain as soon as possible the level of the outline of the defense programme decided by the Government. Otherwise, one cannot consider Japan as bearing due responsibilities as an independent state and as a member of the Free World. On the other hand, if Japan with her enormous industrial capacities also grows into a military power, it will cause her neighbours to harbour doubts as to her intention to gain hegemony. Therefore, the limits of Japanese defense powers will be such that will enable her to maintain her independence and security for certain while holding to the Japan-U.S. Security Pact and to contribute indirectly to the stability of Northeast Asia.

The best way for this country to make the greatest contribution to the security of the Free World and of her own would be to maintain and even heighten the stability of her domestic politics, economy, and society while steadily continuing necessary defense efforts.

If this strange story of a strange country often referred to as "Japan, an odd-man out country" could be understood and supported by and obtain cooperation of other nations even to a small extent, it will provide the key to open the door to the ideals and realities of the twenty-first century.

If Japan can possess defense powers of minimum requirement and guard her security with certainty, without causing troubles, without being made light of, without invading or being invaded in her relations with other countries of the world, and if, furthermore, Japan can devote herself to peace which has always constituted her honour and contribute to Asia and the rest of the world with the economic power she

has gained after much struggle and through political, educational, technical, cultural and various other non-military ways of cooperation, then that is the road Japan must take.

If Japan proposes to the world to continue the pattern of limited use of military force in this nuclear age and to hold fast to its prerequisites, that is to say, the consensus to eschew nuclear warfare and to reduce armaments, the proposal will be persuasive.



エンディミオン・ウィルキンソン氏

1941年英国生まれ。
ケンブリッジ大学キングズ・カレッジ卒業。
プリンストン大学で経済史の博士号を修得。1974年から5年間EC代表部員として東京に駐在。その間、駐日EC委員会代表部設立をはじめ、経済・通商担当主席アタッシュエとして活躍。
現在、EC本部対外総局首席行政官。
著書には『誤解』など。


Endymion Wilkinson
Born, England, 1941.
Graduated from King's College, Cambridge University, and received a Ph.D. in economic history from Princeton University.
In 1974, he resided in Tokyo as acting head of an EC Delegation to prepare the setting up of the Commission's permanent diplomatic delegation to Japan. For the next five years, he served as the EC's economic and commercial attaché.
Currently Principal Administrator at the EC Commission Headquarters.
His writings include, among others, *Misunderstanding: Europe versus Japan*.

第2セッション

An Odd-man Country?

The 2nd Session
March 20th Friday
第1日 3月20日(金)

2



変りものの国・日本?

多くの人々が、そしておそらく日本の外ではとくに、日本のことを「変りものの国(Odd-man Country)」と本当に思いこんでいる。これらの人々が一樣に日本を「変りもの」呼ばわりすることはないとしても、彼らは、日本がその固有の文化的伝統に加え、非西欧国家としては、初めて、欧米の経済に追いつき、場合によってはこれを追いつくという歴史的経験により幾つかのユニークな特徴をもつに至ったと考えることが多いようだ。最近ではますます、このような日本の特徴が「風変り(odd)」なものとして受け取られるようになっている。しかし、これは「奇妙な(strange)」とか「異国風な(exotic)」という意味で使われているのではなく、むしろこの言葉が17世紀に英国で使われていた「価値、功績、地位において卓越している(singular in worth, merit or eminence)」といった称賛の意味で使われているのである。つまりJapan As "Number One" というのと同じである。

しかし、一方には、より批判的な立場をとる人々もおり、たぶんこのような人々がまだ過半数を占めているというのが実情である。彼らは日本が比類のない偉業を達成したことを認めたくなくて、この国が世界秩序の利益を享受しながら、こうした秩序を創り出し、維持するという面では十分にその役割を果たしていないと指摘している。

日本に対する好意的な意見も批判的な意見も、しばしば、「無関心、無知、偏見、おそれ」から生ずるさまざまな誤解のために曖昧で不明瞭なものになってしまっている。しかし今日私は、そうした誤解についてではなく、「変りものの国・日本?」という奇妙な演題にも示されているような、日本に対するさまざまな非難を取り上げこれを論ずるよう仰せつかっているのである。

日本に対するさまざまな批判のなかから私は以下の3つを選んでみた。

第一は、巨大な日本経済の規模に比べ、防衛、海外援助、国際政治の場におけるイニシアチブをもった発言などの面における日本の貢献が少なすぎるのではないかという不均衡に対する批判である。

第二は、日本経済と世界の他の諸国の経済との間の係わりあい方と、不当ないし極端に利己的であると受けとられがちな日本の対外貿易のあり方に対する批判である。

そして第三には、日本は、住宅、道路、公園などの改善を犠牲にして、産業投資と輸出主導による経済成長を重視しているという批判がある。一方、日本の貿易相手国は国内産業の競争力強化よりも生活水準の向上により多額

An Odd-man Country?

Many people, especially perhaps outside Japan, do indeed feel that Japan is an "odd-man country". Although they may not use this exact phrase, they tend to believe that the Japanese cultural heritage plus the historical experience as the first non-Western country to catch up with, and in some cases, to surpass the economies of Europe and the United States, has given Japan a number of unique characteristics. Increasingly, these characteristics are felt to be "odd", not in the sense of strange or exotic, but in the complimentary 17th century English usage of the word to mean "singular in worth, merit or eminence". Japan, in other words, as "number one".

There are others, however, and they are probably still in the majority, who, while admitting that Japan has exceptional achievements, would be more critical, pointing out that Japan is a country which benefits from the world order, but does not fully play its part in creating and maintaining that order.

Both the favourable as well as the critical views of Japan are frequently obscured by a cloud of misunderstandings arising from "indifference, ignorance, prejudice or fear". Here, however, I have been asked to address myself not to misunderstandings, but to the various reproaches made of Japan as implied in the quizzical title "An Odd-man Country?".

Amongst the many different topics of criticism I have chosen three:

Firstly, the incongruity between the huge size of Japan's economy and the comparatively small size of her contribution to either defence, overseas aid or the articulation of initiatives in the international political arena.

Secondly, the manner in which the Japanese economy is integrated with the rest of the world, and the conduct of Japan's international trade which often appears unfair or ruthlessly selfish.

Thirdly, emphasis on industrial investment and export-led growth at the expense of improving housing, roads, parks etc. which it is claimed gives Japan an unfair competitive advantage with her more luxurious trading partners who spend more on improving living standards than on improving the competitiveness of their industries.

I shall take each of these themes in turn, although in prac-

の投資を振り向けているので、公共施設・社会福祉の面ではより恵まれている。そしてこれら諸国に比べ日本は不当に高い競争力を有しているとの苦情が聞かれる。

これらの批判は、実際には相互に密接な関連性を持っているのであるが、以下、順に取り上げ、議論を展開してみたい。さらに、果たしてこのような批判が正鵠を得たものであるかどうかについての私自身の見解をも明らかにすることにしよう。

1. 経済大国日本は政治小国か？

今日の日本経済は30年前とは比較にならないほど拡大している。このことは現代における経済の偉大な成功物語(サクセス・ストーリー)であり、その評価も高まりつつある。しかし、この間日本の防衛支出は、GNPのごく僅かなパーセンテージに留まっていたのである。1979年における対GNP防衛費の割合は、アメリカ5%、ソ連約14%、英国4.7%、ドイツ3.4%、フランス3.3%となっている。そして、日本は0.9%であった。

日本経済は甦り成長を続けた。一方、アメリカは同盟国が第二次世界大戦の穹窿から復興するとともに、世界における優位性が揺らぎ始め、その主要なライバル、ソ連が国力を充実させ、世界における影響力を拡大させてきた。

このような状況にあって、日本は、自らをアメリカに結びつけ、さらにアメリカを通じて他の先進工業国に結びつけている防衛体制により大きな貢献をすべきであるとの、かなり強い圧力を受けている。ヨーロッパでは、日本に比べ防衛体制に対する貢献が長年にわたりかなり大きかったのだが、それと同じような圧力が感じられる。

現在、日本では防衛予算の増額が必要(0.9%から1%?)だとの議論が行なわれているものの、こうした議論を実行に移すための具体的な措置はいまだにこられていない。これについて日本は、同盟諸国に対し、財政危機のため防衛予算の増額は思うようにはいかないとの説明を行ってきた。しかし、日本経済のパフォーマンスが欧米諸国のそれをはるかにしのぐものであることを日頃痛感させられている欧米人にとってこのような議論はとうてい納得し難いものである。

日本の防衛努力の強化という問題の根底には、日本が防衛面で果たすべき役割の本質と範囲についての困難かつ基本的な問題を見出すことができるのである。日本は、これまで通りアメリカの核のカサの下にあって、手足を露

たて they are closely linked. In doing so I shall endeavour to make my own view clear as to whether or not I believe these criticisms are valid.

1. An economic giant but a political dwarf?

That the Japanese economy today is incomparably larger than thirty years ago is the great economic success story of our times and it is increasingly recognised as such. But over the same period Japan's defence spending has continued to account for a very small part of GNP. In 1979, as a percentage of GNP, the US spent 5% on defence; the USSR about 14%; England 4.7%; Germany 3.4% and France 3.3%. Japan spent 0.9%.

While the Japanese economy was surging ahead, the US, on the other hand was gradually seeing its pre-eminent position in the world diminished as her allies recovered from the devastation of World War II, and as her main rival, the USSR, increased its power and global reach.

Under these conditions, Japan is under considerable pressure to make a larger contribution to the system of defence linking her to the US, and through the US, to the other advanced industrial democracies. Similar pressures are also felt in Europe, although the European contribution to defence has been for many years relatively greater than that of Japan.

Despite the current awareness in Japan that a larger defence budget is called for (from 0.9% to 1.0%?) decisive steps to translate this awareness into action have not yet been taken. Meanwhile the allies have been informed that Japan cannot do as much as she had hoped because of budgetary difficulties. Hardly a very convincing argument when Europeans and Americans are daily reminded that Japan's economy is outperforming theirs by far.

Underlying the question of building up Japan's defence contribution, there is the difficult and basic question as to the nature and extent of Japan's defence role. Should Japan continue a "miniskirt" strategy under the US nuclear umbrella of leaving her extremities exposed and protecting only her vital parts? Should she adopt a "midi" approach and seek for

出し、重要な部分だけを守るといふ、いわば「ミニ・スカート」戦略を続けるべきなのだろうか。あるいは「ミディ」のアプローチによって、海軍力と空軍力を増強し、日本経済の生命線とも言うべき東南アジアの石油ルートの確保を目指すべきだろうか。それとも「マキシ」政策をとり、独自の核武装をすべきなのだろうか。今のところ明確なコンセンサスはまだ形成されていないが、第二案が日本で採り入れられることは当分の間不可能と思われるし、また第三案に至っては到底受け入れられそうもない。

日本経済の規模に比べ、その貢献度があまりにも少なすぎると批判されるもうひとつの分野は海外開発援助である。ここでも、他の先進工業国の多くが、経済的には日本ほどうまくいっていないにもかかわらず、相対的にはあるが、日本よりも寛大な援助を行ってきたと言えよう。日本は、1978年度から80年度までの間に、外からかなり強い圧力もあって、政府ベースの開発援助(ODA)を倍増し、対GNP比0.33%にまで引き上げた(EC平均は0.47%)。ごく最近では、日本のODAをさらに倍増し、それと同時に援助に占める贈与相当分(grant element)を引き上げるといふ5か年計画を新たに採択した。この計画が実施されたとしても、今後5年間に日本のODAはやっと平均に達するにすぎず、それほど寛大な援助国になるというわけではない。

最後に、国際政治における日本の発言がその国力に比べてあまりにも少ないとする意見については、すでに討議し尽くされているところであり、ここでは簡単に触れるに留めたい。

2. 日本は経済的にも変りもの?

世界の主要国の経済のなかであって、日本経済はいくつかのユニークな特徴を持っている。そしてこのことが日本の貿易のパートナーである主要工業国の経済と比べて、その経済を非常に特異なものとしている。他のほとんどの国よりもはるかにうまく機能していると思われる、誰の目にも明らかな特徴については後述するとして、まず日本経済の主な特徴として次の2つを挙げることにしたい。

その第一は、加工製品を世界中に輸出しようとする性向がきわめて高いのに対し、加工製品を輸入しようとする性向は相対的に低い点である。1979年における日本の1人当たりの加工製品輸入額が輸入総額に占める割合は、アメリカやECに比べてその約半分にしかすぎなかった。このことは、アメリカ

example to cover her economic lifelines, the oil routes in South-East Asia, by increasing naval and air strength? Or should she take a "maxi" policy and build her own nuclear shield? For the moment no clear consensus has emerged, although the second alternative would appear to be ruled out for the time being in Japan, and the third to be completely unacceptable.

Another field where Japan's contribution is held to be incongruously small in comparison with the size of her economy is the extent of her overseas development aid. Here again, many of the other advanced industrial democracies, relatively speaking, have tended to be more generous, despite the fact that their economies have not been doing as well as Japan's. Between fiscal 1978 and 1980, under very considerable external pressure, Japan doubled her Overseas Development Assistance (ODA) to reach 0.33% of GNP (compared with 0.47% average in the EC). Most recently a new five-year programme to double Japan's ODA and also to increase the grant element of the aid has been adopted. Even so, in five years time, Japan's ODA will be average, it will not be outstandingly generous.

Finally, the view that Japan's voice in international politics is not commensurate with the importance of the country has already been fully debated here so I mention it only in passing.

2. An economic odd-man out?

Alone of all the major economies in the world, the Japanese economy has a number of unique characteristics which make it very different from the economies of her main industrial trading partners. Leaving aside for the moment the obvious distinguishing feature that it appears to be working much better than most others, two of these characteristics are:

Firstly, a huge propensity to export manufactured goods all over the world, but only a relatively small propensity to import them. In 1979, Japan's imports of manufactured goods per capita, as a percentage of total imports, were about half as much as in the US or in the EC. This means that for

やECの日本市場に対する輸出機会は、日本の欧米市場に対する輸出機会の半分程度にすぎないということの意味する。つまり、日本市場が完全に「自由化」されたとしても、その門戸は日本の主要貿易相手国の市場の門戸よりも狭いことになる。

また発展途上国の製造設備の約70パーセントが欧米諸国よりも日本に近い東アジアに存在しているにもかかわらず、ECとアメリカはいずれも日本よりはるかに多くの加工製品を発展途上国から輸入し、これら発展途上国の成長に貢献している。

日本経済のもうひとつの際立った特徴は、アメリカやECがこの数年来、景気の谷間から抜け出せなかったのに対し、日本では景気のピークに向う傾向がみられたことである。日本では国際収支が黒字に転じたのに、その貿易相手国は依然として赤字にあえいでいる。日本経済は、通常アメリカやヨーロッパの鉄鋼、造船、自動車といった、これまでと全く問題があり、大量の労働力を集中的に雇用している基幹産業の分野に対して輸出を急増させることによって急速な成長を支えてきたのだ。この結果、しばしば貿易摩擦を引き起こし、日本は公正な競争をしておらず、失業を輸出しているという非難の声があがることになった。日本が石油ショックや景気後退から逸早く立ち直ったのは賞賛に値する多くの理由があったわけだが、これらも最近まではとかくするとこうした非難によって色あせたものになりがちであった。すなわち、資源に恵まれていないことから「輸出するか、亡国か」の選択に直面せざるを得なくなり、そこから導かれた日本人の勤勉さとか組織力、消費よりも生産に対する投資の優先、世界をリードする主力産業のもつ高い競争力などの客観的な要因が日本経済の立ち直りに貢献したのである。

このような貿易摩擦の短期的解決策として、日本では産業界が中心となって輸出を抑制する一方、輸入促進ミッションを海外に派遣してきた。輸入抑制と輸出促進が常識となっている今日の世界にあってこれらの対策は日本の経済体制のもつユニークな特徴を更に二つ付け加えるものといえよう。

アメリカやECとの貿易摩擦の解決にもっとも大きな期待が寄せられてきた長期的対策は、外国製品や資本の日本への流入を自由化するための条件作りのほか、完成品の欧米諸国への輸出から現地生産に切り換えることであった。

しかし、たとえこれらの措置が講じられたとしても、日本企業の能率とか技術的

the US and the EC, export opportunities on the Japanese market are about half as numerous as export opportunities for Japan on the European and American markets. In other words, even if the Japanese market is completely "open", the doorway is smaller than the doorway to the markets of her major trading partners.

In a similar fashion, both the EC and the US contribute to growth in the developing countries by importing far more manufactured goods from them than does Japan, even though about 70% of developing country manufacturing capacity is situated in East Asia — closer to Japan than to Europe or America.

A second distinctive feature of the Japanese economy is that business cycles have tended in recent years to move towards the peak while the US and EC cycles are still in the trough. In international payments Japan has moved into the black while her partners are still in the red. Since the rapid Japanese recovery was usually based on an export boom to the US and the EC in key industries such as steel, ships, or cars, which were in trouble anyway, and which employ huge regionally concentrated labour forces, the result has often been trade frictions, leading to accusations that Japan is operating with an unfair advantage and exporting unemployment. Such accusations have tended until recently to obscure the numerous and praiseworthy reasons for Japan's quick recoveries from the oil shocks and recession, namely, objective factors such as poor resource endowments and hence the need to "export or perish", as well as harder work, better organisation, investment in production rather than consumption, and greater competitiveness in a number of her key world-leading industries.

The short-term solutions to such trade frictions have been export restraint by Japanese industries and the despatching of import promotion missions abroad — two further unique characteristics of Japanese economic practice in a world which is more used to import restraint and export promotion.

The most promising long-term solution to trade frictions with the US and the EC has been the shift from exporting

適応のスピードが貿易相手国のそれを上回っているかぎり、貿易摩擦は解消しそうにない。理想的な解決策は、実現が可能であるかどうかは別として、欧米人が日本から教訓を学びとって産業の能率を向上させることである。日本人が欧米人にならない産業の能率を意図的に引き下げよう期待することは非現実的なばかりでなく不合理ですらある。

日本における知識集約型産業の急速な成長と労働集約型産業の一層の衰退は、新興工業国からの輸入機会を増やし、日本の工業製品の輸入に占めるこれら諸国の製品の割合は、1970年には7%であったのが80年には25%へと押し上げられている。

事実、日本周辺のいくつかの新興工業国の経済は、これまで以上に日本経済との結びつきを強めている。このような結びつきは、ASEAN 諸国との関係緊密化を謳った政治的発言とか、環太平洋構想(Pacific Basin Community)が学者の間だけでなく、政府関係者の間でも最近話し合われている事実にその萌芽を見出すことができる。

3. 労働慣習

日本が例外的な存在であると見られる主要な理由のひとつとして、日本人の生活や労働、レジャーなどに対する価値観がいくつかの基本的な点で欧米人のそれと異なっていると受けとられていることが挙げられる。日本人は欧米人に比べ一生懸命働き、休暇も少ししか取らず、自らの境遇に対する不満を訴えて時間を費やすことがずっと少ない。少なくとも外部からは、そのように見える。また日本人は狭い住宅、混雑する道路、公園やスポーツ施設といった公共施設が少なくても黙って我慢している。そして全エネルギーは国内の同業他社との競争、とどまることを知らない世界市場シェアの拡大、そして次から次へと新たな基幹産業への進出を目指してひたすらに燃焼しているように思われる。

むすび

以上、日本が「変りもの」とまではいかないまでも、例外的な存在と受け取られている主な理由のいくつかを簡単に述べてみた。

外国の日本に関する論評の多くは「無関心、無知、偏見あるいはおそれ」などにもとづき、しばしば、不正確であり、誇張されたものとなっている。このことは批判的な意見、好意的な意見双方について言えることである。

しかし、だからといって、こうした論評のすべてが何らかの誤解によるも


finished goods to these areas to setting up manufacturing investments in them, as well as creating the conditions for the free inflow of foreign manufactures, capital and investments into Japan.

Even when these steps are taken however, trade frictions are bound to continue so long as the level of efficiency and the speed of technological adaptation is greater in Japanese industries than in those of her trading partners. The ideal solution, although not necessarily the most likely one, is for Europeans and Americans to take a leaf from Japan's book and to adapt their industries in order to become more efficient. To expect the Japanese to take a leaf from the European and American book, and deliberately make their industries less efficient, seems to be not only unlikely but also unreasonable.

As concerns the newly industrialising countries, the rapid development of knowledge intensive industries in Japan, and the further decline of labour intensive industries, has tended to create more opportunities for imports from these countries, which raised their share of Japan's manufactured imports from 7% in 1970 to 25% in 1980. Thus the economies of several of the newly developing countries around Japan are in fact becoming more integrated with the Japanese economy than ever before. This integration is also finding the beginnings of a political expression in closer ties with the ASEAN countries and in the recent talk of a Pacific Basin Community not only amongst scholars but also in official circles.

3. Work habits

One of the main reasons why Japan is regarded as exceptional is the feeling that Japanese values towards life and work and leisure are in some basic way different from those in Europe and in the United States. The Japanese work harder, take fewer holidays and spend far less time complaining about their lot. Or so it seems from the outside. They also put up with cramped housing, crowded roads, few public amenities such as parks or sports stadiums. All energies appear to be concentrated on competing with rival Japanese companies to capture ever larger shares of world markets in a



のだとみなして取り合わないとしたら、大きな誤りを冒すことになるであろうと私は考えている。少なくとも注意深く検討してみるだけの価値はあるのである。しかしながら、根拠のない批判や不当な要求に対しては、断固としてこれに反論し、あるいは否定すべきであることは言うまでもない。

(これは著者の個人的な見解を述べたものである。)

growing number of key industries.

Conclusions

I have summed up some of the main reasons why Japan is felt to be exceptional, if not an "odd-man out".

Much foreign comment is often ill-informed and exaggerated, reflecting "indifference, ignorance, prejudice or fear". This applies as well to critical comments as to more flattering comments.

Having said that, however, I believe it would be a great mistake to dismiss all such comments as arising from one or another form of misunderstanding. At the very least they deserve careful examination. Invalid criticisms or unreasonable requests should of course be refuted or turned down in an unambivalent manner.

The author expresses his personal views.

CONFIDENTIAL

Comed to Amb.
Gray
Donald
Ingham

SUBJECT

RECORD OF THE PRIME MINISTER'S MEETING WITH MR. ZENKO SUZUKI, PRIME
MINISTER OF JAPAN, AT 1520 ON FRIDAY 17 SEPTEMBER

Present:

Prime Minister

Mr. Zenko Suzuki

Sir Hugh Cortazzi

Mr. Y. Sakurauchi

Mr. A.E. Donald

Ambassador Hirahara

Mr. R.W. Gray

Mr. Y. Cato

Mr. F.E.R. Butler

Mr. Tamino

Mr. A.J. Coles

Mr. Matsumoto

Mr. Tsuruoka - interpreter

* * * * *

After an exchange of courtesies, in which Mr. Suzuki warmly welcomed the Prime Minister and her party to Japan and the Prime Minister expressed her thanks for the warm welcome extended by the Japanese Government, the Prime Minister referred first to the proposed technological agreement between the United Kingdom and Japan. She said that she wanted such an agreement, provided that it contained more than generalities. She hoped for an agreement covering specific matters which could lead to tangible results. Mr. Suzuki said that he was greatly interested in the proposal for a technological agreement and hoped that he and Mrs. Thatcher would be able to agree to pledge themselves to making a good agreement, to be negotiated in detail subsequently. He suggested that this matter should be discussed further in the substantive talks between the two Prime Ministers later in the visit.

Turning to the matters to be covered in their subsequent talks, the Prime Minister said that she had noted the important speech made by Mr. Suzuki on the previous day about the effect of the recession on Japan. She asked if she might have an English translation. Mr. Suzuki agreed to provide such a translation on the following day.

The Prime Minister added that she now regretted that the Versailles Summit had taken place in June. It would have been more useful if it had taken place in the Autumn in view of the deterioration of the world economic and banking scene. There were grounds for anxiety

CONFIDENTIAL

/ about

CONFIDENTIAL

- 2 -

about the debt position of Mexico and other countries in South America, and with the debts of the Eastern Bloc these imposed a heavy burden on the world's banking systems.

Mr. Suzuki agreed that the international economic, banking and foreign exchange situation was very fluid and changing rapidly. The Western countries needed to keep in contact and exchange information if they were to tackle these problems effectively in a proper manner. The Prime Minister agreed, adding that countries would only pull themselves out of the recession by collaboration.

The Prime Minister said that she would also like to discuss in the subsequent talks the problems which had arisen with the United States over the Siberian gas pipeline. She regretted the actions taken by the American Government, but was determined that they should not cause a general undermining of the Western Alliance. Mr. Suzuki said that he too would like to cover the general problems arising over trade and credit to the USSR, on which the Japanese had a particular problem over Sakhalin. The Prime Minister said that they should discuss these bilateral trading problems against the background of the forthcoming GATT meeting: she had recently seen the Secretary-General of GATT who was seriously worried about the growing threat of protectionism. Although the GATT meeting could not be expected to solve these problems, it should be used to defend the free trading system. She would also want to discuss the bilateral trading issues between Britain and Japan.

The Prime Minister also suggested that she would welcome an opportunity to hear Mr. Suzuki's views about the situation in China. It was difficult to get information from China since it was a closed society, and in her forthcoming visit she had a particular problem about the future of Hong Kong, which had an importance for the whole free world as well as for the people of Hong Kong itself. Mr. Suzuki said that, although the problem of Hong Kong was primarily a bilateral matter between the United Kingdom and China, Japan regarded it as an important issue and were watching it with close attention. He would be particularly interested to hear the Prime Minister's views about the situation in China in view of his own forthcoming visit.

CONFIDENTIAL

/ Summing

CONFIDENTIAL

- 3 -

Summing up the discussion, Mr. Suzuki said that it was clear that there were a large number of issues to be discussed in the forthcoming talks between Mrs. Thatcher and himself, under the headings of the international political and economic situation; bilateral issues; and the situation in Asia, and particularly in China.

F.E.R.B.

17 September 1982

CONFIDENTIAL

010
NHC

I understand from John Coles
that science will be left out - (PA)

W.0577

MUS 17/9

16 September 1982

TO: MR M ELLIOTT, FCO

FROM: DR NICHOLSON

✓ Mr Coles, No 10
cc: Mr Sparrow, CPRS
Mr Holmes, FCO
Mr Hatfield, Private Office
Mr Bailey, CPRS
Mr Donald, FCO
Mr Martin, FCO
Mr Stark, FCO
Mr Khanna, DoI
Dr Goldstone, DoI
Dr Roberts, DoT
Dr Davies, CPRS
Miss Rycroft, CPRS

PROPOSED TECHNOLOGY AGREEMENT WITH JAPAN

I have seen copies of telegrams No 532 and 533 on the proposed technology agreement with Japan and Sir Hugh Cortazzi's commentary on these telegrams in No 539.

2. I remain very strongly opposed to the inclusion of science in the agreement since, in my view, it turns an agreement which may have very modest benefits to the UK into one which will have definite disadvantages to us.
3. In our telegram No 269 of 23 July we gave clear and positive reasons for our wish to concentrate on technology, and if, as appears from paragraph 3 of telegram No 532, Endo has not understood these, they should be repeated to him. We also have a clear internal reason for the exclusion of science which is our concern that a formal agreement with the Japanese on science and technology would encourage penetration by Japanese industry of our university science which is effectively the science bank of England.
4. In return we have received two footling arguments: firstly, that there are "entrenched" interests in Japanese departments which favour inclusion of the word "science". Frankly that is not our

problem and I see no reason at all why we should give way to such a poor argument. Secondly, we have been told that there is a translation problem for the English word "technology". We have made, at least to our negotiators, a constructive response to this and offered the alternative phrase of "technology and research in technology".

5. In the circumstances I find it hard to understand why Sir Hugh Cortazzi is backing the Japanese position so strongly. He is incorrect in saying that our position is a semantic one. The problem in semantics arises entirely on the Japanese side as indicated in the paragraph above, and our distinction between "science" and "technology" is a real and very important one. Secondly, Sir Hugh is wrong in saying that the activities of the Joint Committee offer any protection. There is nothing at all to stop the Japanese having wide-ranging "exploratory" talks with our scientists in universities, using the existence of the agreement as an entry card. Whatever the Joint Committee said about it later, the damage would have been done and there is no way we could stop the Japanese stealing our science and our scientists' ideas.
6. From the conversations we have had with a number of other countries who have joint S & T agreements with the Japanese, it is abundantly clear that the Japanese exploit these agreements ruthlessly without regard to the spirit of the agreement. For example we know that the French have even had to refuse Japanese requests to visit laboratories in France, requests which are perfectly proper under the agreement, because the Japanese always find a way of avoiding their reciprocal obligations.
7. I am more than ever convinced that the only way to have a satisfactory agreement with the Japanese is for it to be written in extremely tough terms and for us to take a tough stance in negotiation. To argue for anything less seems to show extraordinary naïveté in the face of the mounting evidence for predatory Japanese activity in all fields of science, technology and industry.



H M. Treasury

Parliament Street London SW1P 3AG

Switchboard 01-233 3000

Direct Dialling 01-233

Sir Kenneth Couzens, KCB
Second Permanent Secretary
Overseas Finance

Dear Robin
John
might be useful
Robin

As arranged — in case it is
of use.

Yours ever

Ken

Japan has derived great advantages from the opening trading system and from the free market framework of the non-Communist world. Its gains have probably been greater than those of any other nation in the postwar period. The industry and ingenuity of the Japanese people have flourished in this framework of freedom.

2. The spectacular growth of the Japanese economy has been built on success in exporting. The rapid growth of the world economy in the two decades preceding the first oil shock was able to accommodate this. But I know that the Japanese Government accepts that in a world of slow growth and high unemployment future Japanese growth cannot be built on net exports. I was glad to see that in the second quarter of this year Japan achieved useful economic growth from increased domestic demand, and that was in accordance with the wishes of the Japanese Government. Japan's economy is now the second most important in the world and the Japanese domestic market is correspondingly large.

3. For the open trading system, which has brought such benefits to Japan, carries with it obligations as well as benefits. Relative to GNP, Japan imports far fewer manufactured goods than the economies of Western Europe or of North America. In this respect its structure is still different from that of other major developed economies of the free world. It is urgent that this situation should change if we are to avoid trade friction and protectionism. It is equally urgent that Japan should avoid a continuously undervalued currency. This was indeed part of the obligation about maintaining the internal and external value of our currencies which the 7 industrial nations accepted at Versailles in the interests of lower world inflation and greater currency stability.

4. I know these points are understood by the Japanese authorities. I applaud too the success which Japan has had in reducing inflation to the lowest level in any of the major economies. But because we

must not undermine the open trading system, I think it is in all our interest to be frank about the need for a major change in the source of growth for the Japanese economy. With that goes an urgent need for higher imports of manufactured goods from its trading partners as part of Japan's contribution to openness in world trade.

CONFIDENTIAL



JD B.

10 DOWNING STREET

From the Private Secretary

15 September 1982

Prime Minister's Visit to Japan : Proposed
Technology Agreement

Thank you for your letter of 14 September. The Prime Minister takes the view that it will not do harm if, during her visit to Japan, a joint statement is made by the two Prime Ministers as proposed in your earlier letter on this subject. Perhaps the Embassy in Tokyo could be informed accordingly and asked to prepare an up to date brief for the Prime Minister's use.

Mrs Thatcher observes that the new Article 5 enclosed with your letter refers to scientific as well as technological information. You assured me on the telephone that this was due to the fact that the new Article had been taken from the US/Japan Agreement and that the reference to scientific information would be deleted before the text was presented to the Japanese.

I am copying this letter to Jonathan Spencer (Department of Industry), John Rhodes (Department of Trade) and Richard Hatfield (Cabinet Office).

A. J. COLES

J.E. Holmes, Esq.,
Foreign and Commonwealth Office.

Sp

CONFIDENTIAL



IC(A)3c
Department of Industry
Ashdown House
123 Victoria Street
London SW1E 6RB
Telephone Direct Line 01-212 5507
Switchboard 01-212 7676

J Coles Esq
Private Secretary
No 10 Downing Street
London SW1

See my letter

Our ref IC 8921 & IC 8916

to F.I.C.O.

15 September 1982

ADL 4/9.

Dear Coles,

PRIME MINISTER'S VISIT TO THE FAR EAST: 16-29 SEPTEMBER 1982
PROPOSED TECHNOLOGY AGREEMENT WITH JAPAN

/with We have not as yet heard whether the Prime Minister wishes to proceed with the proposals before her on a new technology agreement with Japan. I understand that the deadline for all briefing is by this evening and it is most unlikely that we will be able to meet it unless the decision has been taken before this note is despatched to you. In case she decides against an agreement you might find useful the attached draft of the brief we would have circulated in the event. If however the decision is for going ahead the submission from the FCO will, I think, serve as the alternative brief.

*Yours sincerely
Suresh Khanna*

S K Khanna

cc R D Roscoe Esq Committee
Section
Dr J P Sepn Cab Off
Dr J P Spencer
Principal Private
Secretary to the
Secretary of State
for Industry.

THIS DOCUMENT IS THE PROPERTY OF HER BRITANNIC MAJESTY'S GOVERNMENT

PMVW(82)A2 ADDENDUM 2

COPY NO

14 SEPTEMBER 1982

PRIME MINISTER'S VISIT TO THE FAR EAST

16-29 SEPTEMBER 1982

INDUSTRIAL ISSUES (PROPOSED TECHNOLOGY AGREEMENT)

Brief by the Department of Industry

DEFENSIVE BRIEF - FOR USE ONLY IF MATTER RAISED BY JAPANESE

POINTS TO MAKE

1. Considered the matter personally at great length. Aware that a draft text has been considered by officials but not finalised.
2. Concluded that proposal does not provide for any more than is already well covered by existing agreements. If there appear to be short-falls either in terms of results or areas covered, both sides should concentrate on eliminating these from existing agreements.
3. We should aim to show concrete results particularly under the industrial collaboration agreement.

BACKGROUND

4. Existing agreements between the UK and Japan on this subject are:-

- a. Baker/Tanaka statement of 23 April 1981. Provides for industrial cooperation in various fields including high technology industries such as computers, telecommunications equipment, biotechnology, robotics and computer aided manufacture. Regular meetings are held between DoI and MITI.
- b. Joseph/Yamanouchi statement of 17 September 1981. Provides for exchange of views on various aspects of telecommunications policies, regulatory systems and other related matters. Meetings are held between DoI/BT on the one hand and Japanese Ministry of Posts and Telecommunications (MPT) and Nippon Telegraph and Telephone (NTT).
- c. Anglo-Japanese Cultural Agreement. Signed 1960. Operated by the British Council and Monbusho, the Japanese Ministry of Education. Promotes scientific exchanges and collaboration with Japan. The British Council currently sponsors and part funds about forty British scientific visitors to Japan and some twenty Japanese visits to Britain each year. Self financed visits by much larger numbers of Japanese scientists to this country are arranged. The great majority of exchanges are between academic institutions in a wide range of scientific disciplines, with concentration in recent years on applied fields. The British Council has also collaborated with the Science and Engineering Research Council to develop Anglo-Japanese cooperation in certain key scientific fields.

Under normal
agreements
made in 1971

d. The Royal Society. / collaborative links
with the Japan Academy, and the Japan Society for the
Promotion of Science / ^(JSPS) (this organisation comes under the
auspices of the Mon busho, the Japanese Education Ministry).

Agreements provide for exchanges of delegations
(Japan Academy) and for fellowships and study visits (JSPS)
In 1980-81 there were sixteen UK visitors to Japan and
a similar number of Japanese visitors to the UK. In
1979 the JSPS funded ten fellowships of up to two years
each for UK scientists from laboratories to visit Japanese
academic establishments. More recently, in conjunction with
the Science and Engineering Research Council, the Royal
Society has discussed with Mon busho ways to develop further
mutually beneficial collaboration in specific fields such
as space science, biotechnology, molecular science, robotics
and biophysics.

Department of Industry
15 September 1982



Prime Minister

In the light of the revised text, do you wish the statement at Flag C to be issued during your visit?

Foreign and Commonwealth Office

London SW1A 2AH

No Flag C! But?

14 September, 1982

A.J.C. 14/9

remember the statement. It won't do any harm. Now. The new article also refers to science. Surely we do not want that.

Dear Sir,

Prime Minister's Visit to Japan: Proposed Technology Agreement

In your letter of 14 September you asked for a draft text of the proposed agreement as we envisage that it might look.

I enclose the text as presented to the Japanese last month, but with the insertion of a new Article 5 (from the US-Japan Agreement) designed to meet Sir H Chilver's points concerning access to technological information and the equitable distribution of industrial property benefits. Officials are agreed that an article on these lines (but possibly incorporating some drafting changes) would be a useful addition, and could probably be accepted without difficulty by the Japanese (since it already features in their agreement with the US).

Meanwhile we have received Japanese comments on the draft text submitted to them last month (Tokyo telegrams 532 and 533 - copies enclosed). As foreshadowed in my letter of 9 September, they have reservations about certain points in our text and hence there is no possibility of finalising the agreement in time for the Prime Minister's visit. HM Ambassador nevertheless believes that the Japanese continue to support in principle the aim of concluding an agreement, and recommends a joint statement by the two Prime Ministers (as proposed in my earlier letter) as a means of strengthening our hand in subsequent negotiation of the text with the Japanese.

I am copying this to Jonathan Spencer (DOI), John Rhodes (DOT) and Richard Hatfield (Cabinet Office)

Yours ever

J E Holmes

(J E Holmes)
Private Secretary

A J Coles Esq
10 Downing Street

AGREEMENT BETWEEN THE GOVERNMENT OF JAPAN AND THE GOVERNMENT
OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND
ON COOPERATION IN THE FIELD OF TECHNOLOGY

The Government of Japan and the Government of the United
Kingdom of Great Britain and Northern Ireland;

Considering their mutual interest in promoting cooperation
in technology between the two Governments characterized by
a recognition of equality;

Believing that such cooperation is of advantage in enhancing
the economic well-being of the peoples of their respective
countries;

Endorsing the existing understandings between the two
Governments on cooperation in various industrial fields
including high technology industries, and on cooperation in
telecommunications systems;

Desiring to strengthen further such cooperation as a
foundation for closer cooperation between the industries
of both countries;

Have agreed as follows:

ARTICLE 1

The two Governments shall promote cooperation in technology, in such fields as may be mutually agreed, on the basis of equality and mutual benefit, and in the light of each Government's priorities.

ARTICLE 2

Forms of the cooperative activities between the two Governments under this Agreement may include:

- (a) meetings between representatives of Government and industrial research institutions and laboratories, to discuss and exchange information on aspects of technological research and the application of existing technology, and to identify technological projects and programmes which may usefully be undertaken on a cooperative basis;
- (b) visits and exchanges of scientists, technologists and other experts from Government and industrial research institutions and laboratories on general or specific subjects, arranged through Government Departments and agencies;

- (c) implementation of agreed cooperative technological projects and programmes;
- (d) exchange of information; and
- (e) other forms of cooperation as may be mutually agreed by the two Governments, their agencies and industrial institutions.

ARTICLE 3

Implementing arrangements setting forth the details and procedures of the specific cooperative activities under this Agreement may be made between the two Governments or their agencies, whichever is appropriate. Financial arrangements for specific cooperative activities will be agreed at the time of discussion of those activities.

ARTICLE 4

(1) The two Governments shall establish a Joint Committee the functions of which shall be to promote the exchange of information and views on major technological issues relating to the implementation of this Agreement, to review the cooperative activities and accomplishments under this Agreement, and to provide advice to the two Governments with regard to the implementation of this Agreement.

(2) The Joint Committee shall meet alternately in Japan and the United Kingdom at mutually agreed times. Sub-committees may be set up in specialised technical areas as appropriate under the overall guidance of the Joint Committee.

(3) The Joint Committee shall consist of members drawn from Government and industry and shall number no more than twelve members, six from each country.

ARTICLE V

1. Scientific and technological information of a non-proprietary nature arising from the cooperative activities under this Agreement may be made available to the public by either Government through customary channels and in accordance with the normal procedures of the participating agencies.

2. The two Governments shall give due consideration to the equitable distribution of industrial property resulting from the cooperative activities under this Agreement and of licenses thereof and to the licensing of other related industrial property necessary for the utilization of the results of such cooperative activities, and shall consult each other for this purpose as necessary.

ARTICLE 6

The provisions of this Agreement shall be applied in accordance with the laws and regulations in force in each country.

ARTICLE 7

Nothing in this Agreement shall be construed to prejudice other arrangements for cooperation between the two Governments or their agencies existing at the date of signature of this Agreement or concluded thereafter.

ARTICLE 8

The termination of this Agreement shall not affect the carrying out of any project or programme undertaken under this Agreement and not fully executed at the time of the termination of this Agreement.

ARTICLE 9

(1) This Agreement shall enter into force upon signature and remain in force for five years. However, either Government may at any time give written notice to the other Government of its intention to terminate this Agreement, in which case this Agreement shall terminate six months after such notice has been given.

(2) This Agreement may be extended by mutual agreement of the two Governments.

In witness whereof the undersigned, duly authorised thereto by their respective Governments, have signed this Agreement.

DONE in duplicate at Tokyo this day of 1982, in the Japanese and English languages, both texts being equally authoritative.

For the Government
of Japan:

For the Government
of the United Kingdom
of Great Britain and
Northern Ireland:

EX AJC
FERB



Foreign and Commonwealth Office

London SW1A 2AH

13 September, 1982

Dear John,

Prime Minister's Visit to Japan: Personality Notes

You asked that, in addition to those attached to the Steering Brief, notes should be prepared on the other main personalities whom the Prime Minister will meet in Japan.

- / I enclose notes on the Emperor, Princess Chichibu, the Finance Minister, Mr Fukuda and Mr Esaki. A note on the Chairman of Nissan is attached to the brief on Nissan (A2a).
- / I also enclose a copy of Tokyo telegram 526 listing those who will be attending formal meetings with the Prime Minister or acting as escorts.
- / Finally I enclose a brief note on pronunciation of Japanese names.

Yours ever
John Holmes

(J E Holmes)
Private Secretary

A J Coles Esq
Private Secretary
10 Downing street

CONFIDENTIAL

HIS MAJESTY THE EMPEROR KG

Born 1901

Proclaimed Crown Prince 1916.

The eldest son of the Emperor Taisho. In 1921 he visited a number of European capitals including London. This, the first time that he left Japan and indeed the first time that a Crown Prince of Emperor had left Japan within recorded history, apparently made a very strong impression on him. He is reported to have been particularly struck by the comparative ease and lack of protocol at the Court of King George V. As a result of the growing insanity of his father, he was proclaimed Regent in 1921 and became Emperor in 1926. Until 1945 he was in theory all-powerful, being the Divine Ruler whose will every Japanese was expected to serve to the point of death itself. The Emperor appears, however, to have allowed himself to be manipulated by the powers behind the Throne. This was probably due to his somewhat diffident and inarticulate nature, and to the absence of any strong personalities who could have helped him to make his views felt. Opinions differ, but it is at least possible that he might have used his vast potential authority in 1941 to prevent the outbreak of the Pacific war to which he is known to have been opposed. He certainly displayed considerable courage four years later when it was his decision which led the acceptance of unconditional surrender. At the behest of the Occupation Authorities he renounced his own divinity, though this was probably not a very difficult decision as he is believed to have been a lifetime sceptic on this point.

The Emperor has emerged with age as a benignly paternal figure looking and acting the part of a constitutional monarch with very few constitutional functions. He is also assiduous in performing, in the strict privacy of the Court, his Shinto religious functions. He receives regular briefings from scholars and men of affairs on domestic and political questions, listens with care, and passes sage comments. He is an expert on marine biology, and has published numerous books on the subject.

The Emperor possesses an undisguised admiration for the British Royal Family; he appears to regard it as the ideal model of a modern monarchy. He has given warm welcomes to several members

CONFIDENTIAL

HER IMPERIAL HIGHNESS PRINCESS CHICHIBU GCMG GBE

Born 1909.

Princess Chichibu was born in London in 1909. Her father was Ambassador in Washington and London, Minister of The Imperial Household, and after the war President of the House of Councillors. While in Washington with her parents she attended the Friends' School there for over 3 years; she is not, however, a Christian. She married Prince Chichibu in September 1928. With her husband she attended the Coronation of King George VI in 1937. After the war she became Honorary Vice-President of the Japan Red Cross, and has also been active in social work, although until her husband's death in 1953 she lived mainly in the country at Gotemba. She has been very active in connection with visits to Japan by members of the British Royal Family. She visited the United Kingdom and Sweden in July 1962, the United Kingdom again in January and February 1967 (on the occasion of the 75th anniversary of the Japan Society of London) and she has made three successful official visits, in 1974, 1979 and October 1981 (to open the Great Japan Exhibition at the Royal Academy).

Princess Chichibu now performs a great many duties of a representative character which, with her quiet dignity and charm, she does better than any other member of The Imperial Family. She has been an active Patron of the Japan-British Society for 28 years, and is keenly interested in all things British. She speaks good English. She is fond of wild life and pottery, and is a distinguished horticulturalist.

CONFIDENTIAL

CONFIDENTIAL

WATANABE, MICHIO

Minister for Finance.

Born 1924.

Elected 7 times to the Lower House. Minister for Health and Welfare 1976-77 and Minister for Agriculture, Forestry and Fisheries 1978-1979. Has also held various senior LDP posts.

Watanabe is a tough negotiator. During his time as Minister for Health and Welfare he put through a reform of tax privileges for doctors and dentists in the face of strong opposition from the Japan Medical Association. He is frank, jovial and a persuasive speaker. He is one of the relatively youthful but senior LDP men often tipped as a future Prime Minister.

CONFIDENTIAL

CONFIDENTIAL

FUKUDA, TAKEO (Hon. KCMG)

Former Prime Minister.

Born 1905.

Ministry of Finance Official 1929-52. Member of the House of Representatives since 1952. Minister of Agriculture 1959-60. Minister of Finance 1965-1966 and 1968-71. Secretary-General of the Liberal Democratic Party December 1966 - November 1968. Minister of Foreign Affairs, 1979 - 1972. Deputy Prime Minister 1974-6. Prime Minister 1976-8.

Mr Fukuda's term as Prime Minister was not an unsuccessful one and included among other successes the signing and ratification of the Japan/China Peace and Friendship Treaty. It was therefore a surprise, even within the party, that Fukuda failed to be re-elected as LDP President in November 1978 when he lost the leadership to Mr Ohira. The main reason for this defeat was the support given to Ohira by Tanaka. Since that time he has stood back from the government of Mr Ohira, and criticised more and more severely the money politics of Mr Tanaka. After the October 1979 General Election he formed an alliance aimed at defeating Mr Ohira in the election of the Prime Minister, in which Mr Fukuda stood as a candidate. Although he commanded very nearly half of the votes of the LDP, he was defeated by Mr Ohira's receiving support from non-LDP members. This only increased Mr Fukuda's bitterness and he is now said to be determined to reform the LDP and rid it of Tanaka's influence. For the time being however Mr Fukuda has joined in an alliance with the Tanaka and Suzuki factions to support Mr Suzuki as Prime Minister.

He is an urbane and internationally-minded man; intelligent and forceful, but also patient. He spent four years in London as Financial Attaché from 1932-6. He accompanied Their Imperial Majesties on their state visit to Europe in September/October 1971

/and

CONFIDENTIAL

CONFIDENTIAL

and held brief consultations with the Foreign Secretary in London. He attended the London Economic Summit 1977. He visited Washington in March 1980 and had talks with the Reagan Administration as a semi-official representative of the Suzuki Government. He understands English and speaks a certain amount. Remarkably fit for his age.

Married with 3 sons, 2 daughters.

CONFIDENTIAL

ESAKI, MASUMI

Japanese Government Special Trade Representative

Born 1915

First elected to the House of Representatives in 1947, and subsequently re-elected 13 times. He has held various important party posts. Twice Director General of the Defence Agency (in 1960 and 1971-1972). Minister for Home Affairs 1972-1973. Minister for International Trade and Industry 1978-1979.

As Minister for International Trade and Industry in the first Ohira Cabinet he proved a successful publicist for Japan's case in international trade circles, travelling widely abroad. He was thus a natural choice as Special Trade Representative, in which capacity during 1982 he has toured almost every country with which Japan experiences 'trade friction'. He has been personally largely responsible for the recent Japanese Government trade liberalisation packages. He makes a good impression by his open and friendly manner. An accomplished off-the-cuff speaker.

Visited London briefly in May 1979, and again in March 1982 as Special Trade Representative; the Prime Minister received him on both occasions. He is married, but his wife does not appear socially. Speaks no English.

9R900
CONFIDENTIAL

CONFIDENTIAL

FM TOKYO 110520Z SEP 82
TO IMMEDIATE F C O
TELEGRAM NO 532 OF 11 SEPTEMBER

YOUR TELNO 337: PROPOSED TECHNOLOGY AGREEMENT

1. MINISTER CALLED ON ENDO, DEPUTY DIRECTOR GENERAL AT THE MFA THIS MORNING TO RECEIVE THE JAPANESE PROPOSAL FOR THE TEXT OF THE AGREEMENT AS SET OUT IN MIFT.

2. ENDO HAD THE FOLLOWING COMMENTS:

1) WHILE THEY HAD FULLY DISCUSSED OUR PROPOSAL TO MAKE THIS A TECHNOLOGY AGREEMENT ALL THE MINISTRIES CONCERNED WERE AGREED THAT THE TITEL 'SCIENCE AND TECHNOLOGY' WOULD BE PREFERABLE. THIS SEEMED TO THEM TO ENCOMPASS ALL THE AREAS OF INTEREST TO US WHILE MAINTAINING THE FORMS WHICH THEY HAD AGREED AMONGST THEMSELVES WHEN NEGOTIATING THEIR FIVE OR SIX SIMILAR AGREEMENTS WITH DEVELOPED COUNTRIES

11) THEY HAD INTRODUCED THE WORD 'EXPERTS' IN ARTICLE 2(A) AND ELSEWHERE IN THE TEXT IN ORDER TO TAKE ACCOUNT OF OUR INTEREST IN PRIVATE SECTOR PARTICIPATION WHILE AVOIDING AN EXPLICIT MENTION WHICH THEY FELT INAPPROPRIATE IN A GOVERNMENT-TO-GOVERNMENT AGREEMENT. ENDO WISHED TO GIVE THE IMPRESSION THAT HIS COLLEAGUES HAD GONE OUT OF THEIR WAY TO NEGOTIATE THIS FORM OF WORDS IN ORDER TO ACCOMMODATE OUR INTEREST.

ALTHOUGH ENDO DID NOT DRAW SPECIFIC ATTENTION TO THIS POINT IT WILL ALSO BE SEEN THAT THE LATEST TEXT PROPOSES A SIMPLER PREAMBLE WITHOUT SPECIFIC REFERENCE TO THE EXISTING INTER-MINISTRY ARRANGEMENTS. WE UNDERSTAND THAT THIS IS AT THE STRONG REQUEST OF THE MINISTRIES CONCERNED.

3. APOLOGISING FOR THE LENGTH OF TIME WHICH IT HAD TAKEN THE JAPANESE TO REACH AGREEMENT AMONGST THEMSELVES ENDO SAID NEVERTHELESS THEY WOULD BE GRATEFUL FOR OUR RESPONSE BEFORE THE PRIME MINISTER'S VISIT SO THAT THEY COULD BRIEF THEIR PRIME MINISTER. IN SUBSEQUENT DISCUSSION ENDO ADDED THAT THEY HAD HAD DIFFICULTY IN EXPLAINING TO THEIR COLLEAGUES WHY WE ATTACHED SUCH IMPORTANCE TO THE OMISSION OF 'SCIENCE' AND WERE DISSATISFIED WITH THE FORM OF WORDS WHICH HAD BEEN ACCEPTABLE TO OTHER COUNTRIES. THEY ASKED US TO OBTAIN A CLEAR STATEMENT ON THIS POINT.

CONFIDENTIAL

4. WHITEHEAD RECALLED THAT WHEN HE HAD PRESENTED OUR PROPOSED TEXT TO DIRECTOR GENERAL UKAWA FOUR WEEKS AGO (OUR TELNO 403) HE HAD EMPHASISED THE IMPORTANCE WHICH THE BRITISH SIDE ATTACHED TO DRAFTING THE TEXT IN TERMS OF A TECHNOLOGY AGREEMENT. WE HAD SUBSEQUENTLY EXPLAINED AT LENGTH THE JUSTIFICATIONS FOR DOING SO. HE ADDED THAT DEPARTMENTS IN LONDON WOULD NO DOUBT WISH TO STUDY THE REVISED TEXT CAREFULLY BUT AGREED THAT WE WOULD SEEK PRELIMINARY COMMENTS BEFORE THE VISIT. HE ARGUED THE CASE FOR APPROACHING THIS QUESTION ON AN INCREMENTAL BASIS AND SETTLING NOW FOR WHAT COULD BE MUTUALLY AGREED ON BOTH SIDES IN THE AREA WHICH WE DEFINED AS TECHNOLOGY RATHER THAN STRIVING FOR THE BROADER TERMS WHICH THE JAPANESE WERE NOW PROPOSING. ENDO RESPONDED THAT AN AGREEMENT LIMITED SIMPLY ENTITLED "TECHNOLOGY" WOULD AROUSE VERY CONSIDERABLE OPPOSITION FROM ENTRENCHED INTERESTS IN THE MINISTRIES CONCERNED. HE GAVE NO HINT THAT THERE WAS ANY ROOM FOR A QUICK SOLUTION ON THIS BASIS.

5. WHITEHEAD SAID THAT IN THESE CIRCUMSTANCES THERE SEEMED TO BE NO LIKELIHOOD OF PRIME MINISTERS BEING IN A POSITION TO SIGN AN AGREEMENT DURING THE VISIT. WE SHOULD THEREFORE THINK IN TERMS OF A JOINT STATEMENT BY PRIME MINISTERS WHICH WOULD CONSOLIDATE WHAT HAD BEEN MUTUALLY AGREED AND CARRY FORWARD THE PROCESS OF FURTHER DISCUSSION. WE WERE NOW CONSIDERING WHAT MIGHT BE SAID AND HE OUTLINED THE MAIN THEMES SET OUT IN PARAGRAPH 7 OF OUR TELNO 485. ENDO CONCURRED WITH THIS APPROACH AND SAID THAT IT WOULD PRESUMABLY BE BEST TO THINK OF THIS AS A COMMON LINE WHICH MIGHT BE TAKEN WHEN EACH SIDE BRIEFED THE PRESS.

6. WE SHOULD BE GRATEFUL TO HAVE EARLY NEXT WEEK:

I) PRELIMINARY REACTIONS TO THE JAPANESE TEXT AND IF POSSIBLE A LIST OF THE PARTS OF IT WHICH WE WOULD WISH TO CHANGE:

II) A SUCCINCT EXPOSITION OF THE REASONS WHICH WE WISH TO GIVE THE JAPANESE IN SUPPORT OF OUR PROPOSED TITLE:

III) GUIDANCE ON THE TERMS OF THE JOINT OR PARALLEL STATEMENTS BY PRIME MINISTERS.

7. OUR JUDGEMENT FROM THE REACTIONS OF ENDO AND HIS COLLEAGUES THIS MORNING IS THAT WE STILL HAVE A COMMON FOUNDATION OF AGREEMENT ABOUT THE DESIRABILITY OF AN AGREEMENT BUT THAT THERE WILL CONTINUE TO BE STRONG OPPOSITION HERE TO THE TOTAL EXCLUSION OF "SCIENCE" FROM THE TITEL. IT IS LIKELY

2
CONFIDENTIAL

1 THAT

CONFIDENTIAL

THAT THE DEPARTMENTAL INTERESTS CONCERNED WILL EMERGE WITH PARTICULAR VIGOUR ONCE THE PRIME MINISTER'S VISIT IS OVER. IN ORDER TO PUT OURSELVES IN AS STRONG A POSITION AS POSSIBLE IN SUBSEQUENT NEGOTIATIONS A STATEMENT BY PRIME MINISTERS IS OF GREATEST IMPORTANCE.

CORTAZZI

LIMITED
FED
ESTSD
PS/LORD BELSTEAD
PS/PUS
SIR J BULLARD
MR GIFFARD
MR DONALD
MR ADAMS

COPIES TO
MR GENT ICA }
MR GOLDSTONE RTS } DOI
MR NICHOLSON CABINET OFFICE
DR ROBERTS ITG GRP DOT

GR 800
CONFIDENTIAL
FM TOKYO 110500Z SEP 82
TO IMMEDIATE FCO
TELNO 533 OF 11 SEP 82.

CONFIDENTIAL

DRAFT TEXT.

AGREEMENT BETWEEN THE GOVERNMENT OF JAPAN AND THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND ON COOPERATION IN THE FIELD OF SCIENCE AND TECHNOLOGY.

THE GOVERNMENT OF JAPAN AND THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND, CONSIDERING THEIR MUTUAL INTEREST IN PROMOTING COOPERATION IN SCIENCE AND TECHNOLOGY BETWEEN THE TWO GOVERNMENTS CHARACTERIZED BY A RECOGNITION OF EQUALITY, RECOGNIZING THE IMPORTANCE OF EXISTING COOPERATION BETWEEN THE TWO COUNTRIES IN SCIENCE AND TECHNOLOGY, BELIEVING THAT COOPERATION IN SCIENCE AND TECHNOLOGY IS OF ADVANTAGE IN ENHANCING THE QUALITY OF LIFE AND ECONOMIC WELL-BEING OF THE PEOPLES OF THEIR RESPECTIVE COUNTRIES, AND DESIRING TO STRENGTHEN FURTHER SUCH COOPERATION, HAVE AGREED AS FOLLOWS:

ARTICLE I

THE TWO GOVERNMENTS SHALL PROMOTE COOPERATION IN SCIENCE AND TECHNOLOGY, IN SUCH FIELDS AS MAY BE MUTUALLY AGREED ON THE BASIS OF EQUALITY AND MUTUAL BENEFIT, AND IN THE LIGHT OF EACH GOVERNMENT'S INTERESTS.

ARTICLE II

FORMS OF THE COOPERATIVE ACTIVITIES BETWEEN THE TWO GOVERNMENTS UNDER THIS AGREEMENT MAY INCLUDE:

- A) MEETINGS OF VARIOUS FORMS, SUCH AS THOSE OF EXPERTS, TO DISCUSS AND EXCHANGE INFORMATION ON SCIENTIFIC AND TECHNOLOGICAL ASPECTS OF GENERAL OR SPECIFIC SUBJECTS AND TO IDENTIFY SCIENTIFIC AND TECHNOLOGICAL PROJECTS AND PROGRAMMES WHICH MAY USEFULLY BE UNDERTAKEN ON A COOPERATIVE BASIS,
- B) VISITS AND EXCHANGES OF SCIENTISTS, TECHNOLOGISTS AND OTHER EXPERTS ON GENERAL OR SPECIFIC SUBJECTS,
- C) IMPLEMENTATION OF AGREED COOPERATIVE PROJECTS AND PROGRAMMES,
- D) EXCHANGE OF INFORMATION, AND
- E) OTHER FORMS OF COOPERATION AS MAY BE MUTUALLY AGREED.

CONFIDENTIAL

ARTICLE III

ARTICLE III

IMPLEMENTING ARRANGEMENTS SETTING FORTH THE DETAILS AND PROCEDURES OF THE SPECIFIC COOPERATIVE ACTIVITIES UNDER THIS AGREEMENT MAY BE MADE BETWEEN THE TWO GOVERNMENTS OR THEIR AGENCIES, WHICHEVER IS APPROPRIATE.

ARTICLE IV

1. THE TWO GOVERNMENTS SHALL ESTABLISH A JOINT COMMITTEE, THE FUNCTION OF WHICH SHALL BE:

A) TO EXCHANGE INFORMATION ON SCIENTIFIC AND TECHNOLOGICAL POLICIES OF EACH COUNTRY, AND TO EXCHANGE VIEWS ON AND DISCUSS WAYS OF PROMOTING COOPERATION IN SCIENCE AND TECHNOLOGY UNDER THIS AGREEMENT,

B) TO REVIEW THE COOPERATIVE ACTIVITIES AND ACCOMPLISHMENTS UNDER THIS AGREEMENT, AND

C) TO PROVIDE ADVICE TO THE TWO GOVERNMENTS WITH REGARD TO THE IMPLEMENTATION OF THIS AGREEMENT.

2. THE JOINT COMMITTEE SHALL MEET ALTERNATELY IN JAPAN AND THE UNITED KINGDOM AT MUTUALLY AGREED TIMES. SUB-COMMITTEES MAY BE SET UP, AS APPROPRIATE, TO REVIEW, COORDINATE AND PROMOTE COOPERATIVE ACTIVITIES IN SPECIFIC AREAS UNDER THE OVERALL GUIDANCE OF THE JOINT COMMITTEE.

ARTICLE V

THE PROVISIONS OF THIS AGREEMENT SHALL BE APPLIED IN ACCORDANCE WITH THE LAWS AND REGULATIONS IN FORCE IN EACH COUNTRY.

ARTICLE VI

NOTHING IN THIS AGREEMENT SHALL BE CONSTRUED TO PREJUDICE OTHER ARRANGEMENTS FOR COOPERATION BETWEEN THE TWO GOVERNMENTS, EXISTING AT THE DATE OF SIGNATURE OF THIS AGREEMENT.

ARTICLE VII

THE TERMINATION OF THIS AGREEMENT SHALL NOT AFFECT THE CARRYING OUT OF ANY PROJECT OR PROGRAMME UNDERTAKEN UNDER THIS AGREEMENT AND NOT FULLY EXECUTED AT THE TIME OF THE TERMINATION OF THIS AGREEMENT.

ARTICLE VIII

1. THIS AGREEMENT SHALL ENTER INTO FORCE UPON SIGNATURE AND REMAIN IN FORCE FOR FIVE YEARS.=

HOWEVER, EITHER GOVERNMENT MAY AT ANY TIME GIVE WRITTEN NOTICE TO THE OTHER GOVERNMENT OF ITS INTENTION TO TERMINATE THIS AGREEMENT, IN WHICH CASE THIS AGREEMENT SHALL TERMINATE SIX MONTHS AFTER SUCH NOTICE HAS BEEN GIVEN.

2. THIS AGREEMENT MAY BE EXTENDED BY MUTUAL AGREEMENT OF THE TWO GOVERNMENTS.

IN WITNESS WHEREOF THE UNDERSIGNED, DULY AUTHORIZED THERETO BY THEIR RESPECTIVE GOVERNMENTS, HAVE SIGNED THIS AGREEMENT.

DONE AT TOKYO THIS.....DAY OF....., 1982,

IN DUPLICATE IN THE JAPANESE AND ENGLISH LANGUAGE BOTH TEXTS BEING EQUALLY AUTHENTIC.

FOR THE GOVERNMENT OF JAPAN:

FOR THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND:

CORTAZZI

LIMITED
FED
ESOSD
PS/LORD BELSTEAD
PS/PUS
SIR J BULLARD
MR GIFFARD
MR DONALD
MR ADAMS

COPIES TO
MR GENT ICA }
MR GOLDSTONE RTS } DO1
MR NICHOLSON CABINET OFFICE
DR ROBERTS ITG GPP, DOT



my
c. Fleo

10 DOWNING STREET

THE PRIME MINISTER

14 September 1982

Dear Sir Campbell,

Thank you for your timely letter of 6 September relating to my forthcoming visit to Japan, China and Hong Kong.

I can assure you that I shall be leaving the Japanese Government in no doubt that we and our Western partners are now looking to Japan to take on a role properly reflecting her international economic strength. Though welcoming the recent initial steps to remove some obstacles to imports, more far reaching changes in her trading and economic policies are needed including - as you indicate - greater encouragement of foreign investment in Japan (including take-overs) and the overhaul of the domestic distribution system.

I agree that pressure from the European Community as a whole should be the main avenue for bringing about changes - and I shall of course be fully supporting the Community's representations to Japan urging her to increase her imports of manufactures to a level more comparable to that of other industrialised countries, and to restrain exports in sensitive industrial sectors. I shall be pressing hard for more purchases from the UK - for example of our competitive aerospace products - and there are some specific problems of Japanese import penetration that I shall need to bring up.

/I shall

I shall make clear the opportunities for more Japanese manufacturing investment here, where this is of overall economic benefit to the UK, as well as the scope for greater industrial collaboration. The CBI also has a role to play here in your continuing dialogue with the Keidanren and in discussions which I understand you are to have with JETRO on the possible joint sponsorship of a technical seminar on industrial collaboration.

As regards China I agree that the recent trade figures are disappointing. I will, of course, take every opportunity during my visit to support UK commercial interests and to stress the expertise that the UK has in China's economic priority sectors such as energy, transport, communications and agriculture. I also hope to discuss some of the complications affecting UK/China trade which you have mentioned, although some of these problems are likely to remain an inherent part of trading with China. I certainly expect to discuss Hong Kong's future with Chinese leaders, building on the useful discussions Humphrey Atkins had with them in January. As you are well aware this is a complex and sensitive issue, the solution to which is likely to require a step by step process. Certainly both we and the Chinese attach great importance to the maintenance of Hong Kong's prosperity and stability and the need to maintain the confidence of investors in Hong Kong.

Yours sincerely

Raymond Shenton

Sir Campbell Fraser.

84

14 September 1932

Prime Minister's Visit to Japan: Agenda

Thank you for your letter of 13 September. As I told you on the telephone today, the Prime Minister accepts the agenda which has been negotiated with the Japanese.

A. J. COLES

J.E. Holmes, Esq.,
Foreign and Commonwealth Office.

~~SECRET~~

c. M. A. H.

Pl. ensure that a copy of this is taken with us.

A. J. C. 15.9

CONFIDENTIAL - STAFF IN CONFIDENCE

Note for the file

Lord Trenchard called on the Prime Minister this evening.

He said that he wished to explain why he had been unable to make progress in the field of defence sales in Japan. On the face of it, Japan offered obvious opportunities. It was one of the very few sophisticated countries which presented no security problem as regards sales. Defence equipment was an area where our high technology firms far outstripped the Japanese. Despite his efforts, our present Ambassador in Tokyo had opposed the idea of a major defence sales drive being conducted at a Ministerial level. He argued that the subject was very sensitive in Japan, that Japan lacked a Cabinet Minister to handle these matters, and that it would only respond to a Service to Service approach. He had studied what had happened in the case of Rapier, and had been told that details had not been passed to the Japanese at the Ministerial level. It now looked as though we would not sell Sting Ray - Marconi had told him that we are not securing access at the right level in Tokyo. The Prime Minister commented that Marconi had told her that they were not getting enough help from the Ministry of Defence.

Lord Trenchard said that he hoped to visit Japan early next year. The Head of Defence Sales had now managed to interest Thorn EMI, Marconi and British Aerospace in the market. The Japanese Defence Minister had been due to visit Britain, but had now had to cancel the visit.

He hoped that when the Prime Minister visited Japan she would:-

- (a) Persuade Mr. Ito to fix a new date for his visit when he could see all our naval electronic equipment.
- (b) Jog Sir Hugh Cortazzi, if he resisted these ideas.
- (c) Stress, in her conversations with the Japanese, the British capacity to sell:

/ Maritime led

CONFIDENTIAL - STAFF IN CONFIDENCE

- 2 -

Maritime led equipment for the Navy.

Harriers, A.V.8.B.

Searchwater

Torpedoes

Sea Wolf

Sonar Buoys

Minesweeping equipment

14 September, 1982.

P. 17. JAPAN
AIDE MEMOIRE

1. NAVY - PARTITIONED
LED EQUIPMENT. ~~LED~~
 2. Can WE RE-INSTATE
MR ITO'S VISIT?
 3. Our defence/maritime
led applied Electronic
skills.
-

{ Harriers, A.V. 8. B. }

Searchwater

Torpedoes

Sea Wolf

Sea Eagle

Towed array?

Sonar buoys

Minesweeping Equipment



**MINISTER OF STATE
FOR DEFENCE
PROCUREMENT**



FILE SW

10 DOWNING STREET

From the Private Secretary

14 September, 1982

Thank you for your letter of 13 September enclosing a copy of a teletype from the Minister in Tokyo about the Prime Minister's visit to Japan. This seemed to me to contain very clear advice about Mrs. Thatcher's forthcoming visit and I therefore decided to show it to her. The Prime Minister has noted the contents of the teletype.

ALCOLES

John Holmes, Esq.,
Foreign and Commonwealth Office

6

COVERING CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

13 September, 1982

Dear John

AK 14/9
p.c.

Prime Minister's Visit to Japan: Tsukuba and Tokai Mura

We have now heard from Tokyo that Mr Nakagawa, Director General of the Science and Technology Agency (a Cabinet post), will accompany the Prime Minister on these two visits on 18 September. He will say a few brief words of welcome at lunch at Tokai Mura. I assume that the Prime Minister will speak impromptu if she chooses to respond, but we can easily provide a draft if you wish.

/ I enclose a personality note on Mr Nakagawa, to add to those which I sent you with my letter of today's date.

Yours ever
J E Holmes

(J E Holmes)
Private Secretary

A J Coles Esq
Private Secretary
10 Downing Street

COVERING CONFIDENTIAL

NAKAGAWA, ICHIRO

Director-General of the Science and Technology Agency (a Cabinet post)

Born 1925.

Graduate of Kyushu University. Elected seven times to Lower House, most recently with a massive majority. He has been Parliamentary Vice-Minister of Finance twice, and has held a number of party offices. With a reputation for expertise in agricultural affairs he was appointed Minister of Agriculture and Forestry in December 1977, a post which he held for one year. Became Director-General of the Science and Technology Agency in 1980.

In 1978 Mr Nakagawa formed a new group, Friends of Free Progress, drawing its membership mainly from the Fukuda and Nakasone factions. At the centre of the group are nine Dietmen whose allegiance is exclusively to Mr Nakagawa. He was prominent in the movement to force Mr Ohira to resign after the Lower House election and is regarded as one of the possible future leaders of the LDP.



Foreign and Commonwealth Office

London SW1A 2AH

13 September, 1982

Yes.
mt
Prime Minister

Do you accept this agenda?

A.J.C. 13/9

Dear John,

Prime Minister's Visit to Japan: Agenda

The Embassy have negotiated, ad referendum, the following agenda for the Prime Minister's talks with Mr Suzuki:

- (i) ? Political cooperation between the UK and Japan.
- (ii) International political issues. (East-West, Transatlantic relations, Soviet Union, China and the Middle East).
- (iii) World economic situation. (Including monetary issues, forthcoming GATT Ministerial Meeting, North-South relations and any other issues which the Prime Ministers wished to pick up following the Versailles Summit Meeting).
- (iv) Bilateral economic relations between Britain and Japan. (Economic and trade problems, scientific and technological cooperation).

This agenda has been cleared provisionally with Mr Suzuki's office and is likely to be acceptable to all concerned on the Japanese side. The intention is that the available time should be split roughly equally between political and economic matters. It seems to us that these four broad headings offer opportunities to cover all the points the Prime Minister would wish to get across; one might quibble at details (for example some aspects of UK-Japan economic relations, particularly trade, fall within European Community competence and are hence not purely bilateral matters), but points of this kind can be made in the discussions themselves.

This agenda would operate only as a general guide and the two Prime Ministers would of course manage the discussion as they saw fit. Nevertheless I should be grateful for confirmation that it is acceptable to you.

Yours ever

J E Holmes

A J Coles Esq
Private Secretary
10 Downing Street

(J E Holmes)
Private Secretary

SIR ROBERT ARMSTRONG

Japan

Thank you for your minute of 13 September. I received an earlier copy of Sir Julian Bullard's note about his conversation with Mr. Matsunaga and showed this to the Prime Minister.

I am sure that the Prime Minister would have no objection to the message which you wish to send to Mr. Matsunaga and which is annexed to your minute.

JOHN COLES

13 September 1982

HL



Ref. A09441

MR COLES

The Personal Representative of the Japanese Prime Minister for the purpose of Economic Summits, Mr Nobuo Matsunaga, was in London on 2 September. As I was away, he called on Sir Julian Bullard to set out his ideas about the Prime Minister's visit and her talks with Mr Suzuki. He asked that any comments should be transmitted to him personally on the "Personal Representative" Net.

- 2. I attach a copy of a note of Sir Julian Bullard's conversation with Mr Matsunaga.

- 3. I also attach a draft of a message which, if you are content, I propose to send him following that conversation. The draft message has been agreed by all those concerned.

RA

ROBERT ARMSTRONG

13th September 1982



DRAFT MESSAGE FROM SIR ROBERT ARMSTRONG TO MR MATSUNAGA

I was sorry to miss you when you passed through London the other day. Julian Bullard has sent me a full account of your conversation, and has told me in particular that you would like to hear any further comments which we might have before Mrs Thatcher arrives in Japan.

Mrs Thatcher will naturally wish to talk about trade questions. Here our view, as you will know, is that Japan's trading surpluses are continuing to reinforce protectionist calls in the UK and other countries, although we recognise Japan's domestic economic problems arising from slower growth than expected. It is especially important for us that Japan's exports should not be seen to threaten our key industries. One particular example which is causing concern at present is Japan's export to the UK of numerically-controlled machine tools.

We also see a need for tangible evidence of the openness of Japan's market. We recognise the importance of the steps which have already been taken, and welcome Mr Suzuki's statement in May on the promotion of exports: but we still hope that Mr Suzuki will feel able to give detailed specific directions to private and public organisations to buy overseas capital goods. Purchases of aircraft, which you discussed with Bullard, are one promising area. We would welcome an early commitment by Japan to examine the Harrier, and hope for purchases of the BAe 146 aircraft when Japan's domestic fleets are replaced. Reductions in tariffs, for example on



confectionery and biscuits, are no substitute for more far-reaching efforts to encourage imports of manufactures, but significant concessions here (and I stress significant) are still important as a sign of Japan's seriousness in opening up this market.

Another field in which Mrs Thatcher will be very interested is industrial collaboration. Here I have only one specific point where Mr Suzuki's intervention would be most welcome. You will be aware of the meetings between the Department of Industry and MITI on industrial co-operation between British and Japanese firms, arising from the agreement of April 1981. Progress to date has frankly been disappointing, because in contrast to the numbers of specific proposals from British firms MITI have put forward only two proposals from Japanese firms. A further round of talks between MITI and the Department of Industry is to be held in mid-November, and we very much hope that MITI will be able to come forward with a substantial number of specific proposals from firms at that time, and to encourage them to bring about satisfactory contracts within a reasonable time. This is one area where I believe that there are opportunities for us to move forward positively now.

CONFIDENTIAL

RECORD OF CONVERSATION WITH MR MATSUNAGA, ECONOMIC DEPUTY MINISTER
AT THE JAPANESE FOREIGN MINISTRY, AT 1500 HOURS ON 2 SEPTEMBER.

Visit of Prime Minister to Japan

General Points

1. M said that he was calling on me as the personal representative of the Japanese Prime Minister, whom he had seen yesterday. Suzuki was very much looking forward to the Prime Minister's visit, extremely anxious to make it useful and fruitful as well as agreeable, and ready to make every possible effort to contribute to its success. The visit should have a significant place in the history of Anglo-Japanese relations. It was most desirable to reconstruct these relations. They had hitherto not been sufficiently explored or developed. I responded appropriately.

Economic Questions

2. M said that Nissan were not yet in a position to make a final decision, but their President would like to be received by the British Prime Minister. If Mrs Thatcher chose to mention this project in Tokyo, Suzuki would reply that it was a matter for the company, but that if the project could be realised the Japanese government would be delighted, given the importance which it could have in Anglo-Japanese relations. M suggested that this would be an appropriate way of giving top level blessing to the Nissan scheme without appearing to take the matter out of the hands of the companies. I took note and said that we would comment if we disagreed.

3. M then spoke about the proposed technology agreement. He had the impression that the British side was not strongly interested in this. He himself thought it would be an excellent moment to sign such an agreement. If the chance was lost this time, it would be a long time before another opportunity occurred. He was aware of two difficulties raised by the British side:-

- (a) we were reluctant to include the word 'science' in the title. The problem here was that Japan had concluded several agreements of this kind, all of them with the word 'science' in the title. To exclude it from the agreement with Britain would imply that there was something very special about it. Moreover if the agreement was simply on technology MITI would claim the sole right of competence, whereas M thought that a number of Ministries ought to be involved on the Japanese side. He understood that we did not wish basic science to be covered, but this point could be met: it would be for governments to decide on the implementation of the agreement anyway.
- (b) M understood that we wanted to mention participation by private sectors. This was covered by the provision for Joint Commissions including 'experts' who could be from the private sector. If Britain needed to have an interpretation of this point, it could be easily arranged.

CONFIDENTIAL

4. M said that if we could see our way to meeting the Japanese on these two points, the rest could be solved. He repeated that he saw great value in the agreement and in its signature now.

5. I said that this matter was under intensive study in London. It was wrong to imagine that a decision against signature had been taken. But we were practical people, and this was perhaps especially true of the Prime Minister. She would not want to put her name to a document with no substance in it. But I took note of M's points.

6. M then spoke about aircraft, both civil (eg BAe 146) and Military. It would be very difficult for the Japanese government to give concrete favourable reactions on these points, because they were for private enterprise and because the Lockheed case had made aircraft a very sensitive subject in Japan just at the moment. President Mitterrand had pressed for progress on Airbus during his own visit to Tokyo, but Suzuki had declined. He was very sensitive about the political repercussions. If Mrs Thatcher were to mention aircraft, she could not expect a favourable reaction. Any proposals could be studied, but the Japanese position would not be easy to express in a concrete way.

7. I said I found this line disappointing. As regards defence equipment, it would be perfectly normal for the Prime Minister to speak about what Britain had to offer. We were manufacturers and exporters on a substantial scale and had recently had an opportunity to test some of our equipment in war conditions. We knew the figures for Japanese imports of defence equipment and would like to see them higher. Similar considerations applied to civil aircraft and equipment. What was the difficulty?

8. M said that aircraft were the particularly sensitive aspect, for the reasons he had given. Japan was increasing her Air Force equipment, and could be expected to do likewise with defence equipment of other sorts. This could be studied, and the subject could be discussed during the Prime Minister's visit. But the Japanese Defence Agencies would be shy of giving commitments in advance of the defence budget, so their attitude would be cautious. M would report my remarks back to Suzuki, together with any specific proposals we might want to make. I said we would see if we could send him a list.

9. As to whisky, M said it would be extremely difficult, indeed practically impossible, to take a further step in tariff reduction at this stage. The experts in Tokyo maintained that the tariff represented only three per cent of the retail price. If it were reduced further, this would create a precedent for other products, eg brandy and wine.

10. M said that the problem on chocolate and biscuits was a political one: the Japanese manufacturers were strongly opposed to any reduction in tariff. M had asked Suzuki if he could not show political leadership on the matter. Suzuki had replied that if a change in the tariff on these items would give great satisfaction to the British Prime Minister, he was ready to exert his influence in that direction. But if it was only a matter of lesser importance, or of 'better than nothing', Suzuki would not wish to risk stirring up strong political opposition.

CONFIDENTIAL

11. I registered a bit of impatience. I said that we were concerned about very large questions such as the level of Japanese imports of manufactured goods by comparison with comparable countries; the existence of tariff and non-tariff barriers; the exchange rate for the yen; and the statistics of Anglo-Japanese trade. M should not imagine that the British point could be met by a few biscuits, or that a reduction in the Japanese tariff on chocolate would be something for which Britain was ready to pay a substantial price. The Prime Minister would not wish it to be said at the end of her visit that Japan had retained her freedom to continue to destroy whole sectors of British industry, as some people would say that she had already destroyed ball bearings, zip fasteners and motor cycles, while Britain had gained the right to sell a little more confectionery. The problems were large and the remedies needed to be serious also.

12. M responded with a lecture on inevitable lines. Did the Prime Minister intend to raise the subjects now under discussion between Japan and the Commission under Article 23 of GATT? He gathered that the Commission was dissatisfied with progress. Japan believed that these consultations were useful for exchanging views but would not lead to helpful conclusions. On the contrary: if heated discussions continued, the general atmosphere would become counter-productive. The key to the question of Japan's imports lay in the competitiveness of foreign manufactured goods. The question of trade balances could not be considered on a purely bilateral basis. It would not help to discuss these matters theoretically or in general terms. It would be better to tackle the problems one at a time, eg chocolate and biscuits. If the Nissan project could be realised, that would make a big contribution. World economic recovery would help, but the difficulties could not be solved all at once. Meanwhile Japan was striving to open her markets more and more. If the British side had concrete obstacles which we could draw attention to, Japan would use her best endeavours to see how these could be tackled. I said we might wish to send M a list.

Political Questions

13. M said that ^{Suzuki} he would be in China almost immediately after the Prime Minister. He would be glad to talk to her about this subject. He was much interested in the problem of Hong Kong and would be very ready to help in any way Britain thought might be useful.

14. M said he was aware of British disappointment and dissatisfaction with Japan's attitude during the crisis on the Falklands. He was among the many in Japan who admired what Britain had done there. Argentina had taken the unlawful act and should carry the blame for this. But because of Japan's relationship with Argentina, and for general reasons, she took the view that this or any dispute should be settled by peaceful means. Hence the Japanese vote in the Security Council. What would be the British approach during the next phase?

15. I said I had been in Versailles on the night in question, and disappointment and dissatisfaction were not too strong words for the mood in the British delegation. We were now looking at the future,

CONFIDENTIAL

and might want to be in touch with the Japanese, eg about the handling of resolutions in the UN General Assembly.

16. I said that this episode might not have occurred if we could have found a way of intensifying political consultations. Many possibilities had been mentioned, some bilateral (eg regular meetings between the Foreign Minister of one country and the Ambassador of the other, with instructions from capitals and a pre-arranged agenda), others multi-lateral (eg institutional backing for the economic Seven, more meetings between Japan and the Ten, etc.). This was the direction in which we wanted to move, and we were ready to put substantial effort into it. I accepted a suggestion from M that these points could well come up during the talk between the Foreign and Commonwealth Secretary and the Japanese Foreign Minister on 3 September.

17. Finally, M asked about the transatlantic differences over the Siberian pipeline. Japan assumed that neither the American nor the European side wanted to widen the rift, which carried risks of damage to the West as a whole including Japan. M recalled that the oil pipeline project in Sakhalin provided for the use of American equipment, now banned. Japan had filed a protest and asked the United States to reconsider its attitude. Was there a risk of the disagreement spreading, eg to the security field?

18. I said I thought that this last possibility could be excluded, and indicated the lines on which we were currently working with a view to containing the problem without surrendering our view that the American action had been wrong in principle and misguided in practice.

J L Bullard
2 September 1982

CONFIDENTIAL

PERSONAL AND CONFIDENTIAL



Foreign and Commonwealth Office

Prime Minister

London SW1A 2AH

John Whitehead, the No. 2 in Tokyo, who is very good, did not draft this with a view to your seeing it - but I think you should.

13 September 1982

A.J.C. ^{14.}/₉

Dear John,

Prime Minister's Visit to Japan

I enclose a copy of a teleletter from the Minister in Tokyo giving a picture of Japanese feelings about the forthcoming visit by the Prime Minister. In our view, this gives an accurate picture of the atmosphere in Japan and you may wish to be aware of it. Perhaps I could leave it to you to decide whether you would wish to show it to the Prime Minister.

Yours ever
for Holmes

(J E Holmes)
Private Secretary

A J Coles Esq
10 Downing Street

PERSONAL AND CONFIDENTIAL

TELELETTER

FROM J S WHITEHEAD TOKYO

DATED 26 AUGUST 1982

FOLLOWING PERSONAL FOR ELLIOTT, FED

PRIME MINISTER'S VISIT

1. IN MY TELNO 457 I REFERRED BRIEFLY TO SOME APPREHENSION ON THE JAPANESE SIDE ABOUT THE PRIME MINISTER'S VISIT. I THOUGHT IT MIGHT BE USEFUL IF I GAVE YOU RATHER MORE DETAIL ABOUT THIS, WHICH SHOULD BE HANDLED CLEARLY WITH SOME DISCRETION.

2. WHEN I CALLED ON MATSUNAGA, THE DEPUTY VICE MINISTER AT THE GAIMUSHO ON THE ECONOMIC SIDE (AND TIPPED TO BE THE NEXT VICE MINISTER), AT THE END OF LAST WEEK HE SAID ON A STRICTLY CONFIDENTIAL BASIS (PLEASE PROTECT) THAT THERE WAS THE IMPRESSION THAT MRS THATCHER HAD STRONG FEELINGS AGAINST JAPAN PARTICULARLY FOLLOWING THE FALKLANDS EPISODE. ACCORDING TO HIM SOME JAPANESE PEOPLE THOUGHT THAT THIS ATTITUDE WAS INFLUENCING THE BRITISH APPROACH TOWARDS ECONOMIC PROBLEMS AND INWARD INVESTMENT. THIS PROBLEM WAS BEING DISCUSSED NOT ONLY BY THE PRIME MINISTER BUT IN 'POLITICAL CIRCLES' AND THE BUREAUCRACY.

I REPLIED THAT THERE SEEMED TO BE NO GROUNDS FOR MAKING THIS LINK BECAUSE THE ECONOMIC PROBLEMS LONG PRE-DATED THE FALKLANDS EPISODE. IT WAS UNDENIABLE THAT JAPANESE ACTIONS DURING THE EPISODE HAD CAUSED CONSIDERABLE DISSATISFACTION TO BRITISH MINISTERS, PARTICULARLY THE JAPANESE VOTE ON THE SECURITY COUNCIL RESOLUTION WHICH HAD OBLIGED THE UK TO USE ITS VETO. IT WAS ALSO THE CASE THAT THE PRIME MINISTER NOT ONLY FELT THAT HER ACTIONS DURING THE EPISODE WERE ENTIRELY VINDICATED BUT RECOGNISED THAT HER HANDLING OF THE MATTER HAD SECURED CONSIDERABLE PERSONAL POLITICAL SUCCESS: IT WAS THEREFORE CLOSE TO HER HEART.

MATSUNAGA SAID THAT THE MAIN PROBLEM SEEMED TO BE THAT THE MINISTRIES WERE CONCERNED TO DEFEND THEIR POSITIONS AGAINST OUR REQUESTS ON ECONOMIC MATTERS AND WOULD REACT NEGATIVELY IF THEY THOUGHT THAT THEY WERE BEING ASKED TO GIVE ECONOMIC CONCESSIONS IN ORDER TO MAKE UP FOR WHAT JAPAN WAS THOUGHT TO HAVE FAILED TO DO ON THE FALKLANDS.

3. FUJIYAMA (FORMER AMBASSADOR TO LONDON) ALSO CALLED ON ME AT HIS OWN REQUEST AT THE END OF LAST WEEK TO GIVE ME VERY MUCH THE SAME MESSAGE AND TO PROVIDE RATHER FULLER CHAPTER AND VERSE. HE SAID THAT MR SUZUKI HAD HEARD FROM A NUMBER OF SOURCES IN RECENT WEEKS THAT MRS THATCHER WAS IN A MOOD HIGHLY CRITICAL OF THE JAPANESE. IN PARTICULAR SIR JULIAN RIDSDALE HAD SPOKEN DIRECTLY TO FUJIYAMA ABOUT MRS THATCHER'S CRITICISM WHICH SEEMED TO CONCERN NOT ONLY THEIR LACK OF RESPONSE OVER THE FALKLANDS, BUT ALSO TRADING PROBLEMS AND THE MANAGEMENT OF THE YEN WHICH KEPT IT ARTIFICIALLY LOW. FUJIYAMA ADDED THAT ESAKI, WHO HAD RECENTLY RETURNED FROM A VISIT TO SOUTH-EAST ASIA, HAD ALSO HEARD FROM LEE KUAN YEW IN SINGAPORE THAT MRS THATCHER WAS IN A MOOD CRITICAL OF THE JAPANESE. I RESPONDED IN A WAY WHICH WAS DESIGNED TO LESSEN THE JAPANESE FEELING ABOUT WHAT THEY ARE COMING TO SEE AS MRS THATCHER'S ANTI-JAPANESE ATTITUDES. AT THE SAME TIME MY PURPOSE WAS TO KEEP THEM SOMEWHAT ON THE HOOK IN AN ATTEMPT TO ENSURE THAT WE COULD GAIN ADVANTAGE FROM THEIR APPREHENSION. FUJIYAMA WAS DEVOID OF IDEAS ABOUT WAYS IN WHICH JAPANESE COULD ENSURE THAT THE VISIT WAS A MAJOR SUCCESS AND HE, LIKE MATSUNAGA EARLIER, REFERRED TO THE POSSIBILITY OF SOME REDUCTION IN THE TARIFF ON SCOTCH AND CONFECTIONERY.

4. I REPLIED THAT THIS WAS A PRIME MINISTERIAL VISIT AND ONLY THE SECOND BILATERAL VISIT TO JAPAN EVER BY A BRITISH PRIME MINISTER. IT WAS IMPORTANT TO KEEP OUR SIGHTS HIGH IF THIS WAS AT ALL POSSIBLE. MY HOPE WAS THAT THE VISIT WOULD LEAD TO NEW DEPARTURES IN ANGLO-JAPANESE RELATIONS, THAT THE POLITICAL MOOD WOULD BE SUBSTANTIALLY IMPROVED. I HAD ALSO HOPED THAT WE WOULD HAVE BEEN IN A POSITION TO ANNOUNCE A POSITIVE DECISION BY NISSAN TO INVEST IN THE UK BUT THAT DID NOT NOW SEEM TO BE A POSSIBILITY. THE SIGNING OF A TECHNOLOGY AGREEMENT, WHILE NOT IN THE SAME LEAGUE, WOULD NEVERTHELESS REPRESENT A USEFUL INCREMENTAL IMPROVEMENT IN OUR OVERALL ECONOMIC RELATIONS BY FACILITATING EXCHANGES OF VISITS IN AREAS WHERE THESE HAD NOT BEEN TAKING PLACE IN THE PAST. IF THE JAPANESE FELT FOR WHATEVER REASON THAT NONE OF THESE COULD BE ACHIEVED

~~CONFIDENTIAL~~

~~PERSONAL~~

(FUJIYAMA PULLED A LONG FACE ABOUT THE POSSIBILITY OF MR SUZUKI ESTABLISHING HIMSELF AS A CREDIBLE PARTNER OF MRS THATCHER IN A POLITICAL DIALOGUE) THEN I SUPPOSED THAT WE SHOULD LOWER OUR SIGHTS AND AT LEAST GO FOR SOMETHING, IN WHICH CASE A REDUCTION IN ONE OR TWO TARIFFS WOULD BE BETTER THAN NOTHING.

5. I ALSO GAVE LUNCH THIS WEEK TO YANAGIYA AND KATO OF THE GAIMUSHO AT WHICH THE LATTER MADE A SOMEWHAT INTEMPERATE OUTBURST NOT ONLY ABOUT THE BRITISH BEING SOMEWHAT IMPORTUNATE BUT ALSO UNGRATEFUL AND FORGETFUL OF JAPANESE ASSISTANCE OVER A WHOLE CATALOGUE OF ISSUES PRIMARILY OF A DECOLONISATION NATURE WHICH ENDED UP WITH JAPANESE ASSISTANCE TO ZIMBABWE. I REPLIED THAT IT SEEMED TO ME THAT THAT WAS RATHER EXTREME JAPANESE PERCEPTION OF EVENTS. THE BRITISH PERCEPTION WAS THAT THIS YEAR WE HAD, IN THE FACE OF LOCAL DIFFICULTIES, MADE A PARTICULAR EFFORT TO BE HELPFUL TO THE JAPANESE OVER THE NORTHERN TERRITORIES IN A WAY WHICH SINGLED US OUT FROM ALL OTHER EC COUNTRIES AND INDEED PLACED US SECOND ONLY BEHIND THE UNITED STATES. IN RETURN AND IN THE FACE OF EXTREME DIFFICULTIES FOLLOWING UNPROVOKED ARGENTINE AGTRESSION AGAINST BRITISH TERRITORY(AND CATEGORISED AS SUCH BY THE JAPANESE) WE HAD RECEIVED SCARCELY TOKEN SUPPORT FROM THE JAPANESE OVER ECONOMIC MEASURES WHICH WERE DESIGNED TO AVOID THE NEED FOR US TO HAVE TO FIGHT TO REMOVE ARGENTINE TROOPS FROM THE FALKLANDS AND THEREBY INCUR SUBSTANTIAL CASUALITIES. KATO MADE NO REPLY.

6. I HAVE SPREAD MYSELF IN THIS TELEGRAM IN ORDER TO GIVE YOU THE FEEL. IT COMES OF COURSE ON TOP OF HATAKEYAMA'S REPORT TO ME EARLIER [THIS] ABOUT MRS THATCHER'S CRITICISM REPORTED TO MR SUZUKI BY AN AMERICAN WHOM SHE SAW A FEW MONTHS AGO.

THE WAY IN WHICH THE TWO SIDES APPROACH THIS VISIT AND START IT WILL THEREFORE BE IMMENSELY IMPORTANT. IF MRS THATCHER STARTS TO CARP OR READ LECTURES TO THE JAPANESE THEY WILL RETREAT INTO THEIR LAIR, THE WHOLE TENOR OF THE EXCHANGES WILL BE AT A LOWER AND LESS IMAGINATIVE LEVEL AND PROBLEMS WILL BE DEALT WITH BITTILY. THIS WOULD BE A

VERY GREAT PITY NOT ONLY BECAUSE WE WOULD HAVE MISSED
THE BEST OPPORTUNITY FOR A LONG TIME TO RAISE THE
BRITISH PROFILE HERE BUT ALSO ON A MORE PERSONAL LEVEL
BECAUSE THE PRIME MINISTER POTENTIALLY HAS A VERY LARGE
NUMBER OF ADMIRERS IN THIS COUNTRY NOT ONLY FOR WHAT
SHE HAS BEEN SEEKING TO DO WITH THE BRITISH ECONOMY
BUT OVER THE FALKLANDS AS WELL. IT WILL NOT BE
POSSIBLE FOR MR SUZUKI TO MAKE THE LATTER POINT THE

FEELING ON BOTH COUNTS WILL BE THERE AS FAR AS MOST OF
THE OTHER JAPANESE POLITICIANS WHOM SHE WILL MEET
ARE CONCERNED.

SIGNED J S WHITEHEAD

NNNN

26/1849



From the Secretary of State

John Coles Esq
Private Secretary
10 Downing Street
London SW1

13 September 1982

Dear John

*Type letter pl.
ADL 14/9.*

Your letter of 7 September to John Rhodes asked for a draft reply to Sir Campbell Fraser's letter of 6 September about the Prime Minister's forthcoming visit to the Far East.

A draft is attached.

I am copying this letter and its enclosure to John Holmes (FCO) and Jonathan Spencer (DOI).

*Yours sincerely
John Whitlock*

JOHN WHITLOCK
Private Secretary

DRAFT

File No.

Copies to:

Originated by:
(Initials and date)

Addressed to:

Seen by:
(Initials and date)

Sir Campbell Fraser
President
Confederation of British
Industry
Centre Point
103 New Oxford Street
London WC1A 1DU

Enclosures:

Type for signature of

PRIME MINISTER
.....
(Initials and date)

DEPARTMENT OF TRADE

Thank you for your timely letter of 6 September relating to my forthcoming visit to Japan, China and Hong Kong.

I can assure you that I shall be leaving the Japanese Government in no doubt that we and our Western partners are now looking to Japan to take on a role properly reflecting her international economic strength. Though welcoming the recent initial steps to remove some obstacles to imports, more far reaching changes in her trading and economic policies are needed including - as you indicate - greater encouragement of foreign investment in Japan (including take-overs) and the overhaul of the domestic distribution system.

I ~~fully~~ agree that pressure from the European Community as a whole should be the main avenue for bringing about changes - and I shall of course be ~~fully~~ supporting the Community's representations to Japan to increase her

*Fully
agree*

(CONTINUE TYPING HERE)

File No.

imports of manufactures to a level more comparable to that of other industrialised countries, ^{and} ~~as well as the need~~ to restrain exports in sensitive industrial sectors. I shall be pressing hard for more purchases from the UK - for example of our competitive aerospace products - and there are some specific problems of Japanese imports penetration that I shall need to bring up.

I shall make clear the opportunities for more Japanese manufacturing investment here, where this is of overall economic benefit to the UK, as well as the scope for greater industrial collaboration. The CBI also has a role to play here, ~~of course,~~ in your continuing dialogue with the Keidanren and in discussions which I understand you are to have with JETRO on the possible joint sponsorship of a technical seminar on industrial collaboration.

As regards China I agree that the recent trade figures are disappointing. I will, of course, take every opportunity during my visit to support UK commercial interests and to stress the expertise that the UK has in China's economic priority sectors such as energy, transport, communications and agriculture. I also hope to discuss some of the complications affecting UK/China trade which you have mentioned, although some of these problems are likely to remain an inherent part of trading with China. I certainly expect to discuss Hong Kong's future with Chinese leaders, building on the useful discussions Humphrey Atkins had

(CONTINUE TYPING HERE)

File No.

with them in January. As you are well aware this is a complex and sensitive issue, the solution to which is likely to require a step by step process. Certainly both we and the Chinese attach great importance to the maintenance of Hong Kong's prosperity and stability and the need to maintain the confidence of investors in Hong Kong.

Japan, July 82, Visit - Policy



CONFIDENTIAL

2 pps



Foreign and Commonwealth Office

London SW1A 2AH

13 September 1982

Take on visit.

A J Coles Esq
10 Downing Street

ADL 13.7

Dear John,

In his letter of 8 September about the Japanese Imperial Family's plans to send Prince Hiro to Oxford University, Sir Antony Acland (who is abroad at the moment) said that the matter might be raised with Mrs Thatcher by the Japanese Prime Minister. The Japanese Ambassador has now told us that it may be thought more appropriate for the Emperor to raise it when the Prime Minister has lunch at the Imperial Palace.

We have brought the Japanese Ambassador up to date with the position as set out in Sir Antony Acland's letter. We have suggested that Hugh Cortazzi might play a part in that side of the arrangements concerning Lord Mansfield, since Hugh Cortazzi knows Lord Mansfield and has stayed at his house at Scone. The Japanese Ambassador will now consult the Imperial Family further about this and other points.

Yours ever,

Michael.

M H Jay
PS/PUS

cc:

Richard Hatfield Esq
Cabinet Office

CONFIDENTIAL

Japan, July '82, Visit Policy.

Foreign and Commonwealth Office

London, S.W. 1A, U.K.





10 DOWNING STREET

cc DO1
DOT
CO

HL

From the Private Secretary

13 September 1982

Japan: Proposed Technology Agreement

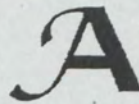
Thank you for your letter of 9 September. The Prime Minister has considered its contents but is doubtful whether the kind of Agreement described would produce real benefits for the United Kingdom. In order to enable Mrs. Thatcher to take a final decision on this question, I should be grateful if you would let me have a text of the draft Agreement incorporating the article which, according to your letter, would meet two of the points made by Sir Henry Chilver. The Prime Minister found it somewhat difficult to envisage from paragraph 3 of your letter what practical effect the Agreement would have.

I am copying this letter to Jonathan Spencer (Department of Industry), John Rhodes (Department of Trade) and Richard Hatfield (Cabinet Office).

A. J. COLES

S

John Holmes, Esq.,
Foreign and Commonwealth Office.



The National Archives

LETTERCODE/SERIES <i>PREM 19</i>	Date and sign
PIECE/ITEM <i>823</i> (one piece/item number)	
Extract/Item details: <i>Letter from Acland to Moore dated 11 September 1982</i>	
CLOSED FOR <i>40</i> YEARS UNDER FOI EXEMPTION	<i>11 October 2012 Acland</i>
RETAINED UNDER SECTION 3(4) OF THE PUBLIC RECORDS ACT 1958	
TEMPORARILY RETAINED	
MISSING ON TRANSFER	
MISSING	
NUMBER NOT USED	



PRIME MINISTER'S VISIT
SUPPLEMENTARY BRIEFING

CONTENTS

1. Speeches

- a) Reply to Mr Nakagawa, Director-General of the Science and Technology Agency, Saturday 18 September
- b) Prime Minister's Speech to Representatives of Japanese Industry, Saturday 18 September
- c) Prime Minister's Speech at Reception by British Associations in the Kanto, Monday 20 September
- d) Prime Minister's Speech at Dinner on Tuesday 21 September.

2. Visits

- a) Tsukuba Science City
- b) Tokai Mura
- c) Fanuc Limited, Fuji Factory
- d) Takashimaya Department Store

3. Personality Notes

- a) His Majesty The Emperor KG
- b) Mr Suzuki
- c) Mr Esaki
- d) Mr Sakurauchi
- e) Mr Abe
- f) Mr Watanabe
- g) Mr Nakagawa

4. Prime Minister's Meeting with Mr Kawamata, Chairman of Nissan.

5. Agendas

- a) Japanese Prime Minister's Courtesy Call, Friday 17 September



-2-

- b) Calls by Mr Fukuda and Mr Esaki
- c) Talks with Mr Suzuki, Monday 20 September
- d) Call by Mr Sakurachi, Monday 20 September
- e) Call by Mr Watanabe, Monday 20 September
- f) Call by Mr Abe, Monday 20 September

6. Table Plans for Dinners.



~~Prime Minister~~

My 3 discuss this?

Private Secretary (Mr Coles)

A. J. C. 19/9.

M

AGENDA FOR PRIME MINISTER'S MEETING WITH MR SUZUKI ON 20 SEPTEMBER

1. Mr Kato, Director-General of the European Affairs Bureau in the MFA called on me this afternoon to discuss the agenda.
2. He said that in the light of the short meeting between the two Prime Ministers yesterday the Japanese suggested the following items:
 - (i) Political cooperation between the UK and Japan.
 - (ii) East/West economic relations (pipeline, Sakhalin, and, perhaps, meeting of Five Foreign Ministers).
 - (iii) China (possibly including Hong Kong).
 - (iv) India (very briefly).
 - (v) The international economic situation.
 - (vi) GATT Ministerial meeting (this might be subsumed under (v)).
 - (vii) UK/Japan bilateral economic problems.
 - (viii) Scientific/technology cooperation between the UK and Japan.

Mr Kato suggested that there would not be time to cover items such as the Middle East, South East Asia and Korea which could possibly be covered during Mrs Thatcher's meeting with Mr Sakurauchi later in the day.

3. At my prompting Mr Kato said that it was, of course, entirely up to the Prime Ministers what matters to discuss and in what order. But these happened to be the subjects touched on at the earlier meeting between Mr Suzuki and Mrs Thatcher. We have consistently made the point to the Japanese that there must be time to cover adequately bilateral matters, particularly economic, between the UK and Japan; but the Japanese have equally consistently sought to relegate these subjects in the agenda order.
4. Mr Kato then went on to talk about East/West economic relations (item (ii) on his list) and particularly about the proposed Five Foreign Ministers meeting. This point had been raised in the talks earlier this month between Mr Pym and Mr Sakurauchi but the discussion had been inconclusive. It had been agreed that it should be followed up at a higher level. According to

/Japanese

- 2 -

Japanese information, the Foreign Ministers involved would be those of the US, UK, West Germany, France and Italy. The Japanese thought the French were still rather reluctant to participate. The Japanese consider that the meeting was proposed initially by the UK.

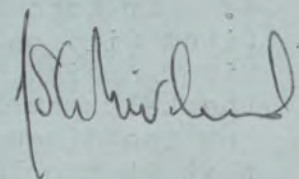
5. The Japanese want to participate in any such meeting. To this end they are thinking of recommending to Mr Suzuki that he should raise the matter in the following terms with Mrs Thatcher on Monday: "According to reports, there might be a meeting of West European and US Foreign Ministers in New York in the margins of the UN. They might discuss questions of economic measures and sanctions against the Soviet Union. If so, Japan as a member of the Western countries would be prepared to take part and participate in the discussion. Mr Sakurauchi would be in New York at the appropriate time".

6. Mr Kato asked what the UK reaction would be to this. He said that it would be embarrassing if Mrs Thatcher's response made it clear that it would be preferable if the Japanese did not participate. Moreover, Japan did not wish to be a demandeur in this matter although if it were a question of East/West relations or Western solidarity then Japan should certainly be included. There was no question of Japan asking the UK to lobby the other possible participants on Japan's behalf. Mr Suzuki would simply wish to obtain a green light from our Prime Minister. In conclusion, Mr Kato said that if a statement by Mr Suzuki on these lines would not be welcome to the UK then he would not raise this particular issue.

7. The Japanese are a little behind with their information on progress towards setting up such a meeting since I understand that both the Americans and French have now agreed that it should be held towards the end of this month.

8. On a separate matter, Mr Kato said that Mr Suzuki would be interested in anything that Mrs Thatcher felt she could say about the political crisis in the Federal Republic of Germany. This was, however, a subsidiary point.

9. I told Mr Kato that the Prime Minister had not yet decided how she proposed to handle the meeting with Mr Suzuki and it was unlikely that she would do so until tomorrow (Sunday) evening. If there was anything that we could tell Mr Kato earlier than that, we would do so but I offered little or no prospect that we should have anything to communicate by the time he next sees Mr Suzuki, at 4.00pm on Sunday afternoon.



18 September 1982

J S Whitehead



VISIT TO TOKAI MURA

1. At Tokai, the Prime Minister will visit two out of a number of nuclear sites in the area. The two sites are:-
- a) The Tokai Nuclear Power Station owned by Japan Atomic Power Company;
 - b) The JT60 (Tokamak) Project under construction for the Japan Atomic Energy Research Institute.

Weather permitting, the nuclear fuels carrier, the 'Pacific Swan', will be tied up in the Tokai NPS port and the Prime Minister has been invited aboard by the Master.

The 'Pacific Swan'

2. Owner : Pacific Nuclear Transport Limited (PNTL)
 Master : Captain J Miller
 Reference : PNTL pamphlet entitled 'The Transport of Irradiated Nuclear Fuels' which has an aerial view of the reactor site including the port.

Pacific Nuclear Transport Limited

3. PNTL's principal shareholder is British Nuclear Fuels Limited (65%). With one exception, the other shareholders are Japanese Power Utilities and trading companies. PNTL was established to undertake the transport of irradiated nuclear fuel from Japanese nuclear power stations to Europe. The Company currently owns three ships, purpose-built for the carriage of nuclear fuel flasks, and plans to commission three more by 1988. The fleet is operated on behalf of PNTL by James Fisher & Sons Ltd, whose Tokyo agents are the Ben Line.

The Nuclear Fuel Flasks and Carriers

4. After discharge from the reactor, nuclear fuel elements are highly radioactive. When transported, the fuel must be shielded to protect reactor and reprocessing plant operators, transport personnel and members of the public. The shielding is provided

/by

TSUKUBA SCIENCE CITY

Tsukuba Science City is 60 kilometres from Tokyo and was established in 1966. The population is now 130,000 of whom 6,500 are research personnel. 30% of all Government research institutes and 45% of research manpower are at Tsukuba. There are two universities, 31 Government research institutes, 7 other Government facilities, 6 Government enterprises and 7 private institutes.

Plans have been made for a major international exposition at Tsukuba in 1985. The theme will be Dwellings and Surroundings - Science and Technology for Man at Home. The scope is expected to be wide enough to include almost all new developments in science and technology. The UK has been invited to participate but a decision to do so is under discussion between the FCO, the COI and other Departments. The estimated cost is £1.5m for a suitable UK exhibit.

Electrotechnical Laboratory (Director, Dr TODORIKI)

ETL was established in 1891. It moved to Tsukuba from Tokyo in 1980. It is one of 16 laboratories belonging to AIST (MITI) and has a staff of 730 and a budget of £20m. The main areas of research are solid state physics, materials, information processing, energy, and standards and measurements associated with new technologies. The laboratory is the leader for 6 national R&D programmes, solar energy, utilisation of energy, ultra-high speed computers for research, optically operated instruments and control systems, flexible manufacturing systems and R&D for future standards.

The demonstration at ETL for the Prime Minister will include displays illustrating advanced information processing, particularly pattern recognition; advanced electronic device development including the integration of 100 Josephson Junctions on a single computer element; laser microscopy used in diagnosis and treatment of cancer; and advanced robot research.



by massive steel flasks which are finned to help dissipate the heat generated by the spent fuel. The 'Pacific Swan' will be carrying water reactor and Magnox fuel flasks.

5. Although the flasks are designed to be safe in all credible circumstances, as an additional protection special safety features have been included in the design of the nuclear fuels carrier. These include collision protection, duplicated navigation aids, a satellite communication system, extraordinary fire fighting equipment and emergency hold flooding arrangements.

The Transport Business

6. Under existing contracts, the nuclear fuel shipped to date is 1180 t(U). An additional 4560 t(U) is scheduled to be transported during the 1980s. The value of the outstanding transport business is £560M.

The Visit to the Pacific Swan

7. From the deck, the Prime Minister will be able to see the stowage of the fuel flasks through open hatches; on the Bridge, the special features of the ship will be described and demonstrated where it is possible to do so.

Miscellaneous

8. In the UK, irradiated fuel is transported for the most part by rail; in Japan, it is transported by sea. Every Japanese nuclear power station, with one exception so far, has its own port and flask-handling facilities. The Tokai NPS port is connected by a private road to a small reprocessing plant, (.7t/day) operated by the Power Reactor and Nuclear Fuel Development Corporation (PNC) at an adjacent site. British ships and British seamen are supplying an essential service to the Japanese Supply Industry because the storage capacity of power station cartridge cooling ponds is necessarily limited. The service is being provided safely, responsibly and reliably.

/The



The Tokai-Mura Nuclear Power Station

9. Owner : The Japan Atomic Power Company
 President : Mr M Okabe.

The Japan Atomic Power Company (JAPC)

10. The Japan Atomic Power Company is a private company established by the Electricity Supply Utilities and owned by the Utilities and the major nuclear manufacturing groups.

11. The Company's initial objectives were the import of a British gas-cooled Magnox reactor, Tokai 1, and an American water-cooled reactor, Tsuruga 1. This pioneering role proved to be of such value to the Utilities that the Company was retained to purchase the first 1100 MW(e) Boiling Water Reactor (BWR) now operating as Tokai 2 and the first post-Three Mile Island Pressurised Water Reactor (PWR), construction of which has just started at Tsuruga.

12. The electricity sent out by the JAPC nuclear power stations is purchased in bulk by the Supply Utility in whose area the plant is sited. There are thus two operating nuclear power plants at Tokai-mura - the Magnox reactor and the BWR.

13. The President of the Company is Mr M Okabe who will welcome the Prime Minister on her arrival at Tokai. His wife has been invited to name the 'Pacific Teal', the latest addition to the PNTL fleet, at a special ceremony in Newcastle next week.

The Tokai 1 Gas-Cooled Magnox Reactor

14. The reactor was designed, constructed and commissioned by the British General Electric Company in association with the First Atomic Power Group in Japan (FAPIG). Its rated output is 166MW(e) via two GEC turbo-alternators.

15. JAPC were granted a plant operating licence for Tokai 1 in July 1967. The reactor output has been de-rated in line with policy and practice in the United Kingdom because of the mild

/steel



steel corrosion problem in Magnox reactors. It operates satisfactorily at full power, however, during the two periods in the year of peak electricity demand. During its construction, commissioning and early years of operation when problems arising from novel features of its design were encountered and solved, the plant proved to be an ideal training ground for the Japanese nuclear industry. Its performance subsequently has been consistently high. JAPC intend to apply for an extension of the operating licence.

16. The reliability of supply of the reactor's Magnox fuel elements, which are manufactured in Britain by British Nuclear Fuels Limited, and the quality of the fabricated fuel elements themselves are indispensable contributors to the plant's successful operating record.

The Tokai 2 Boiling Water Reactor

17. Tokai 2 is a large, 1100MW(e) modern Light Water Reactor. Although a Boiling Water Reactor, it is similar in size and output capability to the Pressurised Water Reactor which the CEGB propose to install at Sizewell.

UK Business Interests at Tokai

18. From the beginning, the UKAEA Production Group, now BNFL, has provided all the Tokai 1 fuel cycle services - fuel elements, transport of irradiated nuclear fuel and reprocessing. Some 50t(U) of Magnox fuel elements are fabricated annually at Springfields and are delivered to JAPC for use in Tokai 1. Delivery started in 1964 and the annual value of the business is £2.5M.

19. The total value of past and present Tokai 1 reprocessing contracts extending the service to 1990 is £130M. The total value of past and present fuel cycle business with JAPC including the transport and reprocessing of the Company's BWR fuel elements is some £300M.

20. JAPC was the first company in Japan to sign a Light Water

/Reactor



Reactor fuel reprocessing contract. The value of outstanding reprocessing business with various Japanese Electricity Supply Utilities is now of the order of £880M. The total value of BNFL's present transport (see para 16) and reprocessing contracts in Japan, therefore, is about £1,400M.

21. The United Kingdom is currently involved through a contract between JAPC and the National Nuclear Corporation (in conjunction with GEC) in advising JAPC on the preparation of the safety case for the extension of the Tokai 1 operating licence beyond 1986. The contract could be worth some £2M for the technology evaluation and a further £2M for the replacement by manufacturers in the UK of special items of equipment. Extension of the operating life of the plant could then lead to further extensions of the Magnox fuel and reprocessing contracts.

The Visit to Tokai 1 and 2

22. After lunch, the Prime Minister will first be shown schematic diagrams and models of the reactors in the Public Relations Hall. The Public Relations Hall is relatively new and is typical of the facilities being provided by the industry at all nuclear sites in order to win public acceptance of the large civil nuclear power programme.

23. Tokai 1 will be in operation during the visit. The Turbine Hall and Reactor Control Room are to be seen. Mr P T Fletcher, ex-Managing Director of the British GEC of Japan, who was responsible for the construction and commissioning of Tokai 1, and who is now negotiating the safety assessment and consultancy agreements, will be present at the invitation of the Company President and will participate in the Tokai 1 visit. Tokai 2 is presently shut down for its annual overhaul. In this case too the Turbine Hall and Control Room are included in the tour.

24. While making due allowance for the age difference of the two plants, the visit provides an opportunity for comparison of British

/Gas



Gas-Cooled and American Water-Cooled reactor technology. The computerised health physics control system and the physical security arrangements are also of some interest.

The JT60 (Tokamak) Project

25. Owner : Japan Atomic Energy Research Institute
President : Mr T Fujinami.

The Japan Atomic Energy Research Institute (JAERI)

26. The Japan Atomic Energy Research Institute is the major centre for nuclear research. The Institute has establishments at four sites - Tokai, Oarai, Takasaki and Naka - which conduct research in nuclear and reactor physics, radiation chemistry, materials behaviour and fusion respectively. Reactor safety studies, the high temperature Gas-Cooled reactor, and disposal of nuclear waste are included in the Institute's principal research projects. JAERI's costs are met by the Science and Technology Agency. The budget for expenditure in 1982/3 was approved at some £200M.

The JT60 Project

27. Nuclear fusion research is aimed at finding out whether or not it is possible to produce power from the controlled fusion of light atoms. The JT60 is one of four large fusion experiments currently under construction throughout the world.

28. JT60 will be a tokamak device. In a tokamak, high temperature hydrogen plasma is created and heated in a toroidal vacuum vessel and confined in isolation from the vessel walls by complex magnetic fields. JT60 is still under construction. The building which will house the experiment is not yet built. Installation of the JT60 plant will start next year.

29. Plasmas in all tokamaks are heated initially by passing a large electric current through the gas but additional heating methods are required to obtain plasma temperatures in the region

/required



required - $100\text{M}^{\circ}\text{K}$. One such method involves the injection of beams of energetic neutral atoms into the plasma. JT60 will have 14 Neutral Beam Injectors (NBI). A full-size prototype NBI has been built and fully tested on the Naka site.

30. Copper magnetic coils are employed for present day machines but they require huge amounts of power. Future devices will use superconducting magnets. The International Energy Agency has a research programme on large superconducting coils which will be tested at the Oak Ridge Laboratories in the United States. One such coil has been manufactured in Japan and tested on the JT60 site; it is about to be shipped to the United States.

31. Europe's large tokamak, JET, is being built at Culham. JT60 is considerably smaller than JET and will commence operation about $1\frac{1}{2}$ years later. In contrast to JET, JT60 is designed for operation using ordinary hydrogen rather than isotopes of hydrogen which are required for fusion reactions. This simplifies the engineering because no provision is needed for radioactive operation. JET is thus more ambitious than JT60. JAERI plan to build a tokamak-type 'Fusion Experimental Reactor', however, for operation in the early 1990s.

The JT60 Site Visit

32. After being welcomed by the President of JAERI in the JT60 Control Building, the Prime Minister will be given a brief description of JAERI's overall research and fusion work. She will then be escorted to the JT60 Loading Room where there will be display panels and models, and also where she will be able to see the prototype NBI. In the JT60 Engineering Building which comes next, she will see the Japanese-made, fully-tested, superconducting coil which is about to be sent to the United States.

UK Business Interests

33. It is necessary to protect measuring instruments which manufacture sensitive electrical signals, from the electro-magnetic

/fields



fields existing around the facility. Belling & Lee, a British company with experience of the design and manufacture of shielded enclosures, were selected by JAERI to shield the two rooms in which the instrumentation is located. The contract is worth some £2M. Samples of the shielding and a reference to Belling & Lee will be included with the other display panels in the JY60 Loading Room. Cornes & Co are the agents in Tokyo for Belling & Lee.

34. The visit to the nuclear facilities in the Tokai area will come to an end after the visit to the JT60 Engineering Laboratory.

FANUC LIMITED, FUJI FACTORY

Fanuc, a subsidiary of Fujitsu, is a highly successful Japanese company specialising in numerical control (NC) for machine tools. From a base in NC the company has developed a world-wide reputation in computer numerical control (CNC), industrial robots and flexible manufacturing systems (FMS). Fanuc's main products are CNC systems, CNC machine tools, industrial robots, electric motors and automatic programming systems for NC tape production. Almost 70,000 NC units have been sold since the company commenced operations about 20 years ago.

The current market for Fanuc's NC machines is uncertain due to the world recession but sales of industrial robots are expected to increase. Fanuc sold 500 robots totalling ¥2B in 1981 and produces 70-80 units per month. Current plans are for 100 per month in Autumn 1982 and 200 per month by 1983.

Fanuc plans to supply General Motors (USA) with 14,-15,000 spot welding, spray painting and assembly robots by 1990, through a joint GM-Fanuc company.

Fanuc is developing a new assembly robot in cooperation with Siemens of FRG to be marketed in 1984.

Fanuc and The 600 Group

Following the first round of DOI/MITI talks on industrial collaboration in September 1981, the 600 Group concluded an agreement with Fanuc to market the latter company's robotic equipment in the UK and Ireland. It is hoped this arrangement will lead on to the development and manufacture of similar equipment under 600 Group control in the UK. The 600 Group have no permanent presence in Japan and it seems most likely that they will be able to develop their knowledge of, and contacts with, Japanese industry through the Fanuc association. An indication of the seriousness with which the 600 Group is taking the link was

/given



given by Sir Jack Wellings' (600 Group Chairman) visit to Japan in May.

The Fuji Factory

This factory was opened on 5 January 1981. It employs about 100 people and manufactures industrial robots, CNC wire-cut electric discharge machines and mini CNC machining centres. The factory was opened to world-wide attention with the headline "Robots manufacture Robots". The factory is manned only for the day shift and runs unattended during the night as required, being capable of round-the-clock operation. Thus Fanuc is utilising its CNC and FMS technology in order to achieve an unmanned factory - at least for 2 shifts out of 3. The factory cost about \$50M to build and utilises Fanuc robots. Elements of the FMS were provided by Murata and Hitachi (automatic warehouses, unmanned carriers etc).



HIS MAJESTY THE EMPEROR KG

Born 1901.

Proclaimed Crown Prince 1916.

The eldest son of The Emperor Taisho. Instructed at the Peers' School by the two heroes of the Russo-Japanese war, General Nogi and Admiral Togo. In 1921 he visited a number of European capitals including London. This, the first time that he left Japan and indeed the first time that a Crown Prince or Emperor had left Japan within recorded history, apparently made a very strong impression on him, particularly the comparative ease and lack of protocol at the Court of King George V. As a result of the growing insanity of his father, Emperor Taisho, he was proclaimed Regent in 1921 and became Emperor in 1926. Until 1945 he was in theory all-powerful, being the Divine Ruler whose will every Japanese was expected to serve to the point of death itself, but in practice not able to use. His own courageous decision led to the acceptance of unconditional surrender. At the behest of the Occupation Authorities he renounced his own divinity, in which he is not thought to have believed.

The Emperor now acts the part of a constitutional monarch with very few constitutional functions. He is also assiduous in performing, in the strict privacy of the Court, his Shinto religious functions. He is regarded as an expert on marine biology, and has published several books on the subject, at the rate of approximately one a year since the early 1960s. Although he is more approachable than before the war when he was the object of awe and fear, the attitude towards him of the average Japanese, particularly the younger ones, is now generally one only of polite deference.

The Emperor possesses an undisguised admiration for the British Royal Family; he appears to regard it as the ideal model of a modern monarchy. He has given warm welcomes to Princess Alexandra (in 1961 and 1965), Princess Margaret and Lord Snowdon (in 1969), Prince Charles (in 1970), to the Duke and Duchess of Kent (in 1973), to HM The Queen and Prince Philip (1975), Princess Margaret (in 1978) and to the Duke of Kent (in 1979). His State Visit to certain countries in Europe in 1971 was said to have been the fulfilment

/of



- 2 -

of a desire to return to Europe which was kindled in 1921, and the visit to London was very successful. He visited the United States in 1975.

The Emperor has never looked fit. In 1972 and 1973, he was noticeably shaky on his feet, but in many ways seems fitter today.

Married Princess Nagako, daughter of Prince Kuni 1924. They had 2 sons and 5 daughters. Two of the daughters are dead and one widowed.



SUZUKI, ZENKO

Prime Minister

Born in 1911, he graduated from the Fisheries Training Centre in 1935. A member of the House of Representatives since 1947, first as a socialist and then since 1949 in the Liberal and Liberal Democratic Parties. He had held a variety of ministerial and party posts before becoming Prime Minister in 1980.

Suzuki's change of party in 1949 was apparently due to his feeling that it was necessary to be on the side of the majority for the benefit of one's constituents. He later succeeded in gaining the confidence of Ohira, became his right-hand man and succeeded to the leadership of the faction on Ohira's death in 1980.

Reflecting his own origins in a fishing family Suzuki is "Mr Fish" of the LDP, having virtually sole political control of the fishery cooperatives and other organisations in Japan. Their considerable political and financial power is the source of much of his influence.

His political reputation derives largely from his skill as a mediator in party affairs. As the man most likely to maintain party unity he was a compromise choice as successor to Mr Ohira. Suzuki was not thought of as a national leader and he himself had never claimed to be one. His ideal is "politics of harmony", a concept which aims at consensus within the Cabinet rather than leadership from the front. Although originally considered an interim Prime Minister, Suzuki has grown in stature and established his position. In December 1980 he was elected unopposed as LDP President for two years and he is expected again to be re-elected as President in October or November.

Suzuki is a careful person, known for his deliberate manner of speech though he has the warm and sincere personality of his native Tohoku region. His public manner is unimpressive, but he comes over better in private discussion. He has been popular among the rank and file members of the party because of his unassuming style and good humour. He is a Kendo 5th Dan and is keen on golf.

Before his visit to the UK and Europe in June 1981, Suzuki had never been to Europe. He does not speak English. He is married and has 4 children.



ESAKI, MASUMI

Japanese Government Special Trade Representative.

Born 1915. First elected to the House of Representatives in 1947, he has held various important party posts. He also served as Director General of the Defence Agency twice, Minister for Home Affairs, and Minister for International Trade and Industry.

Visited London briefly, immediately after the British General Election of May 1979, and was immensely gratified by the interview which was arranged for him with the Prime Minister. Visited Britain again in 1982 when he led the Japanese mission to Europe to explain Japan's trade liberalisation measures. For several years he has been used as the leading publicist for Japan's case in international trade. He has travelled widely but speaks no English.



SAKURAUCHI, YOSHIO

Minister for Foreign Affairs since December 1981.

Born 1912, he graduated in Economics from Keio University and joined the Takanokura Mining Company of which he rose to become a Director before entering politics. First elected to the House of Representatives in 1947. He has been Minister of International Trade and Industry, Chairman of the LDP Policy Board, Minister of Agriculture and Forestry, Minister of Construction, LDP Secretary-General November 1979-1981.

Cultured and urbane, if seemingly rather remote, he is a competent and popular administrator. He has just returned this month from visits to India, Pakistan, Britain and Denmark.

Married with 3 surviving children, he does not speak English but has a lifelong interest in the Boy Scouts.



ABE, SHINTARO

Minister for International Trade and Industry since December 1981.

Born 1924. After graduating in politics from Tokyo University, he worked for the Mainichi newspaper. He entered politics in 1959 following his marriage to a daughter of former Prime Minister Kishi, whom he served as Private Secretary.

He is an active member of the Fukuda faction, and widely regarded as the probable heir to its leadership. He is also regarded as a possible future leader of the country.



WATANABE, MICHIO

Minister for Finance.

Born 1924. Has held ministerial and party posts before being appointed Minister of Finance. He retained this post in the Cabinet reshuffle last November. He is known for his ability and directness in dealing with problems. He is one of the younger but senior LDP men sometimes tipped as a future Prime Minister. He left the Nakasone faction in a dispute over the election of the Prime Minister in 1979. Although he now has no factional affiliation he is still close to Nakasone.



NAKAGAWA, ICHIRO

Director-General of the Science and Technology Agency.

Born 1925. Graduate of Kyushu University. He has been Parliamentary Vice-Minister of Finance twice, and has held a number of party offices. With a reputation for expertise in agricultural affairs he was appointed Minister of Agriculture and Forestry in December 1977, a post which he held for one year. At that time he was best known as the leading spokesman of the Seirankai, a group of young LDP Lower House Members who advocated hard-line politics particularly on defence and foreign affairs. Became Director-General of the Science and Technology Agency in the Suzuki Cabinet in 1980.

He was prominent in the movement to force Mr Ohira to resign after the Lower House election in 1980 and is regarded as one of the possible future leaders of the LDP. He has already announced that he is ready to be a candidate for the Chairmanship of the LDP in the autumn elections, but his chances of succeeding this year are not high.

PRIME MINISTER

c c. Mr. Butler
Mr. Ingham

Call by Mr. Kawamata

M 2/9
h.c.

His office said this morning that they proposed to say to the Press after this afternoon's meeting that ~~The~~ Prime Minister and Mr. Kawamata had discussed the world economic situation, the world automobile industry situation, and the current state of the Japanese automobile industry ^{+ is relevant} and that it had been agreed that no announcement would be made about the detailed content of the conversation.

I said that it would not of course be possible for me to consult the Prime Minister who was engaged in a series of visits. I suggested that the question of what was said to the Press should be discussed briefly at the end of the meeting.

A.S.C.

The question of Nissan investment in Britain was discussed and the P.M. made it clear that she would welcome it

19 September, 1982

The details of the conversation are of course confidential

U.S.A. 1000

NISSAN: Call by Mr. Kawamata

LINE TO TAKE

- (a) Recall meeting in 1977 at Nissan's ZAMA factory (photos attached).
- (b) Developments in Japan since then. World recession beginning to bite? Suzuki's speech on Thursday.
- (c) General economic situation in UK. Government's economic policies.
- (d) State of motor car industry in Britain.
 - (i) much pressure to reduce Japanese imports. Increasingly difficult to resist. I do not favour but the pressure will continue to grow and may become irresistible.
 - (ii) Lessons to be drawn from BL/Honda: good sales in Britain as well as exports to EC. This kind of arrangement could in the future become the only way of selling ^{Japanese} cars in Britain.
 - (iii) Nissan project in Britain of great importance to us. It is entirely a matter for your commercial judgement. But I hope you can take back to your colleagues my assurance that we shall welcome it and that my policies are designed to welcome such investments and make them profitable.

ADDITIONAL BACKGROUND: THE PRIME MINISTER'S MEETING WITH
MR K KAWAMATA, CHAIRMAN OF NISSAN: SUNDAY 19 SEPTEMBER

1. Attached photographs show Mrs Thatcher's visit to Nissan's Zama factory in 1977. Upper photograph shows briefing by Mr Kawamata (interpreter, Mr Goto, at his right).
2. At recent anniversary celebrations for Nissan's trade union, Mr Kawamata referred to his role (with Mr Shioji, the trade union leader) in overcoming serious labour problems in Nissan in the 1950s. He regards the labour relations established then as having pioneered modern Japanese industrial relations and paved the way for Japan's industrial success in general. (He also promised at the meeting to oppose any developments that could threaten this relationship, without specific reference to the UK project.) Company sources have hinted that a reference to Mr Kawamata's pioneering role and achievements might well be useful in setting the scene for mention of the Nissan UK project within the general discussion with Mr Kawamata.
3. Mr Kawamata was incensed by Sir Michael Edwardes' remarks at the CBI/Keidanren meeting in October 1981, when the latter implied that Japan operated non-tariff barriers against auto imports, had broken undertakings on voluntary restraint, and simply absorbed foreign technology (with reference to Japan's introduction of the Austin 7 in the 1930s). This interchange may have undermined Mr Kawamata's recognition of Nissan's debt to Austin. Kawamata argues that Japanese cars sell well because they meet consumer needs on quality and price and that the Japanese auto industry's success stems from dedication and hard work, with his own efforts in Nissan and particularly on industrial relations, as exemplary.
4. Nissan's trade union leader, Mr Shioji, with whom Kawamata has close links of long standing, called recently on Foreign Minister Sakurauchi to inform the Japanese Foreign Ministry of his own continuing strong opposition to the UK project.
5. On a lighter note, Nissan are said to be inordinately pleased that their Tokyo Headquarters telephone number, 5523, can be pronounced "Go-Go Nissan" in Japanese.





JAPANESE PRIME MINISTER'S COURTESY CALL, 17 SEPTEMBER : AGENDA

There is no formal agenda for this call but the Japanese have said that Mr Suzuki would wish to start with a review of Anglo-Japanese relations past, present and future, ie picking up points about the assistance given to Japan in the latter part of the 19th century by Britain when Japan was establishing her democratic system and industrialising. He might also touch on the Anglo-Japanese links at the beginning of this century.

In the context of bilateral cultural relations Mr Suzuki may mention the scheme whereby the Japanese Government invites about 20 English teachers to Japan for a year to teach English. He may say that the Japanese Government would like to expand this scheme but may also refer to a number of marginal difficulties in one or two cases and suggest that some short orientation of the British teachers about Japan would be helpful before they leave Britain.

F. R.

CALL BY SPECIAL TRADE REPRESENTATIVE, MR ESAKI, 20 SEPTEMBER

I think you can go over with him the general problems of our trading relationship with Japan. Having done these in the morning with Mr. Suzuki, you will need no further briefing.

You will recall that Mr Esaki called on your briefly in May 1979 and again in March 1982.



CALLS BY FORMER PRIME MINISTER T FUKUDA, 19 SEPTEMBER:
AND SPECIAL TRADE REPRESENTATIVE MR ESAKI, 20 SEPTEMBER

No agendas have been arranged for these calls but the Prime Minister may wish to raise the subjects of access to the Japanese market and Japanese autarky when she meets Mr Esaki.



TALKS WITH MR SUZUKI, MONDAY 20 SEPTEMBER : AGENDA

The Agenda agreed between the two sides is

- I Political cooperation between the UK and Japan
- II International and political issues
East-West, Transatlantic relations,
Soviet Union, China, and the Middle East
- III World economic situation
Including monetary issues, forthcoming GATT
ministerial meeting, North-South relations,
and any issues which the Prime Ministers
might wish to pick up following the Versailles
Summit meeting
- IV Bilateral economic relations between Britain and
Japan
Including economic and trade problems,
scientific and technological cooperation

CALL BY JAPANESE FOREIGN MINISTER (MR. SAKURAUCHI),
MONDAY, 20 SEPTEMBER

No formal agenda has been agreed.

By agreement with Mr. Suzuki, you could deal with the Middle East, South East Asia and Korea (which there will not be time to discuss at your talks with Mr. Suzuki in the morning).

Mr. Sakurauchi is expected to urge:

- (a) that the UK participates in the Tsukuba 85 Exposition (we may have a reply from London in time).
- (b) that the UK should sign the Law of the Sea Agreement (you could say that all aspects of this complex treaty are now being very carefully considered).

Also :

Falklands .

Technology Agreement.



CALL BY JAPANESE FOREIGN MINISTER, MR SAKURAUCHI,
MONDAY 20 SEPTEMBER

No formal agenda has been agreed but the Japanese have been told that the Prime Minister may wish to pick up any of the main subjects from her talks with Mr Suzuki. She might also discuss the Middle East situation, South East Asia and underline the importance of political links and possibly refer to the forthcoming GATT ministerial meeting.

Mr Sakurauchi is expected to urge that Britain should sign the Law of the Sea Agreement and to press for UK participation in the Tsukuba 85 Exposition.



CALL BY MR WATANABE, MINISTER OF FINANCE, MONDAY 20 SEPTEMBER

No formal agenda has been agreed. The Japanese have been told that the Prime Minister might wish to discuss:

- I The aims of Japanese economic/financial policy
- II The prospects for Japanese economic growth and the possibility that this might be geared to stimulating domestic demand and would not be export led
- III The prospects for the Yen exchange rate and for the Yen as an international currency.

DRAFT PASSAGE FOR INCLUSION IN BRIEF FOR MEETING WITH MR. ABE,
MITI MINISTER

Speaking Note

A British company such as GEC or Parsons would, if approached, be able to supply the alternator which Japan Atomic Power Company need to extend the life of the British built Tokai No.] Magnox reactor. This would be a substantial contract (2 million pounds) and would preserve identity with the original machinery at Tokai No.] .

Background

Japan Atomic Power Company are considering buying a new alternator to extend the life of the British-built Tokai No.] reactor. This could be provided by Fuji Electric Company who are minor shareholders in JAPC and are pressing for the order. JAPC would however prefer to buy from the UK and could bypass Fuji Electric if MITI could be persuaded to promote the purchase of a British-built machine as part of a Japan UK trade understanding. Parsons, who by past agreement with GEC have prior right to the servicing and replacement for Tokai, have already made an offer to JAPC. JAPC would prefer to buy from GEC. It must therefore be for JAPC to approach the company of their choice.



B. Birchall

POSSIBLE TOPICS FOR DISCUSSION WITH MR ABE

- A. 1. Impressions of China? (Mr Abe will have just returned from a visit.)
- 2. Anglo-Japanese industrial collaboration. Important. Some progress, but very slow. More ideas needed from Japanese side.
- 3. Nissan. Abe's helpful attitude in letter to Mr Patrick Jenkin. Talk with Kawamata. Welcome still there, but situation could change. (Cars from Australia.)
- 4. Engineers scheme (secondment of British engineers to Japanese companies for up to 12 months. Already agreed in principle.)
- 5. Restraint agreements working quite well. Important. Must protect our key industries.

Machine tools problem, particularly machining centres. Need for two industries to get together on this at an early date. Fork lift trucks also a matter of concern to British industry.

6. Visit to Tsukuba. Technological cooperation. Further consideration necessary.

B. Mr Abe has it in mind to speak to the Prime Minister about industrial collaboration and Nissan. He may also raise:

- (i) GATT Ministerial meeting. He will seek confirmation that the UK, like Japan, attaches importance to the meeting.
- (ii) GATT Article XXIII (EC complaint against Japanese import performance). He will probably suggest that EC complaints are too general (in attacking the Japanese social system).

Taken into account
Council -
Council should

N.C. machine tools. 12-602

Ind. Collaboration. 18

—

Ambassador

TOKAI 1.

I asked
Dr. Sender to
provide a short
note about the
potential alternative
business & also
some background
information.

The reports
are attached.

This business
is additional to
that referred to
in the brief.

Christiansen
12/12

TOKAI No.1. Power Station

During our current discussions on extending the life of the Tokai No.1 Magnox Reactor, we have received strong indications of a requirement for a replacement alternator of modern design, value approximately £2M, plus modernisation of one of the existing machines.

Such a machine could be made in Japan, but equally, could be made in the U.K. by GEC or Parsons if invited.

JAPC are reticent, but it is understood that they would really like to have the new machine from U.K., with GEC as the preferred manufacturer, thus preserving identity with the supplier of the original station. However, Japanese manufacturers, who are minor shareholders in JAPC are wanting the work and are applying pressure for the order.

JAPC would be assisted in ordering from U.K. if the supply of a new alternator became part of any understanding, however informal, between the U.K. (our Prime Minister) and the Japanese Government (MITI) over ways of redressing the balance of trade.

P.T. Fletcher
National Nuclear Corporation

19th September 1982



CONFIDENTIAL

Aide Memoire - Tokai Power Station - Alternators

1. The technical studies to determine actions necessary to extend the life of the reactor are now in hand, involving NNC and GEC/ESL. The work, including modification, will extend over three to four years.
2. JAPC is considering at the same time, what work, if any, needs to be done to the turbines and alternators. It is known that there is some deterioration of the insulation of the stator windings of the alternators - the insulation being bitumen impregnated. The limit of life is difficult to predict, though CEGB has some relevant experience in U.K. and is being consulted. A shut down for repair in the event of insulation failure would lead to substantial loss of revenue. JAPC would therefore like greater assurance of continued operation, either by rewinding stators with modern coils having epoxy resin impregnated insulation or by installing modern alternators, or a combination of both.
3. Economic assessment depends on the future price Tokyo Electric will be prepared to pay for electricity generated and therefore has a speculative element. The current assessment by JAPC indicates that there are two alternatives, virtually equally balanced:-
 - i) Shut down each alternator in turn for rewind, involving several months of outage.
 - ii) Buy one new alternator to replace one old machine and then rewind the old machine with modern insulated conductors and use it as a replacement, thus involving only the statutory maintenance shut down period.
4. JAPC power station staff appear to favour the latter as the most convenient operationally, but no firm decision has yet been taken by Head Quarters.

It is believed that Chairman Okabe favours the choice of one new machine.



- 2 -

5. There are indications that if they choose to order a new machine, they would like to buy from U.K. and preserve the identity with GEC as the original suppliers of the station.

6. There are two difficulties in this, one in Japan, the other in the U.K., both of which might be overcome if an understanding amounting to a promise of business for U.K. was reached with MITI during our Prime Minister's talks in Tokyo:-
 - 6.1 - In Japan a suitable machine could be supplied by Fuji Electric Company who were GEC's sub-contractors and licensees for the Magnox Reactor when Tokai was built. Fuji are minor shareholders of JAPC and naturally press for the order. Negotiation is said to have stopped for the moment, but Fuji can only be by-passed if it were MITI policy to promote the importation of a British machine (about £2M value) as part of a Japan/U.K. trade understanding.

 - 6.2 - In U.K. the Tokai machines were made by GEC in the period prior to the AEI and English Electric mergers into GEC and in the later rationalisation, that part of GEC's business was sold to Parsons. Parsons, by past agreement with GEC therefore have prior right to servicing and replacement for Tokai.

Parsons (now NEI), through Nissho Aiwai are promoting an offer to JAPC, but JAPC appear to have much greater confidence in GEC than Parsons, to the extent that irrespective of Japanese Government policy favouring U.K., the order could still go to Fuji Electric.

There is, therefore, a delicate situation in which GEC cannot initiate an offer to JAPC. JAPC must approach GEC.

7. However, given Government to Government policy backing, JAPC's wish to buy from U.K., JAPC could then make a direct approach to GEC on an exclusive basis. This would enable GEC to try to come to some arrangement with Parsons in the interest of bringing the work to the U.K. and incorporating a new GEC machine.



PS

DEMONSTRATION OF GIFT OF SINCLAIR COMPUTER TO MR SUZUKI

1. Arrangements have been made for the Prime Minister to demonstrate the Sinclair computer to Mr Suzuki while the other dinner guests are taking their places. The demonstration will be in the dining room in the Residence. There will be a press pool of 8 or 9 present. We have timed the following suggested procedure which it should be possible to complete in $3\frac{1}{2}$ to 4 minutes.
2. As the guests start to move towards the ballroom the Prime Minister might invite Mr Suzuki to view a small computer made by the British firm Sinclair. Sinclair have been very successful in a number of countries like the United States and in the past few months have started to sell to Japan. 5,000 have been sold so far and we expect to sell many times that number. The computer Mr Suzuki will see is brand new and will be marketed in Japan in a few months.
3. In order to obtain the best press pictures it would be helpful if the Prime Minister could enter the dining room with Mr Suzuki on her left. The only people accompanying the Prime Minister will be Mr Thatcher, Private Secretaries to both Prime Ministers and Sir Hugh Cortazzi.
4. The computer will be on a table together with the television set into which it will be plugged. The demonstrator will be in attendance to explain that this latest version of Sinclair computer is an improvement on its predecessor in producing pictures in colour and in having stronger computing power and giving a finer picture. The demonstrator will also be able to explain that the computer can be used as a word processor, for playing all sorts of games (including Japanese games if they are programmed for the computer) and business or household accounts.
5. The Prime Minister will then wish to demonstrate the computer (the demonstrator will tell her which 2 buttons to press). The demonstration lasts for about 30 seconds or less and will include the final moves in a chess game and a representation of the Union Jack (the demonstrator is trying to include a representation of the Japanese flag as well but may not be able to complete this in time.)
6. After the demonstration the Prime Minister may wish to thank Mr Suzuki for taking the time to see the computer and then to present him with a gift wrapped computer as a present. The Prime Ministers then proceed to the ballroom for dinner.

J S Whitehead

21 September 1982



SINCLAIR RESEARCH LTD

Sinclair Research (Director, Mr Clive Sinclair) was formed in 1979.

2. In March 1981 the company launched its ZX81 personal computer and production has reached 60,000 units per month. (Production of this model alone by Sinclair beats the 320,000 produced in Japan in 1981.) In 1981 Sinclair Research made a significant breakthrough into the Japanese market through a contract with Mitsui & Co, a leading trading company. Mitsui is selling the ZX81 by mail order, mainly to the important student market. Projected sales were 20,000 units in the first full year and 50,000 units in the second. The ZX81 is exported also to France, the FRG and the United States, with exports accounting for about 70% of production. The ZX81 sells in the UK for about £70 (¥31,000) and in Japan for £90 (¥39,500).

3. The ZX Spectrum is a more advanced version introduced earlier in 1982.

4. Sinclair Research sub-contracts all production to Timex (the United States watch and camera company) in Dundee. In the year to March 1982 Sinclair Research had a turnover of some £27 million, with pre-tax profits of approximately £10 million.

4. Other Sinclair Research developments include a micro-vision flat-screened pocket TV due to be launched later this year. Measuring some 6" x 4" x 1" (approx 15cm x 6.5cm x 2.5cm) and weighing only a few ounces (grams), the TV will cost some £50 (¥22,000).



SINCLAIR ZX SPECTRUM

1. An advanced, low priced, personal computer aimed at schools and homes and recently introduced on to the UK market. Uses latest micro-circuits and a Sinclair developed central controller.
2. Programme using BASIC, a computer language based on simple English words, enabling most people to produce quickly elementary programmes such as storing and sorting visiting cards - of considerable value in Japan. Spectrum can be used as calculator in the direct mode for mathematical work or perhaps household accounts.
3. Will also produce advanced graphics; either in black and white or in eight colours. This facility - can draw circles for example with a single command - unusual in low priced machines so computer can be used for a range of programmes (eg space invader games in colour or colour displays of numerical results such as financial forecasts and public opinion polls.)
4. ZX Spectrum being sold only by mail order in the UK for £125 (¥55,000) but will be exported later this year.

PRIME MINISTER

Presentation of Sinclair Computer to Mr. Suzuki

You will be presenting Mr. Suzuki with the new Sinclair computer at the Ambassador's Residence immediately following your dinner.

The computer will be fully set up and operational and a representative from Sinclair will be present to demonstrate it.

As the intention is to obtain good publicity for Sinclair, we are arranging for a limited number of Japanese and British press to be present.

JK.

MS

20 September 1982

ABC



Private Secretary

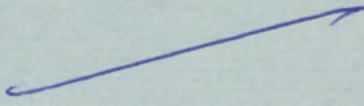
cc: Mr Ingham
Mr Kydd

THE PRIME MINISTER'S GIFT TO MR SUZUKI : SINCLAIR ZX SPECTRUM

1. It is proposed that the demonstration of this equipment for Mr Suzuki will take place in the Dining Room of the Residence after the Prime Minister's dinner for the Japanese Prime Minister, which will be in the Ballroom.
2. At the end of the dinner the Prime Minister might take Mr Suzuki to the Dining Room where the equipment will have been set up and where a representative of Sinclair Research Ltd will be present to demonstrate it. Other guests could file in behind the Prime Ministers and some members of the press will also be present. After the demonstration the equipment will be packed and sent round to the Prime Minister's Residence. The agents of Sinclair Research Ltd, Mitsui and Co will be asked to contact the Prime Minister's Office to ensure that they can give him further advice should he require it.
3. I attach a note on Sinclair Research Ltd and a speaking note on Sinclair ZX Spectrum.

A P F Bache

20 September 1982





*P. H. ...
... → ...
...*

SPEECH NOTES: RECEPTION BY BRITISH ASSOCIATIONS IN THE KANTO,
HILTON HOTEL, MONDAY 20 SEPTEMBER

Your Excellencies, Ladies and Gentlemen,

Glad to see so many Japanese friends of Britain and British residents in Japan.

British Community

Grown by 30% in last five years. Shows growing British interest and involvement in Japan.

Visits

Only second bilateral visit by British Prime Minister but have been here twice before.

Shared Values

Both believers in value of democracy in today's world.
Both trading nations dependent on free and fair international trading system.


Misconceptions and Solutions

Misconceptions exist in Britain and Japan about one another.
Need for as much interchange as possible - political, commercial, cultural and educational. Great Japan Exhibition, largest collection of Japanese art ever seen outside Japan, admired by many and made striking impression.

The Future

Build on respect for Japan's industrial achievement and Britain's long history and current achievements in science, technology and industry. Determined to maintain and develop a constructive relationship.





RETURN BANQUET HOSTED BY PRIME MINISTER
1930, TUESDAY 21 SEPTEMBER

Guests

HE Mr and Mrs Z Suzuki

Born 1911. Graduated from Fisheries Training Centre in 1935. Elected to the House of Representatives in 1947, first as a Socialist and then since 1949 in the Liberal and Liberal Democratic Parties. He held a variety of Ministerial and party posts before becoming Prime Minister in July 1980. His overseas trips include ASEAN countries in January 1981, the US Brazil and Peru, and Europe (including the UK) for the first time in June 1981. Will visit China on 26 September 1982. He does not speak English. He is married and has four children.

Mr T Miki GCMG and Mrs Miki

Born 1902. Former Prime Minister (1974-76). Elected to House of Representatives from Tokushima in 1937. Numerous Ministerial posts. Longest serving Diet member. Visited the UK in 1974 and 1977.

Mr T Fukuda GCMG

Born 1905. Former Prime Minister (1976-78). Served in the Ministry of Finance from 1929-52 when he was elected as a member of the House of Representatives. Served in London as Financial Attache at the Japanese Embassy from 1932-36. Attended the Downing Street Economic Summit in May 1977. Still a very active politician and might even emerge as a candidate in the LDP Presidential elections in the autumn. Leads own faction.

HE Mr Y Sakurauchi and Mrs Sakurauchi

Born 1912. Appointed Foreign Minister in December 1981. Graduated in Economics from Keio University. Elected to House of Representatives in 1947. A series of ministerial posts including MITI (1964-65). Served as LDP Secretary-General from 1979-81. Has just returned from visits to India, Pakistan, Britain and Denmark. Nakasone faction.



HE Mr K Miyazawa and Mrs Miyazawa

Born 1919. Chief Cabinet Secretary since July 1980. A graduate of Tokyo University Law School. Served in Ministry of Finance until 1953 when he was elected to Upper House from Hiroshima Constituency. Moved later to Lower House. Ministerial posts include Director of Economic Planning Agency, MITI Minister, and Foreign Minister from 1974-76. Speaks very good English. Suzuki faction.

Mr S Nikaido

Born 1909. LDP Secretary-General since December 1981. Educated at University of California. Entered politics in 1946 as member of Lower House for Kagoshima. Ministerial posts include Director General of Science and Technology Agency and Chief Cabinet Secretary. Visited the UK in June 1981 and met the Prime Minister. Tanaka faction.

HE Mr and Mrs S Abe

Born 1924. MITI Minister since December 1981. Former journalist with Mainichi Shimbun. Son-in-law of former Prime Minister Kishi. Member of Lower House for Yamaguchi Prefecture for 23 years. Has been Chief Cabinet Secretary, Minister for Agriculture and holder of several senior LDP party posts. Fukuda faction.

Mr M Esaki

Born 1915. Japanese Government Special Trade Representative. Former Minister for International Trade and Industry (1978-79). Graduated from the Economic Faculty of Nihon University. First elected to the House of Representatives in 1947. Led the Esaki mission to Europe (including London) in 1982 to explain Japan's trade liberalisation measures. Tanaka faction.

Mr and Mrs N Takeshita

Born 1924. Deputy Secretary General of LDP since December 1981. Minister for Finance 1979-80. Graduated from Waseda University and worked as a secondary school teacher. Elected to House of

/Representatives



Representatives in 1958. Also served as Chief Cabinet Secretary from 1971-72. Has been invited to the UK in early 1983 as a Category I visitor. Tanaka faction.

Mr Y Inayama

Born 1904. Chairman of Keidanren since May 1980 and Honorary Chairman of Nippon Steel (the world's largest steel producer; sales £7.5 billion) since June 1981. Led Keidanren mission at talks with CBI in London, autumn 1981. Studied commerce at Tokyo University, MITI 1928-50, Yawata Steel 1950-70, President since 1962 and President of Nippon Steel 1970-73 after merger of Yawata and Fuji Steel. Chairman, Nippon Steel 1973-81.

Admiral and Mrs T Yata

Born 1923. Appointed Chairman of Joint Staff Council in 1981. Attended Imperial Naval Academy 1940-43. Became Commander in Chief, Self Defence Fleet in February 1979. Deeply appreciates long-standing connection with Royal Navy and the gift of a lock of Nelson's hair for the Museum at the Naval Academy.

HE Mr and Mrs T Hirahara

Born 1920. Japanese Ambassador to the Court of St James since February 1982. Graduated in Law from Tokyo University in 1943. Has also served as Ambassador to the OECD.

Mr T Kuraishi

Born 1900. Acting President of the Anglo-Japanese Parliamentarians League. A former Minister of Justice. Has served twice as Minister for Agriculture and Forestry. Member of House of Representatives since 1947. Studied at LSE in 1930 and has visited the UK a number of times since, notably in 1961 when he spent a month studying the Conservative Party. Fukuda faction.

HE Mr and Mrs S Nishida

Ministry of Foreign Affairs Chief of Protocol and Head of Japanese Suite of Honour. Has served in London, Canberra, Washington.



Mr and Mrs H Takase

MFA Deputy Chief of Protocol and member of Japanese Suite of Honour.

Mr and Mrs Y Kato

Director General of European and Oceanic Affairs Bureau of MFA and member of Japanese Suite of Honour. Previous posting as Minister at Japanese Embassy in Peking. His wife is Irish.

Mr and Mrs K Matsumoto

Director of MFA Second West Europe Division and member of Japanese Suite of Honour. Previously Director of Second African Division.

Mr and Mrs T Kato

Born 1916. Former Ambassador to London 1975-79. Educated at Tokyo University and Cambridge. Also served as Ambassador to Mexico, and OECD. Advises Northern Ireland Office on investment as well as a number of important Japanese businesses.

HE Mr and Mrs R Sunobe

Born 1918. Appointed Administrative Vice Minister (PUS equivalent) in June 1981. Educated at Tokyo University and in the United States. Postings include Ambassador to the Netherlands, Indonesia and Korea. Served in London as a First Secretary.

Mr and Mrs N Fujiyama

Born 1915. Ambassador to London 1979-82. Graduated from Tokyo University Law Faculty in 1940. Also served as Ambassador to Austria and Italy. Advises SDA on investment in Scotland.

Mrs Kazuko Aso DBE

Daughter of Shigeru Yoshida who was Prime Minister from 1946-47 and 1948-52. Her husband died in 1980, shortly after their daughter Nobuko's marriage to HIH Prince Tomohito. She has two other daughters and two sons. She speaks excellent English and French and accompanied HIH Princess Chichibu to the UK in 1962 and 1974. Member of Japan British Society.



DINNER FOR REPRESENTATIVES OF BRITISH BUSINESS COMMUNITY
1930, SUNDAY 19 SEPTEMBER

Guests

On
P. 113 left

Mr R B Giles (44), President, Beecham Yakuhin KK, a subsidiary of Beecham Group Ltd. Immediate past Chairman of British Chamber of Commerce in Japan's Executive Committee. Joined Beecham after studying economics at London University, and Harvard Business School. In Japan since 1969 and helped to establish Beecham Yakuhin which packages and distributes Beecham's antibiotics in association with Beecham's licensees.

On
P. 113 right

Mr N W M Hulbert (55), Chairman, Wiggins Teape (Japan) Ltd. Has been with Wiggins Teape for 28 years and in Japan for 6½ years. Currently Chairman of the British Chamber of Commerce in Japan's Executive Committee. Wiggins Teape (Japan) import speciality papers and some printing machinery as well as cheese.

Mr A D E Jones (43), General Manager, Japan, Castrol Overseas Ltd. Member of British Chamber Executive Committee. Castrol supplies lubricants, brake fluid and anti-freeze to Japanese automotive industry.

Mr D D Wilkinson (48), Manager, British Airways, Japan and Korea. Joined BA as trainee in 1955, assumed present post in 1978. Tokyo office opened in 1948, and this area has become the biggest revenue earner for BA after the USA.

Mr R V Pearce (45), General Manager (Technical), Cornes & Co Ltd. Member of British Chamber Executive Committee and Chairman of its Trade and Industry Committee. Aviation engineer. Formerly with Rolls-Royce, joined Cornes & Co in 1971. Cornes were established in Japan 1861 and are part of Hong Kong-based Wheelock Marden Group. Engaged in insurance and shipping as well as trading. British agencies include British Aerospace, Ferranti, Plessey, Marconi Marine and Rolls-Royce cars.

Dr S A Ridgwell CBE (53), President, ICI (Japan) Ltd since July, 1982. PhD in chemistry. Before joining ICI in 1957 was with Atomic Weapons Authority. ICI (Japan) has been established over 60 years. It sells ICI products into Japan and administers 4 joint venture companies which ICI has with Japanese chemical companies producing chemicals and pharmaceuticals. One of the most successful of all British companies operating in Japan.

Mr E D Dettmer, DFC (64), President, Hawker-Siddeley International (Japan) Ltd. Joined Hawker-Siddeley after war service with RAF. Became Managing Director of Hawker-Siddeley Dynamics Engineering Ltd and later Managing Director of Petters Ltd, diesel engine manufacturers. Established Hawker-Siddeley International (Japan) in June 1979 as sales advisory office for all Hawker Siddeley group companies. The group put on a large scale presentation of its capabilities at the British Export Marketing Centre in Tokyo in the autumn of 1981.

Mr R E Hale, Chief Executive Officer, Japan, Hong Kong and Shanghai Banking Corporation. Member of British Chamber Executive Committee. Branch opened in 1949. Together with Chartered Bank one of the longest-standing foreign banks. Branches in Tokyo, Osaka and a Representative Office in Fukuoka. A wholly-owned subsidiary, Mercantile Bank, has a branch in Nagoya; and the merchant-banking subsidiary, Wardley Limited, has a Representative Office in Tokyo. At 31 March 1981, total assets of ¥131 billion (£300 million), of which loans and discounts ¥72 billion (£165 million), the fourth largest of the seven British banks with branches in Japan.

Mr M H Harrison, Chief Manager, Tokyo Branch, Midland Bank Limited. Member of British Chamber Executive Committee. Branch opened in 1978, the last of the big four clearing banks to open a branch in Japan. At 31 March 1981, total assets of ¥154 billion (£350 million), of which loans and discounts ¥35 billion (£80 million), the fifth largest of the seven British banks in Japan.



Mr M S Perry OBE (47), Chairman, Nippon Lever. Has been with Unilever for 25 years and ran group interests in Thailand and Argentina before his appointment to Tokyo in May 1981. He was Chairman of the British Chamber of Commerce in both Thailand and Argentina. 80% owned by Unilever, Nippon Lever manufactures margarine and has a market share of about 20%. Other group interests in Japan include manufacturing of soap, detergents and shampoos.

Mr R D P Michell (39), Director, Jardine, Matheson and Co (Japan) Ltd. Has been with Jardines for 18 years, is on the main Board of Directors and served in Saudi Arabia immediately before returning to Japan for the third time in October 1980. Member of British Chamber of Commerce Executive Committee. A subsidiary of the Hong Kong group, the company in Japan markets White Horse scotch (market leader among imported whiskies), Hennessy cognac, Pringle knitwear and other branded consumer products. Other interests are in real estate, the import of forest products, shipping agency services and construction equipment.

Mr L A Radbourne (55), Chairman, Dodwell Hong Kong Ltd and Chief Executive Far East (based in Tokyo), responsible for Dodwell's Far East operations in ten countries. Joined Dodwell in 1949 after service as language officer with the British Occupation Forces in Japan. Postings in London, Toronto, and, since 1977, Japan. (Home in Finchley Constituency from 1964 until June 1982.) Dodwell & Co, founded in 1858, has been part of the Inchcape Group since 1972. 1,400 staff in Japan. Main business is international trading: industrial and consumer products (including high technology printing equipment, Racal Decca, marine radar, Royal Doulton chinaware, Kidderminster carpets, UK worsted goods, clothing, spirits, biscuits and confectionery) exports/imports, retailing and shipping agency, and (in a joint venture company with Remy Martin of France) Gordons Gin and Grants Whisky). Agents for Shell/Burmah Oil tankers.



Mr C G N Ryder (52), President, John Swire & Sons (Japan) Ltd.
Joined Swire's in 1957, working in Hong Kong, Japan and London
before his appointment here in April 1982. Swire group interests
in Japan are in shipping, container terminals, insurance, management
services and real estate and in their associates, Cathay Pacific
Airways and International Learning Systems (sale of BBC Language
Courses). The company sponsors both a Scholarship and a Fellowship
at St Antony's College, Oxford, for Japanese nationals.



SPEECH NOTES: PRIME MINISTER'S SPEECH TO REPRESENTATIVES
OF JAPANESE INDUSTRY: SATURDAY 18 SEPTEMBER

Your Excellencies, Lady Cortazzi, Gentlemen,

Particularly pleased to welcome you as representatives of companies in the forefront of our economic and industrial relations.

UK Economic Policy

Government role to create favourable environment. Determined to ensure British economic recovery on sound and sustainable basis. Painful decisions. Tough policies now bearing fruit eg. inflation. Major improvements in private sector industrial relations, productivity, flexibility of labour. Government policies aimed to make Britain even more attractive long-term partner for Japan for collaboration and investment in wide range of established technologies and new areas of high technology.

Japanese Investment in Britain

Your collective experience proof that pessimism about Britain misplaced. Japanese companies in Britain have outstanding record of efficiency, productivity and good labour relations. Flourish not as outsiders but as an integral and valued part of the UK economy.

The Future for Investment

Continue to offer warm welcome where see benefit to national economy. Hope your companies will actively consider expanding in Britain from bases already established. Hope you will carry message that Britain is a good place for Japanese investment.

Industrial Collaboration

Aim to strengthen ties that already exist. British companies more productive, efficient and competitive than for many years. Much to offer each other. Increasing realisation in British



industry of advantages of cooperation with Japan. Value relationships developing eg. in computers, robots, aeroengines, automobiles etc.

Trade

Hope to see increased imports of British manufactures into Japan. Hope you will follow up Prime Minister Suzuki's exhortation end-May for increased imports by Japan. Better balanced trade by Japan essential to alleviate dangers of increasing economic friction which could undermine cohesion of industrialised countries and threaten GATT.

The Future

Warm thanks for contribution you are already making. Reassure of my interest in, and encouragement of, mutually beneficial industrial and commercial links.

Prime Minister

Prime Minister

APR 12
1

ms



ADDITIONAL BRIEFING

DINNER FOR JAPANESE BUSINESSMEN : 18 SEPTEMBER : POINTS FOR DISCUSSION WITH INDIVIDUAL COMPANIES

1. There will be representatives of eight Japanese companies with manufacturing investment in Britain at the dinner. Background notes have been supplied in the British Embassy Programme.
2. Each company could be asked to comment on their experience of UK manufacture to date and their thinking on future expansion plans.
3. Three of the companies - NEC, Sanyo and Yuasa are new investments due to commence production later this year. They can be congratulated on their initiative and asked how well they are proceeding with the lead-in to production. Yuasa's industrial batteries represent a new field for Japanese investment. Sanyo are reviving a Philips TV factory which was due to close down. NEC's investment in semiconductors is important for high technology. But this company has the potential to make substantial investment in other areas of electronics and electrical products manufacture.
4. Sony, Matsushita, Mitsubishi Electric and Toshiba's UK operations are well established in the colour television business (although Toshiba's investment represents a revival of the failed Rank Toshiba joint venture and is still working towards full production.) All four companies manufacture in Japan a wide range of consumer electrical products. We are interested both in their progress towards increasing local content in their current UK production and in future plans. In particular, Sony, Matsushita and Toshiba are prospects for production of video cassette recorders in Britain. Matsushita could do a wide range of consumer electrical products. Toshiba in addition produce high technology electronic goods e.g. semiconductors and medical equipment.
5. Aiwa is a small company, half owned by Sony, which produces mini hi-fi equipment and tuners in Britain but have an important line producing video cassette recorders for Sony in Japan. We could ask both Aiwa and Sony representatives at the dinner about

/possible

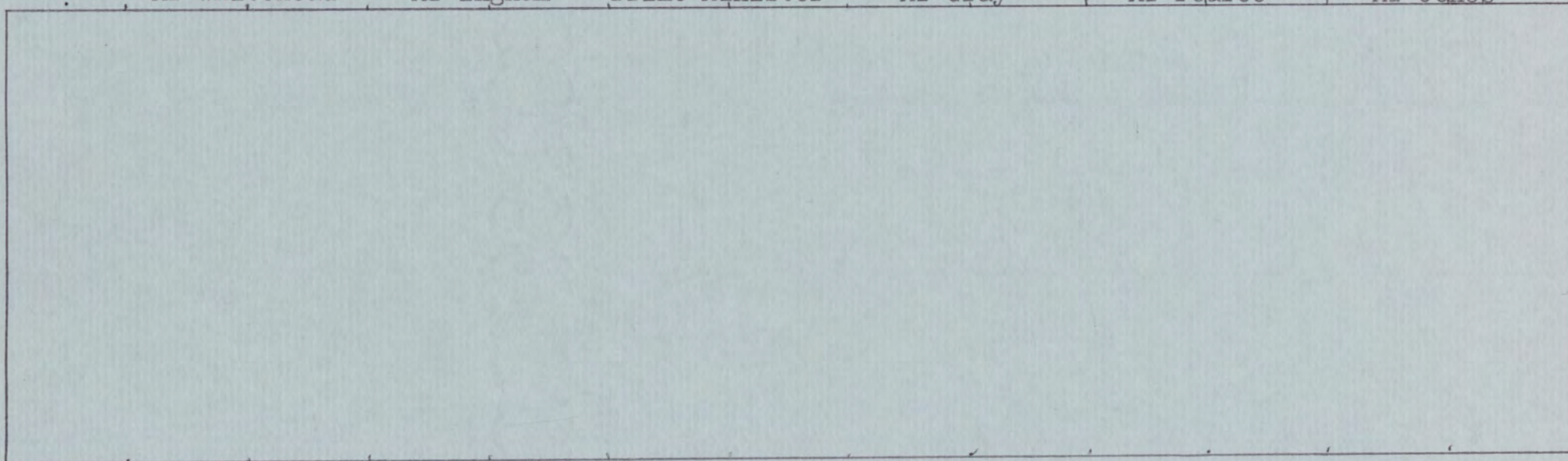


-2-

possible progress on the video cassette recorder front.

6. On non-production areas, NEC have still to decide on a location for their European Headquarters, with Scotland as a strong candidate. Matsushita have shown an interest in technological collaboration in a wide range of areas with Britain, and could be a candidate for establishing a research and development centre in Britain.

Mr Wilkinson Mr Hale Mr Hulbert Mr Giles Mr Ryder Mr Thomas
Mr Whitehead Mr Ingham Prime Minister Mr Gray Mr Pearce Mr Jones



Mr Donald Mr Thatcher Ambassador Mr Butler Mr Coles Mr Hodge
Mr Dettmer Mr Radbourne Dr Ridgwell Mr Perry Mr Michell Mr Harrison

DINNER

SUNDAY 19 SEPTEMBER 1982

19:30 INFORMAL



DINNER



SATURDAY 18 SEPTEMBER 19:30 INFORMAL

LOVE

NISHIJIMA	COLES
HASEGAWA	SEGAWA
HODGE	INGHAM
KOSUGE	SEKIMOTO
LADY CORTAZZI	BUTLER
IKEDA	HIRAHARA
KOBAYASHI	MATSUO
PM	HOST
MORITA	ITO
KAWASHIMA	MORI
GRAY	THATCHER
YAMAMOTO	YUASA
WHITEHEAD	SAMBE
IUE	DONALD
HARADA	IWAKITA

DENISON-EDSON

DINNER
FRIDAY 17 SEPTEMBER 1982
19:30 INFORMAL



Mr Bache

Mrs Williamson

Mr Gray

Lady Cortazzi

Mr Thatcher

Mrs Whitehead

Mr Donald

Mr Ingham

Mr Whitehead

PM

Host

Mr Butler

Mrs Bache

Mr Coles

Mr Williamson



10 DOWNING STREET

Prime Minister

Japan: Proposed Technology Agreement

You wished to see the draft at
Flag F. This would be
amended as described in the
attached letter.

2. Mr. Nicholson's latest comments
are at Flag G.

3. Do you want the joint
statement at Flag C to be
made during your visit to Japan?

MR 19/9.



CABINET OFFICE
Central Policy Review Staff

70 Whitehall, London SW1A 2AS Telephone 01-233 7089

W.0560

10 September 1982

Mr John Coles
10 Downing Street.

Dear Coles,

JAPAN: PROPOSED TECHNOLOGY AGREEMENT

I have been involved in the further discussions of officials referred to in Mr Holmes' letter to you of 9 September. *attached*

2. The signing of a Government to Government technology agreement as a result of the Prime Minister's visit to Japan might help to create a better atmosphere for the negotiation of subsequent specific agreements between appropriate parties for cooperation in technology on an equitable basis.

3. An agreement on technology along the lines of the present draft, strengthened by the proposed inclusion of the paragraphs taken from the US-Japan agreement to meet two of the points raised by Sir Henry Chilver, should enable us to ensure that the agreement operates in the areas where the UK has most to gain from Japan. The danger of encouraging Japanese penetration of UK science is correspondingly reduced.

4. If agreement can be reached on the basis of the present draft text, there could be real benefit to the UK; at worst the effect is likely to be neutral. However a significant dilution of the provisions of the present text could swing the balance against UK interests and I could not then recommend it.

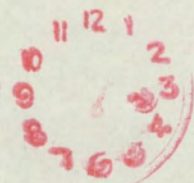
*Yours sincerely
Robin Nichol*

ROBIN B NICHOLSON
Chief Scientist

cc: to those on attached list.

cc: Mr J Sparrow, CPRS
Mr J E Holmes, FCO
Mr R Hatfield, Cabinet Office
Mr A M Bailey, CPRS
Mr A E Donald, FCO
Mr J F Martin, FCO
Mr M Stark, FCO
Mr S K Khanna, DoI
Dr L Goldstone, DoI
Dr R Roberts, DoT
Dr P Davies, CPRS
Miss Rycroft, CPRS

10 SEP 1982



Mr. [Name], Cabinet Office

Mr. [Name]

GR 400
CONFIDENTIAL
DESKBY FCO AND DOI 100800Z

CONFIDENTIAL

FM TOKYO 100300Z SEP 82
TO IMMEDIATE FCO
TELNO 520 OF 10 SEP 82 AND TO IMMEDIATE DOI.

PRIME MINISTER'S VISIT: NISSAN.

1. THE JAPANESE PRESS HAS DISCOVERED, APPARENTLY FROM JAPANESE GOVERNMENT SOURCES, THAT THE PRIME MINISTER WILL BE MEETING KAWAMATA, THE CHAIRMAN OF NISSAN, DURING HER VISIT TO JAPAN. THEY HAVE SPECULATED THAT THE MEETING IS DESIGNED BY US TO PUT PRESSURE ON NISSAN TO REACH AN EARLY FAVOURABLE DECISION ON THE UK PROJECT. THE JAPANESE MFA HAVE CONSULTED US ABOUT THE LINE THAT SHOULD BE TAKEN IN RESPONSE TO INEVITABLE PRESS ENQUIRIES HERE AND POSSIBLY IN THE UK.

2. WE HAVE SUGGESTED THE FOLLOWING LINE. IT IS TRUE THAT THERE ARE PLANS FOR THE PRIME MINISTER TO MEET KAWAMATA. HE ENTERTAINED HER AND TOOK HER ROUND A NISSAN PLANT IN 1977 WHEN MRS THATCHER WAS LEADER OF THE OPPOSITION. SINCE THEN THE TWO HAVE NOT HAD A CHANCE TO MEET SEMI COLON THE FORTHCOMING VISIT TO JAPAN SEEMS TO PROVIDE A SUITABLE OPPORTUNITY FOR THEM TO DO SO. THE INTENTION IS THAT THEY SHOULD HAVE A GENERAL TALK. WE DO NOT KNOW AND CANNOT SAY WHAT SUBJECTS MIGHT BE TOUCHED ON. DETAILED DISCUSSIONS ABOUT NISSAN'S POSSIBLE INVESTMENT IN THE UK HAVE BEEN CARRIED ON AT OTHER LEVELS WITH HMG. THE LATEST DISCUSSIONS WERE HELD BETWEEN MR JENKIN AND OKUMA AT THE END OF JULY WHEN WE RECEIVED A DETAILED ACCOUNT OF NISSAN'S PRESENT THINKING AND THE REASONS WHY NISSAN WERE STILL UNABLE TO TAKE A DECISION ON THE MATTER. WE ARE NOT AWARE OF ANY CHANGE IN THE POSITION SINCE THEN.

3. IN RESPONSE TO ANY FOLLOW UP QUESTIONS FROM THE PRESS WE WOULD PROPOSE TO STICK RIGIDLY TO THE LINE THAT THE PRIME MINISTER'S MEETING WITH KAWAMATA WILL BE FOR A GENERAL TALK: TO DO OTHERWISE WOULD BE TO RUN THE SERIOUS RISK THAT KAWAMATA MIGHT BE FRIGHTENED OFF AND DECLINE AFTER ALL TO MEET MRS THATCHER. SINCE THERE WILL BE NO IMMEDIATE RESULT FROM THE MEETING IT WOULD BE IMPORTANT NOT TO RAISE PRESS EXPECTATIONS OTHERWISE THE EXERCISE WILL BE PORTRAYED AS A FAILURE.

4. THE MFA HERE HAVE AGREED TO THIS RECOMMENDED LINE AND WILL WE HOPE FOLLOW IT CLOSELY. WE SHALL ALSO BE IN TOUCH WITH NISSAN TO EXPLAIN OUR LINE AND TO MAKE IT CLEAR THAT THE BRITISH SIDE WAS NOT RESPONSIBLE FOR THIS LEAK. GRATEFUL TO KNOW URGENTLY IF YOU SEE ANY DIFFICULTY OTHERWISE WE SHALL ACT ACCORDINGLY.
CORTAZZI

LIMITED
FE D
MAE D
ECD (E)
NEWS . D
P S
PS/LORD BELSTEAD

PS/MR RIFKIND
PS/IPS
MR GIFFARD
MR DONALD

COPIES SENT TO
No. 10 DOWNING STREET

COPIES TO :
MR MOUNTFIELD
VEHICLE DIV
DOI
MR SUNDERLAND }
MR DUNNING } DOT

CONFIDENTIAL

cc Japan
Henry King Policy

PRIME MINISTER'S BRIEFING MEETING FOR VISIT TO THE FAR EAST ON
16-29 SEPTEMBER 1982

TO BE HELD ON TUESDAY 14 SEPTEMBER

at 3.00 pm

The following will attend:

Foreign and Commonwealth Secretary

Chief Secretary, Treasury

Minister of State, Department of Industry (Mr Baker)

Minister of State, Department of Trade (Dr Vaughan)

Mr M D M Franklin, Department of Trade

Sir Kenneth Couzens, Treasury

Mr G S R Giffard, Foreign and Commonwealth Office

Mr A E Donald, Foreign and Commonwealth Office

Mr K P Jeffs, Ministry of Defence

Mr J Gill, Department of Industry

Mr A G Manzie, Department of Industry

Sir Robert Armstrong

Mr A D S Goodall

CONFIDENTIAL

HL

10 September 1982

Prime Minister's visit to the Far East

Thank you for your letter of 9 September suggesting that during her visit to Japan the Prime Minister should invite Mr. Suzuki to visit the UK. The Prime Minister is prepared to issue this invitation though she will not wish to attach any date to it.

I should be grateful if, as you propose, you could issue an addendum to the steering brief covering this point.

B/F
JOHN COLES

John Holmes, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

9 September 1982

Prime Minister

Agree to invite Mr. Suzuki to visit

London:

Dear John,

A. J. C. 9/9.

Yes - no date.

Prime Minister's Visit to the Far East

The Prime Minister has agreed with our recommendation that during her visit to China she should issue an invitation to the Chinese Premier, Zhao Ziyang, to visit the United Kingdom. We had not at that time recommended that she issue a similar invitation to Mr Suzuki in Japan, on the grounds that Mr Suzuki visited London only last year and that visits by Prime Ministers of the major Western powers may be regarded as sufficiently normal and frequent not to require specific invitations of this kind.

However when the Japanese Foreign Minister was in London on 3 September for consultations with Mr Pym, members of his party made it clear in the margins that the Japanese Government were hoping that Mrs Thatcher would convey an invitation to Mr Suzuki to visit the United Kingdom at an appropriate time. The Japanese would apparently notice the absence of such an invitation, which they regard as a normal courtesy even though no particular date may be contemplated. It would therefore be helpful if the Prime Minister were to speak accordingly to Mr Suzuki in the course of her conversations.

If this is agreed, we shall issue an addendum to the Steering Brief for the visit.

Yours ever

J. E. Holmes

(J E Holmes)
Private Secretary

A J Coles Esq
10 Downing Street

Forsien und Konsularservice

London SW1 2AH



9 SEP 1982





Prime Minister

Foreign and Commonwealth Office

London SW1A 2AH

Do you, as Mr. Lynn, Lord
Cochfield and Mr. Jenkin recommend,
with the joint statement at Flag C
to be made during your visit to Japan?

9 September 1982

A.S.C. 9/9

Let me look
again at the agreement
I share Sir Henry's
critical comments

Dear John,

Japan: Proposed Technology Agreement

Your letter of 4 August recorded the Prime Minister's doubts whether the text of a proposed agreement with Japan on this subject, enclosed with my letter of 2 August, was worth signing. She suggested that Sir Henry Chilver be consulted on the value of the agreement.

The Departments concerned (the Cabinet Office and the Departments of Industry and Trade in particular, as well as the Foreign and Commonwealth Office) have held further discussions to consider the arguments for and against an agreement, in the light of the comments which were received from Sir Henry Chilver in early August. We also have a preliminary indication of the Japanese view on the text put to them at official level, although we still await a formal Japanese reaction.

I attach for convenience a copy of the comments made by Sir Henry Chilver (sent to you under cover of a minute by Dr Nicholson dated 11 August). Officials believe that two of the main criteria contained in Chilver's comments, that the agreement should provide for access to vitally important new technology in Japan and that Britain should have a full share in industrial development, are met by the inclusion in the agreement of a provision on the lines of an article of the existing agreement between the US and Japan on science and technology. This article provides essentially that non-proprietary information arising from cooperative activities under the agreement should be made available to the public by either Government, and that the two Governments should give due consideration to the equitable distribution of industrial property resulting from such activities and to the licensing of other related industrial property. Chilver's third point, on access to Japanese and other Far East markets, would in the view of officials be met only by specific commercial agreements and arrangements which might flow from the agreement now proposed, and it would be inappropriate to seek to make provision for these in what is essentially an umbrella agreement.

The preliminary Japanese reaction does not in our view reveal any insuperable difficulties to the eventual negotiation of a satisfactory agreement. Most of the Japanese comments can be met by drafting changes. The one substantial difficulty, the Japanese

/wish



CONFIDENTIAL

the Japanese wish that the agreement should cover science as well as technology, is a sticking point for us. If the Japanese intention is to use an agreement to penetrate UK science in a way we would consider disadvantageous, this could jeopardise the negotiation of a final text. But if the problem is only one of semantics, as the Japanese are claiming, then it should not be impossible to find an appropriate form of words.

We have concluded that it is now impossible in the short time available to think in terms of the signature of any such agreement during the Prime Minister's visit to Japan. However, officials of the several Departments concerned are persuaded that, in addition to a significant political value, an umbrella agreement of this kind could have several potential economic advantages:

- a) It could be used to open the doors of Governmental and other research institutions in Japan now engaged in work which could be of considerable value to the UK, given the advanced stage of technological development in Japan. The Embassy have reported that the peculiar circumstances of Japan, where the influence of Government is pervasive and where particular importance is attached to Governmental agreements, means that access to this work has sometimes been denied to us hitherto; whereas some of our competitors may have been more fortunate because of the existence of agreements between their Governments. The Department of Industry have reservations about this view.
- b) Given these circumstances and the nature of Government in Japan, the agreement could also create a better atmosphere for generating further specific agreements between private industries not covered by existing understandings. As the Embassy in Tokyo have pointed out, in dealing with Japan there is value in having both an overall political framework and vigorous follow-up through individual cases; these are mutually reinforcing and the absence of one weakens the impact of the other.

/c)

CONFIDENTIAL



CONFIDENTIAL

- c) A further potential advantage is that the agreement could be used to press Japanese companies to establish research laboratories in the UK in association with existing industrial investment. Japan lags behind our other major partners in this respect, and the setting-up of Japanese research establishments in the UK could benefit indigenous research in this country and enable Japanese companies established here to develop new UK-manufactured products which would take the lead in their fields.

In sum, the agreement could in our view provide a useful complement to the existing arrangements between the Department of Industry on the one hand, and MITI and the Japanese Ministry of Posts and Telecommunications on the other by covering some further areas and interests of other Departments.

It can be argued that the existing arrangements could be undermined or devalued by an additional agreement and that it would be better to concentrate on getting results from the existing understandings. We also have to recognise the risk that many Japanese companies - more than ours - have proven records in successfully exploiting technology developments; hence programmes would need to be very carefully selected in areas where our industry is likely to be effective in bringing competitive products to the international market place. Evidence from Japanese agreements with France and the US suggests that Japan will be reluctant to grant access to key industrial technologies. Nevertheless on balance officials believe that the agreement can be drafted in such a way as to attempt to ensure the equitable distribution of benefits to both countries. Mr Jenkin is prepared to go along with such an agreement if the general view in Whitehall is that one is necessary.

Officials of the Departments concerned therefore believe that a joint statement with the Japanese Prime Minister during Mrs Thatcher's visit, with the general purpose of instructing officials to continue their work towards an agreement to promote cooperation in technology, would be valuable. Mr Pym shares this view, as do Mr Jenkin and Lord Cockfield, and they consider that on balance such a statement would provide a positive element to the visit, though care will be needed to ensure that the actual negotiation of the agreement and its subsequent implementation ensure that we benefit at least as much as Japan. Negotiations will not be easy if we are to obtain maximum benefit and avoid too great concessions in such an agreement.



CONFIDENTIAL

/ I enclose a possible text for such a statement, and should be grateful if you would let me know as soon as possible whether the Prime Minister agrees that we should put a text on these lines to the Japanese Government so that it may be agreed by the time of the visit.

I am copying this letter to Jonathan Spencer (DOI), John Rhodes (DOT) and Richard Hatfield (Cabinet Office).

Yours ever
John Holmes

(J E Holmes)
Private Secretary

A J Coles Esq
10 Downing Street

CONFIDENTIAL

From the Vice Chancellor

SIR HENRY CHILVER FEng FRS

CONFIDENTIAL

Comments on:

Proposed Technology Agreement with Japan

1. The 'exchange' of technological ideas can only succeed if both sides can follow-up with development work in new areas, which in turn can lead to industrial products.
2. Japan is probably well-organised to develop technological ideas from other countries. (An example of Japanese ability in this is their exploitation of biotechnology ideas from the UK over the past 10 years or so.)
3. Britain, on the other hand, would meet considerable difficulties in translating Japanese ideas into industrial manufacturing, because there are considerable difficulties in reaching agreements on the 'property' aspects of technological ideas.
4. There would be much more merit in experimenting in a few, carefully-selected, joint research programmes, which share the costs between the two countries and give 'rights' for industrial development by Britain, as well as by Japan.
5. The present proposal is very 'woolly' and vague, and I see no merit in pursuing it as described in the proposal. (Indeed, it would be interesting to know who is promoting such a vague idea!)
6. The criteria for any technology agreement which would benefit Britain in both the short and the long terms are:
 - 6.1. Access to vitally important new technology in Japan.
 - 6.2. Britain to have a full share in industrial development of vital new technology.
 - 6.3. These new technologies to enable Britain to develop 'toe-holds' in Japanese and Far Eastern markets.
7. None of these criteria is really met by the proposals in the paper.
8. We could be positively disadvantaged if we proceeded without these criteria being met.
9. An 'agreement' would have real potential if it can be presented in a form that convinces UK industry of the points in Section 6 above.

Henry Chilvers



DRAFT STATEMENT BY PRIME MINISTERS

Mr Suzuki and Mrs Thatcher, recognising the mutual advantages of increased economic cooperation to stimulate growth and employment in their two countries, note with approval the practical steps which have already been taken in this direction by individual companies to their mutual benefit, and the arrangements established between Departments of their two Governments to facilitate such cooperation.

The two Prime Ministers have agreed that their Governments will continue to promote economic cooperation on a basis of an equitable distribution of benefits, making maximum use of the arrangements already established and taking whatever additional steps they may agree to be desirable.

In this spirit, the two Prime Ministers agree in principle that negotiations should continue which it is hoped will lead to a mutually beneficial agreement between their Governments to promote cooperation in the field of technology and have asked their officials to propose a suitable text.

Japan, July 82
PM's Visit - Policy

Prime Minister
c. Mr. Coler

Foreign and Commonwealth Office

London SW1A 2AH

8 September 1982

Mr. LoganThis letter to be taken
with us to the Far
East.

MS

AR 10/9.

F E R Butler Esq
10 Downing Street

Dear Robin,

PRINCE HIRO OF JAPAN

1. The Japanese Ambassador told us in confidence the other day that the Japanese Imperial Family are thinking of sending Prince Hiro (now aged 22), the eldest son of the Crown Prince of Japan, to this country for a period of study. The intention is that he should come to Britain in May next year to improve his English before going on to Oxford University in October 1983 for two years.

2. The Japanese Ambassador asked us to look into one or two aspects of this: I attach a copy of the speaking notes he left with us. We have made some progress. The Home Office are looking at security protection. Lord Belstead has been in touch on a personal basis with Lord Mansfield who is in principle prepared, once one or two details are sorted out, to look after Prince Hiro during vacations. We shall need to consult the British Council in due course about Prince Hiro's initial period of English study, and we propose shortly to seek the advice of Lord Trend, as a Principal of an Oxford college and a former Cabinet Secretary, about the choice of an Oxford college. We shall bring the Japanese Ambassador up to date before he leaves for Tokyo on 11 September to prepare the way for the Prime Minister's forthcoming visit.

Passage deleted and closed, 40 years,
under FOI Exemption.

Wayland

11 October 2012

Antony Acland

cc:
Sir Robert Armstrong KCB CVO
Cabinet Office

SPEAKING NOTES LEFT WITH MR GIFFARD BY THE JAPANESE AMBASSADOR

1. Under whom should he carry out his research? He is interested in inland and coastal trade and communications in Medieval and Modern Britain. He studied the History of Transport in Medieval Japan in a Japanese university and the theme of his thesis there was "'Maritime Transport in the Seto Inland Sea in Medieval Days'". There is a suggestion that he would best study under Professor Peter Mathias of All Souls College, Oxford and Dr Joan Thirsk of St. Hilda's College, Oxford.
2. Is there a possibility that he could study at All Souls College, Oxford? If the college, which we understand normally accepts senior researchers and fellows, finds difficulty in accepting him, which other colleges do you recommend for his studying? (He strongly hopes to live in the college.)
3. Which degree course is recommended for his study?
4. We would like to know the detailed procedure for his entry, such as qualification requirements, when he should apply to the college, when he will receive the result of his application, payment to the college and university, cost of living etc.
5. What sort of security protection would be provided by the British side? We would also like to know whether it is possible for us to send a bodyguard for him to Britain, and other relevant matters concerning his protection.
6. Although he will be staying in the college during term, where do you think he could stay during the vacations? Would you be able to recommend some families with whom he could stay (just for your reference, we understand the Earl of Mansfield and Mansfield is a good friend of his family).

7. Before he starts studying in Oxford, he would like to study English for a few months. With which family do you think he could stay in order to do so? What are the necessary arrangements that would need to be made?

CONFIDENTIAL

THIS DOCUMENT IS THE PROPERTY OF HER BRITANNIC MAJESTY'S GOVERNMENT.

PMVW(82)6
7 September 1982

COPY NO. 2

PRIME MINISTER'S VISIT TO THE FAR EAST

16-29 SEPTEMBER 1982

JAPANESE ECONOMY - INTERNATIONAL IMPLICATIONS

Brief by HM Treasury

POINTS TO MAKE

- (i) Japan has benefitted from open world trade and financial systems - particularly in past few years when it has surmounted second oil price shock more successfully than other industrial countries.
- (ii) This was achieved to a significant extent through reliance on external demand. Growth of protectionist pressures and slower world trade however, led to slowdown in Japanese economy last winter and showed problems such a policy can cause.
- (iii) Japan and international community therefore both have an interest in greater Japanese reliance on domestic growth. Welcome recent signs of modest recovery in Japanese domestic economy. ?
Important that this should continue.

CONFIDENTIAL

CONFIDENTIAL

(iv) Recognise importance Japanese government attaches to reducing budget deficit in medium-term, but share view of IMF staff that Japan should take account of short-term prospects for private demand in deciding how fast to reduce its budget deficit. Too fast a reduction could once again encourage Japanese companies to return to aggressive export marketing.

(v) Large Japanese private savings should make it possible to finance budget deficit without putting undue strain on credit markets, as long as government bond yields are consistent with market rates.

(vi) Important that yen should reflect fully competitive strength of Japanese economy. Current level lower probably than either Japanese or rest of world would like. Important now that US interest rates are falling that unduly easy monetary policy in Japan should not hinder recovery of the yen.

(vii) In the longer-term, liberalisation of domestic financial markets to make the yen more attractive to foreign investors, coupled with development of the yen's role as a reserve and trading currency, should contribute to maintaining a more realistic value for the yen.

BACKGROUND

Japan adjusted to the second oil price shock more successfully than competitors. GDP growth averaged 3 1/2 per cent per year in 1980 and 1981, compared with less than 1 per cent in other Summit countries. The year-on-year rate of increase in consumer prices has fallen to 2 per cent, compared to still almost 9 per cent on average in other major countries. Unemployment is currently 2 1/4 per cent, and although this probably understates the true figure, the underlying level is well below the 8-9 per cent average elsewhere. The current balance of payments which showed a deficit of \$11 billion in 1980, moved into a \$5 billion surplus last year and achieved a further \$3 1/2 billion surplus in the first half of this year.

2 1/2
int.
2 1/2
unemp.

1980 B7 P
- \$11 bi
81 + \$5 bi
82 + \$7 bi(?)

2

83 + \$20 (050)
~~83~~ \$17 1/2 m

Recent economic policies may have had
impressive results for Japan in the short term but
they have increased protectionist pressures. Can-
ask that they be reduced when Japan's policies have

CONFIDENTIAL

Xp
40 1.5%
Imp.
-1.7%

2. This impressive performance has not been without its resulted in
problems both for other countries and for Japan. Growth in industry
1980 and 1981 relied heavily on external demand with exports of them,
goods and services rising by almost 18 per cent a year, while
imports rose less than 1 per cent a year. The external sector
accounted for three quarters of Japan's growth over these 2 years.
Some switch of resources into the balance of payments after the
rise in oil prices was natural and desirable, but both the speed
and size of Japan's adjustment has provoked international
criticism. At a time when many other countries are suffering
high unemployment, it has also added to protectionist pressures. →

3. The dangers of relying too heavily on external demand were
brought home to the Japanese at the end of last year when the
combination of a slowdown in world trade and restraints on
Japanese exports caused a fall in GDP. Growth recovered
gradually in the first half of this year with at least a temporary
pick up in domestic demand, particularly private consumption.
Investment, however, has been sluggish, and Japanese companies
have been trying to adjust down their stock positions to the
unexpectedly low level of activity. Exports and imports have
both remained broadly flat. Industrial production fell in the
early months of the year, and may only now be levelling out again.

4. It is clear that the official growth target of 5.2 per cent
for this year, which the Japanese now acknowledge was over-
optimistic, will have to be revised down. The OECD and IMF both
put the likely outturn at closer to 2 per cent. Both expect
rather faster growth for Japan of 3-4 per cent in 1983. These
forecasts, however, rely on external demand again playing a
significant role. The OECD expects export growth to outstrip
imports to bring a \$20 billion current surplus next year. The IMF
puts the surplus only slightly lower at \$17 billion.

2/3
war's this
font
somewhat 3

CONFIDENTIAL

CONFIDENTIAL

5. Criticism of Japan has tended to centre on the macro-economic policies the Japanese pursue and the rigidly controlled non-market nature of parts of the economy. These two factors have at times tended to reinforce each other. The need to follow policies which take account of their impact on other countries was the central theme of the Versailles communique. The argument that countries such as Japan which have benefitted enormously from free market open trading systems, should also open up their own economies, similarly has a powerful logic.

6. Our own concern about Japanese macro-economic policies was expressed in the Assessment that we prepared for the Versailles Summit participants. We argued that Japan's macro-economic policies have tended to increase her reliance on external demand. Unduly stringent fiscal policies and, in particular, a rising tax burden have tended to hold back domestic demand. Japan's general government budget deficit was reduced from $5\frac{1}{2}$ per cent of GDP in 1978 to 4 per cent last year, and the OECD Secretariat forecasts that it will fall to 2 per cent next year. This is likely to be about half the average level in other major countries (except the UK). It is particularly low taking account of the high level of private savings available in Japan.

7. The Japanese response is that the Government has a political commitment to abolish the current account budget deficit by 1985; it is already bringing forward public works to sustain domestic activity; and the lower than expected growth in the economy is causing upward revisions to the budget deficit. We share of course the Japanese desire that medium term budget deficits should be reduced. Our concern is about timing. This is echoed in the IMF's latest World Economic Outlook which argues that Japan's reductions in its deficit should take account of the likely growth of domestic demand to fill the gap. Mr Komoto, Director of Japan's Economic Planning Agency and one of Mr Suzuki's rivals,

CONFIDENTIAL

has pursued a similar theme and the EPA is working on various reflationary packages.

8. Alongside this tight fiscal policy, Japan has followed a relatively accommodating monetary policy. M2 growth in the past two years or so has typically been around 9 per cent - rather faster than the rise in nominal GDP. Nominal interest rates have been well below those abroad and the yen's effective rate has fallen about 10 per cent since the beginning of 1981.

9. The Japanese argue with some justification that high US interest rates have been the main factor in the yen's weakness. Their own policies, however, have not helped. While interest rates have been brought down to stimulate domestic demand, the government's practice of controlling bank deposit rates and force-selling its own bonds at fixed prices to a syndicate of domestic banks has helped keep rates artificially low. The Japanese banks, however, have recently been refusing to buy more bonds and the government has been forced to allow long-term yields to reflect more closely market rates. The Bank of Japan has also operated in the money markets to push up short-term rates. We must hope that the recent fall in US interest rates, coupled with this firming of Japanese interest rates, will help the yen to appreciate. We should encourage the Japanese not to hinder this process.

10. The Japanese could also help the yen to become a firm currency in the longer term by allowing its reserve role to develop. At present, the yen accounts for only about 4 per cent of international currency reserves, slightly greater than sterling but well below the DM at 13 per cent and the dollar at 71 per cent. Greater availability of short term yen financial assets would tend to encourage foreigners to hold more yen in their portfolios.

CONFIDENTIAL

Greater use of the yen in denominating international trade might also stimulate companies to increase their yen holdings. This would help to encourage Japan to play a full and responsible role in the international financial system, commensurate with the underlying strength of the economy.

HM Treasury
7 September 1982

CONFIDENTIAL



Jul

10 DOWNING STREET

From the Private Secretary

7 September 1982

and John,

Visit by the Prime Minister to Japan, China
and Hong Kong: Trade Issues

I enclose a copy of a letter which the Prime Minister has received from the President of the CBI about the main preoccupations of his membership with regard to trade relations with the three countries which the Prime Minister will be visiting later this month and particularly with Japan.

The Prime Minister will wish to reply to Sir Campbell Fraser before she leaves on 10 September. I should be grateful if you could let me have a draft by 13 September.

B/F

I am copying this letter and enclosure to John Holmes (Foreign and Commonwealth Office) and Jonathan Spencer (Department of Industry).

A. J. COLES

John Rhodes, Esq.,
Department of Trade.

He

Jul

7 September 1982

I am writing on behalf of the Prime Minister to thank you for your letter of 6 September.

This is receiving attention and a reply will be sent to you as soon as possible.

A. J. COLES

Sir Campbell Fraser

CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

6 September, 1982

A. J. C. G.
f.a.

Dear Jonathan,

Japan: Proposed Technology Agreement

I enclose a draft letter which I propose to send to Number 10 recommending that the Prime Minister agree to a joint statement with the Japanese Prime Minister during her visit. Mr Pym has endorsed this letter, which was drafted in consultation with officials of your Department and the Department of Trade. I should be grateful for confirmation from you and John Rhodes that Mr Jenkin and Lord Cockfield are also content.

In view of the proximity of the visit, I should be grateful for confirmation, by telephone if necessary, by the morning of 8 September at the latest.

I am copying this letter to John Rhodes (Department of Trade) and Richard Hatfield (Cabinet Office).

Yours ever
John Holmes

(J E Holmes)
Private Secretary

Dr J P Spencer
Department of Industry
Ashdown House
123 Victoria Street
LONDON SW1

bc: A J Coles Esq
Private Secretary
10 Downing Street

CONFIDENTIAL

DSR 11 (Revised)

LETTER
DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1+

FROM:

Reference

Private Secretary

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

TO:

Your Reference

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

Private Secretary
 10 Downing Street

Copies to:

Private Secretaries:
 DOI
 DOT
 PS/Sir R Armstrong
 Cabinet Office

PRIVACY MARKING

SUBJECT:

.....In Confidence

JAPAN: PROPOSED TECHNOLOGY AGREEMENT

CAVEAT.....

1. Your letter of 4 August recorded the Prime Minister's doubts whether the text of a proposed agreement with Japan on this subject, enclosed with my letter of 2 August, was worth signing. She suggested that Sir Henry Chilver be consulted on the value of the agreement.
2. The Departments concerned (the Cabinet Office and the Departments of Industry and Trade in particular, as well as the Foreign and Commonwealth Office) have held a number of meetings to consider further the arguments for and against an agreement, in the light of the comments which were received from Sir Henry Chilver in early August. We also have a preliminary indication of the Japanese view on the text put to them at official level, although we still await a formal Japanese reaction.
3. I attach for convenience a copy of the comments made by Sir Henry Chilver (sent to you under cover of a minute by Dr Nicholson dated 11 August). Officials

Enclosures—flag(s).....

believe that two of the main criteria contained in Chilver's comments, that the agreement should provide for access to vitally important new technology in Japan and that Britain should have a full share in industrial development, ^{are} met by the inclusion in the agreement of a provision on the lines of an article of the existing agreement between the US and Japan on science and technology. This article provides essentially that non-proprietary information arising from cooperative activities under the agreement should be made available to the public by either Government; and that the two Governments should give due consideration to the equitable distribution of industrial property resulting from such activities and to the licensing of other related industrial property. Chilver's third point, on access to Japanese and other Far East markets, would in the view of officials be met only by specific commercial agreements and arrangements which might flow from the agreement now proposed, and it would be inappropriate to seek to make provision for these in what is essentially an umbrella agreement.

4. The preliminary Japanese reaction does not in our view reveal any insuperable difficulties to the eventual negotiation of a satisfactory agreement. Most of the Japanese comments can be met by drafting changes. The one substantial difficulty, the Japanese wish that the agreement should cover science as well as technology, is a sticking point for us. If the Japanese intention is to use an agreement to penetrate UK science in a way we would

/consider

consider disadvantageous, this could jeopardise the negotiation of a final text. But if the problem is only one of semantics, as the Japanese are claiming, then it should not be impossible to find an appropriate form of words.

5. We have concluded that it is now impossible in the short time available to think in terms of the signature of any such agreement during the Prime Minister's visit to Japan. However officials of the several Departments concerned are persuaded that, in addition to a significant political value, an umbrella agreement of this kind would have several potential economic advantages:

a) It could be used to open the doors of Governmental and other research institutions in Japan now engaged in work which could be of considerable value to the UK, given the advanced stage of technological development in Japan. The Embassy have reported that the peculiar circumstances of Japan, where the influence of Government is pervasive and where particular importance is attached to Governmental agreements, means that access to this work has sometimes been denied to us hitherto; whereas some of our competitors may have been more fortunate because of the existence of agreements between their Governments.

/b)

b) Given these circumstances and the nature of Government in Japan, the agreement could also create a better atmosphere for generating further specific agreements between private industries. As the Embassy in Tokyo have pointed out, in dealing with Japan there is value in having both an overall political framework and vigorous follow-up through individual cases; these are mutually reinforcing and the absence of one weakens the impact of the other.

c) A further potential advantage is that the agreement could be used to press Japanese companies to establish research laboratories in the UK in association with existing industrial investment. Japan lags behind our other major partners in this respect, and the setting-up of Japanese research establishments in the UK could benefit indigenous research in this country and enable Japanese companies established here to develop new UK-manufactured products which would take the lead in their fields.

In sum, the agreement would in our view provide a valuable complement to the existing arrangements between the Department of Industry and MITI on the one hand, and with the Japanese Ministry of Posts and Telecommunications on the other. It can be argued that these

CONFIDENTIAL

arrangements could be undermined or devalued by a formal agreement; and that the Japanese might derive greater benefit from technological cooperation with us than would the UK. But in the view of officials, there need be no overlap with the existing arrangements which cover cooperation between private industry but not between Governments; and the agreement can be drafted in such a way as to ensure the equitable distribution of benefits to both countries.

6. Officials of the departments concerned therefore believe that a joint statement with the Japanese Prime Minister during the Prime Minister's visit, with the general purpose of instructing officials to continue their work towards an agreement to promote cooperation in technology, would be valuable. The issue of such a statement would provide a positive element to the visit, opening the way for potential benefits for the UK in the field (of technological cooperation) in which we have most to gain from the Japanese. Mr Pym shares this view, as do Mr Jenkin and Lord Cockfield.

7. I enclose a possible text for such a statement, and should be grateful if you would let me know as soon as possible whether the Prime Minister agrees that we should put a text on these lines to the Japanese Government so that it may be agreed by the time of the visit.

CONFIDENTIAL

DRAFT STATEMENT BY PRIME MINISTERS

Mr Suzuki and Mrs Thatcher, recognising the mutual advantages of increased economic cooperation to stimulate growth and employment in their two countries, note with approval the practical steps which have already been taken in this direction by individual companies to their mutual benefit, and the arrangements established between Departments of their two Governments to facilitate such cooperation.

The two Prime Ministers have agreed that their Governments will continue to promote economic cooperation on a basis of an equitable distribution of benefits, making maximum use of the arrangements already established and taking whatever additional steps they may agree to be desirable.

In this spirit, the two Prime Ministers agree in principle that it would be desirable to conclude an agreement between their Governments to promote cooperation in the field of technology and have asked their officials to propose a suitable text.

Oryndon China

①



Foreign and Commonwealth Office

London SW1A 2AH

7 September 1982

Prime Minister

Content:

A. J. C. 7/9

AR 15/9
p.c.

It may well be that
do not have our
Ambassadors - present at -
Latter with Dep. ... Have
we no competent
interpreter? No - or
in the F.O.?
not.

Dear John,

Prime Minister's Visit to the Far East: Interpretation

I promised to let you have a note on arrangements for interpretation at the major meetings to be held in Tokyo and Peking during the Prime Minister's forthcoming tour.

Both the Japanese and Chinese Governments will provide interpreters for all formal occasions. We are confident that they will be of high calibre (beyond anything which we could provide from our own resources) and believe that every conversation should be translated faithfully. However senior members of the Embassies who are fluent in the two languages, including in both cases the Ambassadors, will be present at all conversations and will not hesitate to intervene if they detect any inaccuracy on the part of the interpreter.

On the specific point you raised, I am assured that Deng Xiaoping does not speak any particularly inaccessible brand of Chinese; there should be no great difficulty for our Embassy staff in understanding him.

Robin Butler
yours to me
about this.
A. J. C. 7/9.

Yours ever

John Holmes

(J E Holmes)
Private Secretary

A J Coles Esq
10 Downing Street

Confederation of British Industry
Centre Point
103 New Oxford Street
London WC1A 1DU
Telephone 01-379 7400
Telex 21332
Telegrams Cobustry London WC1

From
Sir Campbell Fraser
President

cc China Policy
Future of Hong Kong



6th September 1982

Dear Prime Minister,

In advance of your visit to Japan, China and Hong Kong in the second half of September, I thought you might like to know some of the main pre-occupations of CBI membership over trading relations with these countries, particularly with Japan.

The main concern is readily identifiable: the ever-widening trade gap between this country and Japan. The imbalance in Japan's favour in 1980 was £1.11bn, and that rose, for the first ten months of 1981, to £1.24bn, and for the first six months of 1982 to £990m. Despite the fact that full trade figures for 1981 are still not available, the worsening trend is clear, and it increases further in 1982, when the total gap might well reach £2bn. In the context of trade we consider that the Japanese market has a long way to go before it can genuinely be considered as open to foreign companies, despite the January 1982 measures to promote imports, followed by a second liberalisation package in May. Experience shows that the distribution channels for foreign goods in the Japanese market provide a more effective constraint than quotas or tariffs.

We are also concerned that, despite apparent legal freedoms, there are notable obstacles to be overcome in the acquisition by foreign companies of shareholding in Japanese firms. Allied to this are problems affecting the operations of foreign banks and insurance companies in Japan, which affect British interests among others.

We can and will continue to press the need for changes in the EEC industrial forum in Brussels; it is worth saying that the pressure on Japan for greater liberalisation should be mainly from European sources as opposed to a purely British source. Although you personally are highly regarded in Japan it is desirable to avoid specifically anti-British attitudes being generated in Tokyo. In that context, it was interesting to read in The Times of 18 August, a "vigorous criticism of British management, workers and unions" by Mr. Miyoshi, the Director-General of the Keidanren. The timing of these comments is clearly designed to coincide with your visit, but they are made in the context of a desire to promote measures to strengthen industrial co-operation between Japan and Britain, which will be central to your discussions in Japan. Our own discussions with the Keidanren over the past two years drew some acknowledgement that there was room for more even-handedness in Japanese commercial practices, but as time has passed we have seen little evidence of this. We would agree with the Keidanren, however, that at least some of the hope for improvement lies in the hands of British management.

/ ...

With regard to Japanese imports into the UK market, we are still concerned over the actual and potential threats from Japan's penetration in such sectors as cars and electronics. Not only do existing voluntary restraint agreements need official support from both the British and Japanese Governments, but we need Governmental help, in the shape of specific monitoring by our Embassy staff of developments in Japan which could threaten sectors of British industry. At the same time, we appreciate that British industry itself, via trade associations and companies already operating in Japan, can and must contribute to this process.

As to beneficial inward investment by Japanese companies in the UK, it would be unfortunate if the apparent shelving of the Nissan project discouraged further Japanese investment in Britain, although we of course appreciate that HMG as such can do little directly to influence such decisions by Japanese industry. Once again, the main thrust need be from British management.

I should add that we aired all these matters at a very useful meeting with Lord Cockfield and Mr. Rees on the 16 July, and reached a large measure of agreement on the nature of the problems, even if the solutions are not instantly discernible.

Turning to China, the pre-occupations are on a smaller scale, but nevertheless, they exist. Our exports to China in the first three months of this year have dropped to £21m from a figure of something like £50m in the comparative period in 1981, whereas, over the same period, our imports from China have risen sharply. It is appreciated that the solution to much of this problem lies in the hands of British business, but in spite of a proliferation of inward missions from China, the trading situation from the UK's point of view does not seem to improve.

Two of the complications are: the growing emphasis on counter trade and purchase (i.e. barter); an increasing difficulty in locating the Chinese decision makers, due to reallocation of responsibilities; and, as yet, the undecided roles of such central bodies as the industrial ministries and provincial authorities. Another reason for a diminishing British interest in the market may be a tendency to last minute alterations on the part of the Chinese in project and contract requirements.

But there are bright spots. Within the past few months, Dunlop has signed a contract worth £6.2 m with the Guangzhon Rubber Bureau for the modernisation of a tyre factory near Canton.

You may be interested to know that the Sino-British Trade Council, supported by the CBI, will be paying one of its regular visits to China in November of this year, but should you feel able to discuss in advance of this visit any of the difficulties which British businessmen find in China, this would be very useful.

Finally, no doubt one of your most important preoccupations will be the situation in 15 years' time, when the leased territory in Hong Kong reverts to China. While we realise that this is largely a political matter, British business interests in Hong Kong are so considerable that there cannot be any of them who are not concerned to know what intentions the Chinese authorities may now have in mind.

I have tried in this letter to avoid going into excessive detail in outlining our members' main concerns in this very important part of the world. However, to the extent that you might think it desirable, should your officials wish to go into some of these matters in greater depth, those members of our staff who are involved will be very ready to assist.

*Yours sincerely,
Campbell Fraser*

The Rt. Hon. Margaret Thatcher, MP,
Prime Minister,
10 Downing Street,
London, SW 1.



Foreign and Commonwealth Office

London SW1A 2AH

2 September 1982

RIA
 Sir Robert Armstrong KCB CVO
 Cabinet Office
 Whitehall

Prime Minister

You may like to see the
underlined passages.

My dear Robert

A.J.C. 6/9.

CABINET OFFICE
A 8054
3SEP1982
FILING INSTRUCTIONS
FILE No. _____

MR

PRIME MINISTER'S VISIT TO JAPAN

1. In your absence and that of Antony Acland I was visited today by Matsunaga, the Japanese 'sherpa'. He stayed an hour and a half. A record of our talk is enclosed.
2. As you see, Matsunaga's purpose in calling on me was to set out his ideas about the Prime Minister's visit and her talks with Suzuki. I took note of his remarks, commented on some points and said that on others we might wish to be in touch with him again before the visit. He asked particularly that any such comments should be transmitted to him personally, and he gave me the enclosed itinerary showing where he will be during the next fortnight. His point seemed to be that he had a direct line to Suzuki and that it would not be helpful if we were to feed in counter suggestions through other channels - a procedure which would also betray the confidence in which he had spoken to me.
3. You may think that the best plan would be for you to send Matsunaga a message, either in the United States or in Canada, incorporating comments from those to whom I have copied this letter and its enclosure.

Yours ever
 Julian

J L Bullard

cc Sir Frank Cooper GCB CMG
 Ministry of Defence

Sir Peter Carey KCB
 Department of Industry

Michael Franklin Esq CB CMG
 Department of Trade

cc Dr Nicholson
Mr Coles

CONFIDENTIAL

RECORD OF CONVERSATION WITH MR MATSUNAGA, ECONOMIC DEPUTY MINISTER
AT THE JAPANESE FOREIGN MINISTRY, AT 1500 HOURS ON 2 SEPTEMBER.

Visit of Prime Minister to Japan

General Points

1. M said that he was calling on me as the personal representative of the Japanese Prime Minister, whom he had seen yesterday. Suzuki was very much looking forward to the Prime Minister's visit, extremely anxious to make it useful and fruitful as well as agreeable, and ready to make every possible effort to contribute to its success. The visit should have a significant place in the history of Anglo-Japanese relations. It was most desirable to reconstruct these relations. They had hitherto not been sufficiently explored or developed. I responded appropriately.

Economic Questions

2. M said that Nissan were not yet in a position to make a final decision, but their President would like to be received by the British Prime Minister. If Mrs Thatcher chose to mention this project in Tokyo, Suzuki would reply that it was a matter for the company, but that if the project could be realised the Japanese government would be delighted, given the importance which it could have in Anglo-Japanese relations. M suggested that this would be an appropriate way of giving top level blessing to the Nissan scheme without appearing to take the matter out of the hands of the companies. I took note and said that we would comment if we disagreed.

3. M then spoke about the proposed technology agreement. He had the impression that the British side was not strongly interested in this. He himself thought it would be an excellent moment to sign such an agreement. If the chance was lost this time, it would be a long time before another opportunity occurred. He was aware of two difficulties raised by the British side:-

Prime Minister

The F./C.O.
are writing again
about this.

A.S.C. 6/9.

- (a) we were reluctant to include the word 'science' in the title. The problem here was that Japan had concluded several agreements of this kind, all of them with the word 'science' in the title. To exclude it from the agreement with Britain would imply that there was something very special about it. Moreover if the agreement was simply on technology MITI would claim the sole right of competence, whereas M thought that a number of Ministries ought to be involved on the Japanese side. He understood that we did not wish basic science to be covered, but this point could be met: it would be for governments to decide on the implementation of the agreement anyway.
- (b) M understood that we wanted to mention participation by private sectors. This was covered by the provision for Joint Commissions including 'experts' who could be from the private sector. If Britain needed to have an interpretation of this point, it could be easily arranged.

CONFIDENTIAL

4. M said that if we could see our way to meeting the Japanese on these two points, the rest could be solved. He repeated that he saw great value in the agreement and in its signature now.
5. I said that this matter was under intensive study in London. It was wrong to imagine that a decision against signature had been taken. But we were practical people, and this was perhaps especially true of the Prime Minister. She would not want to put her name to a document with no substance in it. But I took note of M's points.
6. M then spoke about aircraft, both civil (eg BAe 146) and Military. It would be very difficult for the Japanese government to give concrete favourable reactions on these points, because they were for private enterprise and because the Lockheed case had made aircraft a very sensitive subject in Japan just at the moment. President Mitterrand had pressed for progress on Airbus during his own visit to Tokyo, but Suzuki had declined. He was very sensitive about the political repercussions. If Mrs Thatcher were to mention aircraft, she could not expect a favourable reaction. Any proposals could be studied, but the Japanese position would not be easy to express in a concrete way.
7. I said I found this line disappointing. As regards defence equipment, it would be perfectly normal for the Prime Minister to speak about what Britain had to offer. We were manufacturers and exporters on a substantial scale and had recently had an opportunity to test some of our equipment in war conditions. We knew the figures for Japanese imports of defence equipment and would like to see them higher. Similar considerations applied to civil aircraft and equipment. What was the difficulty?
8. M said that aircraft were the particularly sensitive aspect, for the reasons he had given. Japan was increasing her Air Force equipment, and could be expected to do likewise with defence equipment of other sorts. This could be studied, and the subject could be discussed during the Prime Minister's visit. But the Japanese Defence Agencies would be shy of giving commitments in advance of the defence budget, so their attitude would be cautious. M would report my remarks back to Suzuki, together with any specific proposals we might want to make. I said we would see if we could send him a list.
9. As to whisky, M said it would be extremely difficult, indeed practically impossible, to take a further step in tariff reduction as this stage. The experts in Tokyo maintained that the tariff represented only three per cent of the retail price. If it were reduced further, this would create a precedent for other products, eg brandy and wine.
10. M said that the problem on chocolate and biscuits was a political one: the Japanese manufacturers were strongly opposed to any reduction in tariff. M had asked Suzuki if he could not show political leadership on the matter. Suzuki had replied that if a change in the tariff on these items would give great satisfaction to the British Prime Minister, he was ready to exert his influence in that direction. But if it was only a matter of lesser importance, or of 'better than nothing', Suzuki would not wish to risk stirring up strong political opposition.

CONFIDENTIAL

11. I registered a bit of impatience. I said that we were concerned about very large questions such as the level of Japanese imports of manufactured goods by comparison with comparable countries; the existence of tariff and non-tariff barriers; the exchange rate for the yen; and the statistics of Anglo-Japanese trade. M should not imagine that the British point could be met by a few biscuits, or that a reduction in the Japanese tariff on chocolate would be something for which Britain was ready to pay a substantial price. The Prime Minister would not wish it to be said at the end of her visit that Japan had retained her freedom to continue to destroy whole sectors of British industry, as some people would say that she had already destroyed ball bearings, zip fasteners and motor cycles, while Britain had gained the right to sell a little more confectionery. The problems were large and the remedies needed to be serious also.

12. M responded with a lecture on inevitable lines. Did the Prime Minister intend to raise the subjects now under discussion between Japan and the Commission under Article 23 of GATT? He gathered that the Commission was dissatisfied with progress. Japan believed that these consultations were useful for exchanging views but would not lead to helpful conclusions. On the contrary: if heated discussions continued, the general atmosphere would become counter-productive. The key to the question of Japan's imports lay in the competitiveness of foreign manufactured goods. The question of trade balances could not be considered on a purely bilateral basis. It would not help to discuss these matters theoretically or in general terms. It would be better to tackle the problems one at a time, eg chocolate and biscuits. If the Nissan project could be realised, that would make a big contribution. World economic recovery would help, but the difficulties could not be solved all at once. Meanwhile Japan was striving to open her markets more and more. If the British side had concrete obstacles which we could draw attention to, Japan would use her best endeavours to see how these could be tackled. I said we might wish to send M a list.

Political Questions

13. M said that ^{Suzuki} would be in China almost immediately after the Prime Minister. He would be glad to talk to her about this subject. He was much interested in the problem of Hong Kong and would be very ready to help in any way Britain thought might be useful.

14. M said he was aware of British disappointment and dissatisfaction with Japan's attitude during the crisis on the Falklands. He was among the many in Japan who admired what Britain had done there. Argentina had taken the unlawful act and should carry the blame for this. But because of Japan's relationship with Argentina, and for general reasons, she took the view that this or any dispute should be settled by peaceful means. Hence the Japanese vote in the Security Council. What would be the British approach during the next phase?

15. I said I had been in Versailles on the night in question, and disappointment and dissatisfaction were not too strong words for the mood in the British delegation. We were now looking at the future,

CONFIDENTIAL

and might want to be in touch with the Japanese, eg about the handling of resolutions in the UN General Assembly.

16. I said that this episode might not have occurred if we could have found a way of intensifying political consultations. Many possibilities had been mentioned, some bilateral (eg regular meetings between the Foreign Minister of one country and the Ambassador of the other, with instructions from capitals and a pre-arranged agenda), others multi-lateral (eg institutional backing for the economic Seven, more meetings between Japan and the Ten, etc.). This was the direction in which we wanted to move, and we were ready to put substantial effort into it. I accepted a suggestion from M that these points could well come up during the talk between the Foreign and Commonwealth Secretary and the Japanese Foreign Minister on 3 September.

17. Finally, M asked about the transatlantic differences over the Siberian pipeline. Japan assumed that neither the American nor the European side wanted to widen the rift, which carried risks of damage to the West as a whole including Japan. M recalled that the oil pipeline project in Sakhalin provided for the use of American equipment, now banned. Japan had filed a protest and asked the United States to reconsider its attitude. Was there a risk of the disagreement spreading, eg to the security field?

18. I said I thought that this last possibility could be excluded, and indicated the lines on which we were currently working with a view to containing the problem without surrendering our view that the American action had been wrong in principle and misguided in practice.

J L Bullard
2 September 1982

CONFIDENTIAL



International Hospitality and Conference Service Association

ANNEX, MINISTRY OF FOREIGN AFFAIRS
2-1,2-CHOME, KASUMIGASEKI, CHIYODA-KU, TOKYO, JAPAN
TEL: 580-1621/580-3311 EXT.2297-9 CABLE: JAPAN IHCSA

S C H E D U L E

26 August 1982

For : Mr. Nobuo MATSUNAGA
(Ministry of Foreign Affairs)

Tokyo	Lv.22:30	09/01 Wed.	JL-423 (F)	B-747
	Via Anchorage			
London(LHR)	Ar.07:00	09/02 Thu.	"	
(3 Nights)(LHR)	Lv.14:30	09/05 Sun.	PA-107 (P)	B-747
Washington(IAD)	Ar.17:45	09/05 Sun.	"	
(3 Nights)(DCA)	Lv.21:00	09/08 Wed.	AL-100 (Y)	DC-09S
	Via Buffalo			
Toronto	Ar.22:58	09/08 Wed.	"	
(2 Nights)	Lv.16:05	09/10 Fri.	AC-458 (Y)	DC-09S
Ottawa	Ar.16:57	09/10 Fri.	"	
(1 Night)	Lv.12:00	09/11 Sat.	PM-034 (Y)	F27
New York (JFK)	Ar.13:50	09/11 Sat.	"	
(4 Nights)(JFK)	Lv.12:40	09/15 Wed.	JL-005 (P)	DC-10
	Via Anchorage			
Tokyo	Ar.17:15	09/16 Thu.	"	

REMARKS :

- JL - Japan Air Lines
- PA - Pan American World Airways
- AL - USAIR
- AC - Air Canada
- PM - Pilgrim Air Lines
- LHR - London, Heathrow Airport
- IAD - Washington, Dulles Airport
- DCA - Washington, National Airport
- JFK - New York, NY-Kennedy Airport
- F - First Class Service
- P - First Class & JAL Sky Recliner Class
- Y - Economy Class Service only

The above Schedule is subject to change without notice.

K.ONO

(Ex.2298)

cc Japan: Policy on PM's Trip
Original on Anglo Japanese Relations
Part 2

file

da



10 DOWNING STREET

From the Private Secretary

31 August 1982

Exports of Japanese Machine Tools

I told you that the Prime Minister was anxious to send an early reply to Sir Julian Ridsdale's letter of 24 August which I sent to you on 25 August, in which he expressed his concern about growing levels of exports of Japanese machine tools and the state of the UK industry.

The Prime Minister has since seen FCO telegram number 316 to Tokyo of 24 August, which explains that proposals will be submitted to Trade and Industry Ministers this week on this subject. She has commented that this timetable must not slip and that she must be informed of the decisions reached by Trade and Industry Ministers in good time before her trip to the Far East, preferably by the beginning of next week.

W. F. S. MCKEY

Dr. David Saunders,
Department of Industry.

B

PRESENTS FOR THE PRIME MINISTER'S VISIT TO THE FAR EAST

Japan Policy

<u>Code</u>	<u>Qty</u>	<u>Country</u>	<u>Recipient</u>	<u>Gift</u>
A	1	China	Prime Minister	Set of Shakespeare Plays
B	1	China	Vice Chairman Deng	Silver Cigarette Box
C	1	Japan	The Emperor	Marine Biology Books
E	1	Japan	Mr Suzuki The Prime Minister	1 Pair Crown Derby Candlesticks
D	1	Japan	Mr Suzuki The Prime Minister	Computer
F	1	Japan	Foreign Minister	Royal Worcester Coffee Set
G	1	Japan	President of Takashimaya	Royal Brierley Chalice
H	1	Japan	Ministers who accompany the Prime Minister	Royal Doulton Decanter
J	1	Japan		Crown Derby Bowl
K	1	Japan		Webb Corbett Decanter

Miscellaneous Gifts

1. 1 Royal Brierley Crystal Bowl
2. 2 Small Crown Derby Bowls
3. 1 Royal Doulton Crystal Decanter
4. 6 Boxes Royal Whisky Glasses
5. 3 Floris Gift Sets
6. 9 Sets of Royal Crown Derby Ashtrays
7. 12 Enamel No 10 Boxes

Books

8. 2 National Trust Books of British Castles
9. 3 Englands
10. 6 Royal Heritages
11. 6 Concise Oxford Dictionaries
12. 2 Above Londons



10 DOWNING STREET

THE PRIME MINISTER

26 August 1982

Dear Admiral Lygo.

Thank you for your letter of 9 August 1982 drawing my attention to the difficulties which British industry faces when trying to sell its products in the Japanese market. This is of course a long-standing problem both for civil and military sales to which I shall be giving attention during my visit in September. I do however appreciate that the difficulties are greater in the market for defence equipment than elsewhere, because of Japan's ambitions for self-sufficiency in arms production, and her need to establish an indigenous Research and Development base rather than increase her reliance on imported technology. The TANSAM missile system is a case in point but I hope that we shall soon see a more flexible approach from the Japanese and increased opportunities for British industry in the defence equipment field.

I share your hopes for the signature of the contracts for Project 051 in China. If successful it will be a milestone in our relations with China, and a great opportunity to establish a firm foothold in this market before our competitors. I look forward to the conclusion of a project

/on which

B

cc on China Policy File
pe
MMS
MSD

on which British Aerospace and Vosper Thornycroft have worked so hard and so long. I have asked to be kept informed of progress and advised on whether it would be possible to announce the contract during my visit if it has been signed by then.

Yours sincerely

Raymond Lygo

Admiral Sir Raymond Lygo, KCB.

cc on Chinese Policy File



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1

Telephone 01-~~2307922~~ 218 2111/3

D/S of S/PS/10

25th August 1982

Dear Tim,

PM signature
D

You wrote to Derek Piper on 12th August enclosing a letter to the Prime Minister from Sir Raymond Lygo. A draft reply is attached.

As you will see we would generally endorse the points made by Sir Raymond on the Japanese choice of an indigenous air defence missile rather than RAPIER. Although the Japanese expressed considerable interest in RAPIER and sent specialist teams to the UK to evaluate it they continued to develop their own system - TANSAM. TANSAM is much less effective and more expensive than RAPIER but, when it came to a choice of system, the Japanese chose not to include RAPIER in the competition and instead evaluated TANSAM against ROLAND, the French system. We believe that the reason was simply that they realised the superiority of RAPIER and did not wish to be embarrassed by the unfavourable comparison. ROLAND is also better than TANSAM - but not so much so, and comparison of the two just enabled the Japanese Government to choose the indigenous missile without losing too much face.

As to Sir Raymond's reference to negotiations with the Peoples Republic of China on SEA DART, the Prime Minister will be aware of the present state of play following her recent conversation with the Chinese Ambassador. Negotiations on the contract are at a delicate stage and we will, of course, ensure that the outcome is brought to the Prime Minister's attention. The Prime Minister will note that we have taken a cautious line in the draft on the suggestion that she might announce the contract for the sale of SEA DART during her visit as we believe that the Chinese may not be anxious to broadcast the deal. This, and other aspects of sales business, will be covered in the briefing which is being prepared for the Prime Minister's visit to the Far East.

I am sending copies of this letter to Chris Greenwood (FCO), John Rhodes (Trade) and Jonathan Spencer (Industry).

Yours ever

N H R Evans

(N H R EVANS)

T Flesher Esq

DRAFT REPLY FROM THE PRIME MINISTER TO ADMIRAL SIR RAYMOND LYGO, KCB

Thank you for your letter of 9 August 1982 drawing my attention to the difficulties which British industry faces when trying to sell its products in the Japanese market. This is of course a long-standing problem both for civil and military sales (which I shall be ^{giving attention} addressing during my visit in September, ^{do however} but I appreciate that the difficulties are greater in the market for defence equipment than elsewhere, because of Japan's ambitions for self-sufficiency in arms production, and her need to establish an indigenous Research and Development base rather than increase her reliance on imported technology. The TANSAM missile system is a case in point but I hope that we shall soon see a more flexible approach from the Japanese and increased opportunities for British industry in the defence equipment field.

I share your hopes for the signature of the contracts for Project 051 in China. If successful it will be a milestone in our relations with China, and a great opportunity to establish a firm foothold in this market before our competitors. I look forward to the conclusion of a project on which British Aerospace and Vespers Thorneycroft have worked so hard and so long. I have asked to be kept informed of progress and advised on whether it would be possible to announce the contract during my visit if it has been signed by then.



Japan fu vs

C. for Eastern Dept, fco.
R. Foster, DTrade

10 DOWNING STREET

From the Private Secretary

25 August 1982

Prime Minister's Visit to Japan

Christopher Long sent you a copy of his letter to me of 23 August about the Prime Minister's interest in the visit that Arthur Dunkel, Director-General of the GATT, will be making to Japan in September. This is just to confirm that the Prime Minister will only need to be told if any points of special interest come out of Dunkel's talk with the Japanese Prime Minister, and that we will not need a full account of his visit.

I am copying this letter to Christopher Long and to the recipients of his letter of 23 August.

W. F. S. RICKETT

D.E. Love, Esq.


United Kingdom Mission

37-39 rue de Vermont 1211 Geneva 20

Telex 22956 Telegrams Prodrome Geneva

Telephone 34 38 00 33 23 85

W F S Rickett Esq
 Prime Minister's Office
 No 10 Downing Street
 London SW1

Your reference

Our reference

Date 23 August 1982

Des Rickett,

PRIME MINISTER'S VISIT TO JAPAN

1. To your thankyou letter of 13 August to the Ambassador you added a note saying that the Prime Minister would be grateful if we could arrange to let you have, before the Prime Minister leaves for the Far East on 16 September, a report of the outcome of the visit to Japan in September of Arthur Dunkel, Director-General of the GATT.
2. I am afraid the timing will not allow this to happen. I enclose a copy of Barry Harding's letter of 16 August to Love in our Embassy in Tokyo which shows that Dunkel will be in Tokyo on 13 and 14 September. Dunkel has said to us that if any points of special interest come out of his talk with the Japanese Prime Minister on 14 September he will be glad to arrange to pass a message to Mrs Thatcher through our Embassy. He has not promised us a report unless there is something he judges particularly worthwhile. If you think that the Prime Minister will need a full account of Dunkel's visit (whatever its outcome) I think the best way to arrange this would be for our Embassy in Tokyo to contact Hartridge of Dunkel's staff as soon as he gets to Tokyo in order to set up an arrangement for Hartridge to give them, perhaps late on 14 or early on 15 September, an account of what has transpired. I am sending copies of this letter to Love in Tokyo and the other recipients of Harding's letter of 16 August: perhaps you would confirm to them what you require.
3. On another subject, we have noted your interest in the "W particle" and will report when we can.

*Yours ever
 Christopher Long*

C W Long

cc: D E Love Esq, Tokyo
 R Foster Esq, OT2/2, DOT
 FED, FCO



United Kingdom Mission
37-39 rue de Vermont 1211 Geneva 20
Telex 22956 Telegrams Prodrome Geneva
Telephone 34 38 00 33 23 85

D E Love Esq
First Secretary (Economic)
British Embassy
TOKYO

Your reference

Our reference

Date 16 August 1982

Dear David

PM's VISIT TO JAPAN

1. While the Prime Minister was paying a private visit to Switzerland recently, she met the Director-General of GATT, Arthur Dunkel at the Residence here. As you probably know, Dunkel enjoys close contacts with the Japanese (!) and will be visiting Japan on 13 and 14 September, immediately prior to the Prime Minister. He is due to see Suzuki on the afternoon of 14 September and has offered to pass any message arising from this meeting to the Prime Minister. I have given your name to David Hartridge, Dunkel's British Chef de Cabinet (whom you may know from your Department of Trade days) and suggested any message should be passed through you at the Embassy. I suspect there will be no action but it is as well if you are fore-warned just in case.

Yours ever
Barry Harding
Barry Harding

cc: R Foster Esq, OT2/2, DOT
Far Eastern Dept, FCO

bcc: HE
H of C



10 DOWNING STREET

THE PRIME MINISTER

24 August, 1982.

Dear Sir Alistair,

Thank you for your letter of 20 August and for sending me the article on Japanese industry in the Spring Edition of McKinsey Quarterly. I am sure this will be useful briefing for my visit in September and I am grateful to you for drawing it to my attention.

*Yours sincerely
Margaret Thatcher*

Sir Alistair Frame.

RTZ

**The Rio Tinto-Zinc
Corporation PLC**

PO Box 133
6 St James's Square, London SW1Y 4LD
Telephone 01-930 2399
Telegrams Riozinc London Telex SW1
Telex 24639

AF/EH

a 23
20th August, 1982

The Right Hon. Margaret Thatcher, M.P.,
10 Downing Street,
London, S.W.1.

Dear Prime Minister,

I understand from the Press that you will be
visiting Japan this Autumn.

I thought you might be interested in the
article on Japanese industry in the enclosed copy
of a recent McKinsey Quarterly. The analysis
carried out by McKinsey accords very much with RTZ's
view of Japan, a country we know well, supplying
them with 20% of their mineral and metal intake
from RTZ companies throughout the world.

*Yours sincerely
Alistair Frame*

Sir Alistair Frame
Chief Executive



file RB

10 DOWNING STREET

From the Private Secretary

13 August 1982

BT

I hate to add a note of business to a note of thanks. But I should just say that I know the Prime Minister would be very grateful if you could arrange to let us have a report on the outcome of M. Dunkel's visit to Japan in September, preferably before the Prime Minister leaves for the Far East on 16 September. I know she would also like to be told if and when CERN's UA1 experiments on proton-antiproton collisions find conclusive evidence of the existence of the intermediate vector boson (the W particle)!

With best wishes.

W. F. S. RICKETT

His Excellency Mr. Peter Marshall.

[Handwritten signature]



CC FCO
DU1
SO.

HL

Japan

10 DOWNING STREET

From the Private Secretary

DR. NICHOLSON

Proposed agreement on technology with Japan

Thank you for your minutes of 10 and 11 August (Ref. W0503 and W0504). The Prime Minister did not have the opportunity to see these before she left the country and I will place them before her on her return. In the meanwhile I know that the Department of Industry and Foreign and Commonwealth Office will take account of Sir Henry Chilver's views in the further work they are doing on the proposed technology agreement with Japan.

I am sending a copy of this minute to Mr. Richards (Foreign and Commonwealth Office), Mr. Spencer (Department of Industry) and Mr. Hatfield (Cabinet Office).

T. FLESHER

S

13 August 1982

12 August, 1982

I am writing on behalf of the Prime Minister to thank you for your letter of 9 August about Japan and China. This is receiving attention and a reply will be sent to you as soon as possible.

(Timothy Flesher)

Admiral Sir Raymond Lygo, KCB,

FILE

R M

23/8

Sir Raymond Lygo

Chased - coming
shortly 24/8

12 August, 1982

I enclose a copy of a letter the Prime Minister has received from Admiral Sir Raymond Lygo, Chairman and Chief Executive of British Aerospace.

I should be grateful if you could let me have a draft reply for the Prime Minister's signature by 23 August.

I am sending a copy of this letter and its enclosure to Chris Greenwood (Foreign and Commonwealth Office).

(Timothy Flesher)

D Piper, Esq.,
Ministry of Defence,

R.M.



Bf 2318
with RBN
minutes

W.0504

11 August 1982

TO: MR COLES, NO 10

cc: Mr Richards, FCO

Mr Hatfield

Mr Bailey

FROM: R B NICHOLSON

Dr Davies

Mr Donald, FCO

Mr Martin, FCO

Mr Stark, FCO

Mr Khanna, DoI

Dr Goldstone, DoI

PROPOSED AGREEMENT ON TECHNOLOGY WITH JAPAN

Further to my minute of 10 August I attach the material I have received from Sir Henry Chilver.

These comments are broadly in line with the telephone comments he made to me previously which were the basis of my previous minute.

In relation to Sir Henry's bracketed remark under item 5, I should point out that I did not go over the history of this episode in any detail with him since I felt that that might detract from the independence of his comments.

I am taking this opportunity of making a correction to my previous minute. The second word in line 7 of paragraph 5 should read "reward" rather than "award".

RBN.

Cranfield

With the compliments of the Vice-Chancellor: Sir Henry Chilver

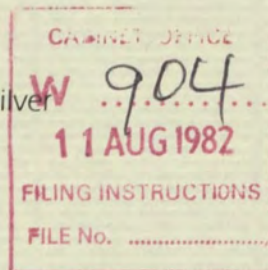
Dr R B Nicholson FRS

Attached are my comments on the proposed technology agreement with Japan. I hope this note is helpful to you in passing comments on to the Prime Minister's Office.

If I can help in any way in sharpening up the agreement to make it more acceptable to British industry and commerce, I would be very glad to do so.

Henry

9 August 1982



Cranfield Institute of Technology

Cranfield Bedford MK43 0AL England

Telephone Bedford (0234) 752701

Telex 825072 CITECH G

Cranfield

from the Vice Chancellor

SIR HENRY CHILVER FEng FRS

CONFIDENTIAL

Comments on:

Proposed Technology Agreement with Japan

1. The 'exchange' of technological ideas can only succeed if both sides can follow-up with development work in new areas, which in turn can lead to industrial products.
2. Japan is probably well-organised to develop technological ideas from other countries. (An example of Japanese ability in this is their exploitation of biotechnology ideas from the UK over the past 10 years or so.)
3. Britain, on the other hand, would meet considerable difficulties in translating Japanese ideas into industrial manufacturing, because there are considerable difficulties in reaching agreements on the 'property' aspects of technological ideas.
4. There would be much more merit in experimenting in a few, carefully-selected, joint research programmes, which share the costs between the two countries and give 'rights' for industrial development by Britain, as well as by Japan.
5. The present proposal is very 'woolly' and vague, and I see no merit in pursuing it as described in the proposal. (Indeed, it would be interesting to know who is promoting such a vague idea!)
6. The criteria for any technology agreement which would benefit Britain in both the short and the long terms are:
 - 6.1. Access to vitally important new technology in Japan.
 - 6.2. Britain to have a full share in industrial development of vital new technology.
 - 6.3. These new technologies to enable Britain to develop 'toe-holds' in Japanese and Far Eastern markets.
7. None of these criteria is really met by the proposals in the paper.
8. We could be positively disadvantaged if we proceeded without these criteria being met.
9. An 'agreement' would have real potential if it can be presented in a form that convinces UK industry of the points in Section 6 above.

Henry Chilver

CONFIDENTIAL

*Original
China file*

Ref. A09289

MR. COLES

Prime Minister's Briefing Meeting for Visit to the Far East:
16th-29th September 1982

I should be grateful for your agreement to the following Ministers being invited to attend the Prime Minister's briefing meeting at 3.00 pm on Tuesday 14th September:

- Chancellor of the Exchequer
- Foreign and Commonwealth Secretary
- Secretary of State for Industry
- Secretary of State for Trade

2. The following officials should also attend:

- | | |
|--|------------------------|
| Sir Kenneth Couzens | Treasury |
| Sir Antony Acland) | |
| Mr. G.S.R. Giffard) | FCO |
| Mr. A.E. Donald) | |
| (who will be accompanying the
Prime Minister) | |
| Mr. M.D.M. Franklin | Department of Trade |
| Mr. J. Gill | Department of Industry |
| Mr. K.P. Jeffs | MOD |
| Sir Robert Armstrong) | |
| Mr. A.D.S. Goodall } | Cabinet Office |

3. Lord Belstead, the Minister of State, Foreign and Commonwealth Office, responsible inter alia for Asian affairs, would make a useful contribution to the meeting.

4. The Prime Minister had discussions about the visit with both Sir Hugh Cortazzi and Sir Percy Cradock during their recent visits to London. We would not see therefore the need to recall them for this meeting.

LINDSAY McGRAFFIN

11th August, 1982

CONFIDENTIAL



W.0503

10 August 1982

MR JOHN COLES

PROPOSED AGREEMENT ON TECHNOLOGY WITH JAPAN

As requested in your minute of 4 August I have sought Sir Henry Chilver's views on the draft Agreement on Technology with Japan. Chilver's view is that the Agreement as presently formulated is vague and bland and he agrees with the Prime Minister that it has little substance.

2. He believes that an exchange of views and ideas on technology can be beneficial provided that both sides are prepared to follow these up by devoting resources to industrial projects and that an equitable arrangement is reached for the ownership of the joint property.


3. Chilver feels that the Agreement should be modified so that appropriate rights for the UK are built in even though he recognises that this is intended as an umbrella Agreement.

4. Specifically, Chilver feels that the following points should be built in to the Agreement:-

(a) Each side should have access to new technology in the other country.

(b) Each side should have an equitable share of the industrial development which follows successful R & D.

(c) Each side should be allowed to develop a position in the other's markets for its products incorporating new technology.



He realises that in practice these conditions are needed for the UK to get a fair deal out of Japan since our own more open attitude allows the Japanese to gain these advantages automatically within the UK. Chilver feels that the present umbrella Agreement should be written in such a way that any specific agreement signed under the umbrella must meet the criteria given above.

5. Chilver thinks that unless the Agreement is strengthened substantially in this way there will be no interest in it from industry in this country. He instances the example of the previous MITI/Department of Industry Agreement which aroused very little interest in companies in this country because it was felt it offered no safeguards against the normal inequitable distribution of awards which is found in cooperation between Japan and the UK. Chilver says that the Agreement between ICL and Fujitsu was a good Agreement for the UK bearing in mind that ICL were negotiating from a position of weakness. The umbrella Agreement should be drafted to help other companies draw up agreement of this type and, when in positions of strength, to draw up even more favourable agreements.

6. Although these are Sir Henry Chilver's personal views, he has discussed this and related topics several times with a number of ACARD members and he believes that his views would be shared by ACARD as a whole.

7. Chilver has promised me a written version of his comments but I shall probably not be able to let you have that until Wednesday of this week.

RBN
ROBIN B NICHOLSON
Chief Scientist

Cabinet Office
10 August

cc: Mr Sparrow
Mr Richards, FCO
Mr Hatfield
Mr Bailey
Miss Rycroft
(Dr Davies)

Mr Donald)
Mr Martin) FCO
Mr Stark)
Mr Khanna)
Dr Goldstone) DoI

British Aerospace

PUBLIC LIMITED COMPANY

ADMIRAL SIR RAYMOND LYGO, KCB
Chairman and Chief Executive

rl/cd

9th August 1982

The Rt Hon Margaret Thatcher, MP
Prime Minister
No. 10 Downing Street
London SW1

Dear Prime Minister,

Japan

I am prompted by Mr. Michael Marshall's report of his visit to the Far East to remind you of the situation which exists in relation to the procurement by the Japanese Defence Forces of U.K. equipment. For some years British Aerospace tried to promote the highly successful Rapier system in Japan. The Japanese went through the process of an apparent selection between contending systems which included an indigenous development of a system called TANSAM. They had never developed such a weapon system before and it was bound to be more expensive than the purchase of a system such as Rapier from the United Kingdom. Rapier, the most likely winner of the competition, was ruled out right at the beginning so that the competition could be run between the Franco-German Roland, already too expensive even for the Americans to afford, and their own system. It will come as no surprise to you to know that their own system won.

I was not a little miffed by this. I expressed my concern to the Japanese Ambassador in London in the following terms. We allow your products to flood into our markets quite freely because we believe that if you can produce things which are better, more reliable and are

cont.

cc China: Policy File

Dynamics Group

Group Headquarters
P.O. Box 19, Six Hills Way
Stevenage
Hertfordshire SG1 2DA

Telephone: Stevenage (0438) 2422
Telegrams: Britair Stevenage
Telex: 825125/6

[Handwritten initials]

preferred by the public to indigenous products, in the interest of free trade we allow you free access to our markets. I would expect the same to apply when you have no comparable product in your country and we can supply it at what must be extremely competitive rates. Of course, all this was politely refuted.

I am quite certain the point I am making will not be lost on you. I write merely to suggest you keep it in mind in any conversations you may have in Japan which relate to the balance of trade and, in particular, to the great difficulty we face in penetrating the Japanese market for defence equipment.

We are also in discussion with the Nippon Electronics Company to collaborate on the manufacture of ground terminal equipment for satellite communications. This could help to put British Aerospace in the forefront of this new technology. In addition, we have been approached by NTT, the Japanese Posts and Telecommunications Authority, in connection with possible collaboration on our satellites. International collaboration in international telecommunications is important if one is to be successful in bidding. The Japanese are large contributors to international networks and therefore collaboration with them has its attraction. However, it will probably bring us into conflict with some national and European suppliers.

China

We have been engaged in negotiations with the Chinese over the supply of air-to-air weapons and a naval Medium Surface to Air Missile System (Sea Dart) for some four years. The former opportunity proved fruitless. The latter, Sea Dart, is now showing distinct signs of possible success, particularly since its success in the Falklands. After much patient negotiation, we have got to a point where the difference between the two sides is just over £3M in a £75M contract. It really does begin to look as if this might be the breakthrough we have been looking for. If successful, we will be the first defence contractors to have won a substantial contract in China and I am sure it will provide an opportunity for us to expand this foothold in the years to come. I would hope that it might be possible to have all the arrangements completed by your visit so that the contract could be announced as part of the visit. Whatever the situation, your help would be invaluable.

Have a good trip.

*Yours sincerely,
R. Lygo*



FROM: WILLIAM REES-DAVIES, QC MP

The Private Secretary to
Mrs. Margaret Thatcher, MP,
10, Downing Street,
London, SW1.

JB
9/8

6th August, 1982.

Dear Private Secretary,

Mr. Rees-Davies is away in his constituency today and he asked me to write to you and ask you to thank Mrs. Thatcher for her letter regarding her visit to Japan. He understands that she has a very crowded stay organised for her.

Yours sincerely,

Anne Gray

Secretary



Japan DA
cc 729
MOL

10 DOWNING STREET

THE PRIME MINISTER

4 August 1982

Dear Patrick,

Thank you for the interesting account in your letter of 30 July of the recent visit by the Select Committee on Defence to Washington, Tokyo and Hong Kong, and by some members of the Committee to Peking. I am most grateful. I am asking Francis Pym and John Nott to look at the points you make so that they are fully taken account of in the preparations for my visit to the Far East in September.

Yours

Rogers

Major Sir Patrick Wall, M.C., V.R.D., R.M.(Retd.), M.P.

CONFIDENTIAL

5/15



BJF

10 DOWNING STREET

From the Private Secretary

4 August 1982

JAPAN: PROPOSED TECHNOLOGY
AGREEMENT

The Prime Minister has seen your letter of 2 August. She has read the text of the proposed agreement and has commented that she finds it practically devoid of substance. Mrs. Thatcher questions whether such a document is worth signing. She would like to have Sir Henry Chilver's views on its value and I should be grateful if the Cabinet Office would arrange for him to be consulted. The Prime Minister assumes that the Department of Industry have been involved in the preparation of the draft agreement.

I am copying this letter to Jonathan Spencer (Department of Industry), John Rhodes (Department of Trade) and Richard Hatfield (Cabinet Office).

A. J. COLES

F. N. Richards, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL

CONFIDENTIAL

1) Mr. Flaxler
2) p.a. A.J.C. 4/8

Cabinet Office,
70, Whitehall,
London, SW1

PS(82) 20

3rd August 1982

Dear Private Secretary,

Prime Minister's Visit to the Far East
16th-29th September 1982

This letter sets out the briefing arrangements for the Prime Minister's visit to the Far East which is to take place from 16th-29th September.

The objectives for the visit have not yet been approved by the Prime Minister but her office have agreed that briefing arrangements should be put in hand on the basis of the list of objectives at Annex A. The list of briefs to be prepared, with an indication of Departmental responsibility, is at Annex B. Instructions on format are at Annexes C and D. Those preparing briefs should note carefully the details on the format of briefs set out in Annex C, particularly (b) on the structure of briefs. The list of briefs contains some briefs which are for background purposes only and which are not therefore expected to include any Points to Make.

Seventy copies of each brief should be sent to the Cabinet Office as soon as they are ready, and should in any event arrive no later than 12.00 noon on Wednesday, 8th September. They should be addressed to Mr. R.D. Roscoe in Committee Section in the Cabinet Office, who should be consulted (tel. no. 233 7343) about any technical points arising.

I am sending copies of this letter to the Private Secretaries to Sir Antony Acland, Sir Douglas Wass, Sir Frank Cooper, Sir Peter Preston, Sir James Hamilton, Sir Kenneth Couzens, Sir Peter Carey, Mr. Michael Franklin and Mr. John Sparrow, and to John Coles (No. 10).

Yours sincerely,

(Signed) R.P. HATFIELD

CONFIDENTIAL

PRIME MINISTER'S VISIT TO THE FAR EAST
16-29 SEPTEMBER 1982

OBJECTIVES

A. JAPAN

BROAD OBJECTIVES (UNITED KINGDOM)

1. To encourage Japan to accept greater responsibility for the international consequences of her economic success, and to adapt her economic and trading policies accordingly.
2. To promote industrial collaboration between the United Kingdom and Japan.
3. To convey the continued importance we attach to collaboration with Japan on political as well as economic issues.
4. To promote specific bilateral economic and commercial objectives.

SPECIFIC OBJECTIVES (UNITED KINGDOM)

ECONOMIC - INTERNATIONAL

5. To bring the Japanese to recognise the need for adjustment of their economic policies so as to prevent continuing large trade surpluses; to avoid export-led growth; to increase import propensity to levels comparable with other OECD countries; to support voluntary restraint arrangements as a means of avoiding direct Government action; and to encourage measures to strengthen the yen.

ECONOMIC - BILATERAL

6. To promote inward investment and scientific and industrial co-operation.

POLITICAL

7. To seek Japanese support for United Kingdom/Western objectives especially in East/West matters and the Middle East; and to exchange views on other international issues, especially Asian questions.

COMMERCIAL

8. To promote aircraft sales (BAe 146); defence sales (especially Sea Harrier); and sales of high technology equipment. To emphasise the need for changes in the structure of Japanese industry and distribution to reduce the propensity for self-sufficiency and to secure easier access for foreign goods. To press for meaningful reductions in tariffs in areas of importance to the United Kingdom.

LIKELY JAPANESE OBJECTIVES

1. To repair the damage to Anglo-Japanese relations caused by Japanese unhelpfulness over the Falklands.
2. Following recent visits to Japan by other European leaders (Pertini, Mitterrand) and contacts eg at Versailles, to strengthen overall political and economic co-operation with Britain.
3. To avoid excessive concentration on bilateral (United Kingdom-Japan and EC-Japan) trade problems; and to convey the importance of recent measures to open the Japanese market.

B. CHINA

MAIN OBJECTIVES (UNITED KINGDOM)

1. To demonstrate Britain's willingness to develop through exchanges at the top level an enduring and balanced relationship with China. To show our confidence in China's stability and our interest in long-term co-operation, especially in Chinese economic development.
2. To continue a dialogue with the Chinese leadership on international issues. To explain our view particularly of the Soviet threat and of North-South questions. To persuade China of Western unity, realism and determination. To encourage China to play a constructive role in international organisations and debates.
3. Against this background, to obtain further Chinese understanding and co-operation over Hong Kong: this is the dominant objective for the visit. To reaffirm our wish to see a major Hong Kong contribution to China's economic development. To seek agreement on the opening of discussions on the future of the Territory after 1997. To contain public expectations of progress on the issue so that confidence in Hong Kong is not undermined.
4. To take such limited opportunities as may arise to further our commercial interests. To register with the Chinese what we have to offer in terms of technology and experience. To discuss possibilities for future commercial co-operation, including the Guangdong nuclear project.

LIKELY CHINESE OBJECTIVES

1. To discourage any weakening of British resolve to resist Soviet expansionism. To persuade Her Majesty's Government to work for greater European and NATO cohesion and to adopt more radical North/South policies aimed at reducing Soviet penetration of the Third World.
2. To persuade Her Majesty's Government of Chinese political stability and of the prospect of continuity for China's current 'open door' economic policy.

3. To achieve progress towards the re-establishment of Chinese sovereignty over Hong Kong without jeopardising the Territory's prosperity.
4. To secure aid or concessionary finance in support of British involvement in China's economic modernisation.
5. To obtain Her Majesty's Government's support for the further development of economic co-operation between China and Hong Kong.
6. To obtain Her Majesty's Government's support for the maintenance of Democratic Kampuchea's credentials at the United Nations and to secure political support for the recently formed coalition of anti-Vietnamese forces in Cambodia.

C. HONG KONG

MAIN OBJECTIVES (UNITED KINGDOM)

1. To reassure the people of Hong Kong that Her Majesty's Government's commitment is as strong as ever.
2. To confirm that the common objective of the United Kingdom and China is to maintain Hong Kong's prosperity and stability.
3. Depending on the results of the Chinese visit. To confirm that in discussions with the Chinese on Hong Kong's future our aim will be to promote a prosperous and secure future for the people of Hong Kong.

LIKELY HONG KONG OBJECTIVES

1. To bring to the Prime Minister's attention certain United Kingdom/Hong Kong issues, notably Hong Kong's unhappiness over the Multi-Fibre Arrangement, the Nationality Act, and students' fees.
2. To obtain firm assurances that Britain is in no way distancing itself from Hong Kong.
3. To encourage Her Majesty's Government to face up to the problem of the future of Hong Kong in the near future and to ensure that in any discussions with the Chinese the wishes of the Hong Kong people are taken into account.

LIST OF BRIEFS FOR THE PRIME MINISTER'S VISIT TO
THE FAR EAST - 16-29 SEPTEMBER 1982

<u>PMVW(82)</u>	<u>Subject</u>	<u>Lead Department</u>	<u>In consultation with</u>
A. JAPAN			
1.	Steering Brief (together with programmes and personality notes)	FCO(FED)	
<u>Bilateral Matters</u>			
2.	Industrial issues (including inward investment and industrial and scientific co-operation)	DOI	FCO(FED/EESD/TRED)
3.	Commercial issues (including BAe 146)	DOT	FCO(FED/TRED)
4.	Defence Relations and Sales	MOD	FCO/FED/Defence)
<u>International Matters</u>			
5.	EC/Japan (trade/political co-operation)	FCO (ECD(E))	DOT, DOI, TSY
6.	Japanese Economy-International Implications	Treasury	FCO(ECD(E)/FED) DOT, DOI
7.	East and South East Asia	FCO(FED/ SEAD)	
8.	East-West political relations (including Afghanistan)	FCO(EESD)	
9.	East-West economic relations	FCO(TRED)	DOT, Treasury
10.	Defence (and forces)	MOD	FCO(FED/Defence)
11.	North-South dialogue	FCO(ERD)	Treasury
12.	Middle East	FCO(NENAD/ MED)	

<u>PMVW(82)</u>	<u>Subject</u>	<u>Lead Department</u>	<u>In consultation with</u>
<u>Background Briefs</u>			
13.	Japan Foreign Policy	FCO(FED)	
14.	Anglo-Japanese political Relations	FCO(FED)	
15.	Politics in Japan	FCO(FED)	
16.	Northern Islands	FCO(FED)	
B. CHINA			
1.	Steering Brief (together with programmes and personality notes)	FCO(FED)	
<u>Bilateral Matters</u>			
2.	Future of Hong Kong	FCO(HKGD)	
3.	Guangdong Nuclear Project	DOI	FCO(FED/NED) Treasury, DOT
4.	Other commercial issues (eg involvement in modernisation of Chinese coal industry and ports, telecommunications and agricultural co-operation)	DOT	FCO(FED)
5.	Defence Relations and Sales	MOD	FCO(FED/TRED)
6.	Aid	ODA	FCO(FED/CRD) Treasury, DOT
7.	Scientific and Technological Co-operation and Educational exchanges	FCO(CRD)	DES, ODA
8.	Air Services	FCO(MAED)	DOT
9.	Consular agreement (including opening of consulate at Shanghai)	FCO(FED)	
10.	Claims	FCO(Claims Dept)	Treasury
11.	Travel Restrictions	FCO(FED)	

<u>PMVW(82)</u>	<u>Subject</u>	<u>Lead Department</u>	<u>In Consultation with</u>
<u>International Matters</u>			
12.	East and South East Asia	FCO(FED/SEAD)	
13.	China and South Asia	FCO(SAD)	
14.	East-West Relations (including Poland and Afghanistan)	FCO(EESD)	
15.	Defence (and forces)	MOD	Treasury FCO(FED/Defence)
16.	Middle East	FCO(NENAD/MED)	
17.	Arms Control	FCO(ACDD)	
18.	COCOM	FCO(TRED)	MOD
<u>Background Briefs</u>			
19.	Chinese Foreign Policy (including Sino/US and Sino/Soviet relations)	FCO(FED)	
20.	Anglo-Chinese Political Relations	FCO(FED)	
21.	Chinese Internal Policies	FCO(FED)	
22.	Chinese Economy (including modernisation)	MOD(D173)	FCO(FED), DOT
23.	Taiwan	FCO(FED)	DOT
C. HONG KONG			
1.	Steering Brief (together with programmes and personality notes)	FCO(HKGD)	
<u>Bilateral Matters</u>			
2.	UK/Hong Kong issues (eg Nationality Act, Students Fees, MFA, refugees)	FCO(HKGD)	Treasury
3.	Defence and Security	FCO(HKGD)	MOD
4.	Castle Peak Power Station	DOI	FCO(HKGD), Treasury, DOT

<u>PMVW(82)</u>	<u>Subject</u>	<u>Lead Department</u>	<u>In consultation with</u>
5.	Other Major Commercial Opportunities	DOT	FCO(HKGD) Treasury
6.	Meeting with Unofficial Members of the Executive and Legislative Councils (UMELCO)	FCO(HKGD)	
7.	Multifibre Agreement in Hong Kong	DOT	FCO(ECD(E))

Background Briefs

8.	Hong Kong's Political, Economic and Social Situation	FCO(HKGD)	
9.	Hong Kong's Economic Relations with UK, EC, US and Japan	FCO(HKGD)	

INSTRUCTIONS ABOUT FORMAT

All briefs should be laid out in the same way with a top page in accordance with the specimen layout at Annex D. Those preparing briefs should pay particular attention to ensuring that the following instructions are fully observed:

Content

- (a) Briefs should be concise. Each brief should if possible be no more than four sides long.
- (b) The main body of each brief should comprise two sections, a concise list of Points to Make, followed by a factual Background section which distinguishes clearly between information which can be freely used and information which should not be disclosed.
- (c) Briefs should be complete and self-contained with all the information required on that particular subject. Briefs should not be divided into separate self-contained sub-sections.

Layout

- (d) Briefs should be typed in double spacing, using both sides of the paper. Pages should be numbered at the foot of each page.
- (e) As shown in the specimen at Annex D, the top page only of each brief should contain the following details: the symbol and number of the brief in the top left-hand corner (e. g. PMVW(82) 10) with the date of production below; a copy number in red at the top right-hand corner; the visit heading; the title of the brief (in capitals) and the name of the Department responsible.
- (f) At the foot of the last page and on the left-hand side, briefs should bear the name of the originating Government Department and the date of origin.

Reproduction

- (g) Briefs should be reproduced throughout on white paper, with each page bearing a security classification at top and bottom (as in Annex D). Care should be taken that the reproduction method employed results in clear readable copies.

- (h) It is important that on arrival at the Cabinet Office, briefs should be complete in all detail - collated, stapled and copy numbered and ready for immediate circulation.

Updating

- (i) If late developments require a brief to be amended or updated, an addendum should be prepared. It should be set out in the form described at (e) above, with the brief number (e.g. PMVW(82) 10 Addendum) and title to which it relates at the top of the front page. The Private Secretary to the Secretary of the Cabinet should be informed when an addendum is in preparation. Revised briefs and corrigenda should be similarly treated.
- (j) Additions to the list of briefs in Annex require the authorisation of the Private Secretary to the Secretary of the Cabinet.

CLASSIFICATION

ANNEX D

THIS DOCUMENT IS THE PROPERTY OF HER BRITANNIC MAJESTY'S GOVERNMENT

PMVW(82) Serial Number as specified in Annex B COPY NO. in red

Date

PRIME MINISTER'S VISIT TO THE FAR EAST
16-29 SEPTEMBER 1982

Leave 1½"
margin

SUBJECT Insert subject in capitals

Brief by name of originating Department, eg Foreign and Commonwealth Office

At the foot of the last page:-
left-hand side

Originating Government Department, eg Foreign and Commonwealth Office or Department of Industry, not a subordinate section or division

Date of origin

CLASSIFICATION

MR 3/8

f-a.

3rd August 1982

Thank you so much for your letter of 29th July, about my forthcoming visit to Japan.

If I am able to fit in a visit to National Panasonic during my very crowded stay in Japan, I will certainly do so.

I hope that you will have a good Recess.

William Rees-Davies Esq QC MP

✓ bcc John Coles Esq ✓



There is no uncertainty that
 technology in this agreement. I have
 need it, though - and really
 Foreign and Commonwealth Office
 there is nothing to
 London SW1A 2AH

Prime Minister

Content to wait for Mr.

Pym's final recommendations?

Sign it seems
 almost meaningless. Not

2 August 1982

A.S.C. - 3/8

Please consult
 Sir Henry Admiral

Dear John,

Japan: Proposed Technology Agreement

and I assume DoI
 has been engaged
 in these proposals?
 Not

As you know, the programme provisionally agreed for the Prime Minister's visit to Japan includes possible signature of a bilateral agreement on technology. It may be helpful if I set out something of the background to this proposed agreement.

The idea originated with the Japanese, who suggested that a UK-Japan science and technology agreement, on the lines of almost identical ones concluded with Japan by France and the FRG in 1974, could have benefits in facilitating cooperation in spheres of mutual interest. The Embassy in Tokyo advised that, in the special circumstances of Japan, an agreement would assist exchange of information between British scientists and technicians and their Japanese counterparts. It would facilitate our access to Japanese Government research institutions, and could create a better climate too for access to private research institutions and projects. Given Japan's determination to move progressively into industries incorporating new technology including the so-called 'Sunrise Industries' - information technology, space research, biotechnology etc - such exchanges would be to our long-term advantage.

Naturally there could be dangers in increased exchanges in this field. In considering a possible draft agreement, officials have therefore sought language which minimises the risks of one-sided exploitation by Japan. I enclose a copy of Dr Nicholson's minute of 23 July to Sir R Armstrong, which recorded that officials had agreed on a draft which the Embassy would now put to the Japanese. Its essential features were:

- i) In the spirit of the Versailles summit, concentration on technology (rather than 'science and technology');
- ii) equal emphasis on cooperation in research for new technology and application of existing technology;
- iii) government departments and their agencies to be the vehicles of the agreement (this in effect gives us a veto over the projects to be undertaken).

Flay A. I enclose a copy of this draft text.

/The

CONFIDENTIAL



The Foreign and Commonwealth Secretary believes that there would be benefits to the UK if an agreement on these lines could be concluded with the Japanese, particularly if it could be signed by the Prime Minister during her visit. Such an agreement would constitute an endorsement at the highest political level of the aim of closer technological cooperation between the UK and Japan. It would be an appropriate and permanent achievement of the Prime Minister's visit.

Senior Japanese officials have indicated to us that they would be interested in principle in concluding an agreement in this field; but at this stage there can be no certainty that the Japanese will agree to our proposed draft in the short time available before the Prime Minister's visit. In particular they may find difficulty with the concentration on technology rather than 'science and technology' as in the case of their agreements with France and the FRG. The Embassy have been instructed (FCO telno 269) to avoid any suggestion that we would be willing to make substantial changes in the text - or indeed make concessions in other fields - simply in order to meet the deadline of the visit. Clearly it is more important to get the substance of the agreement right, and to safeguard essential UK interests. The Foreign and Commonwealth Secretary will therefore delay making any final recommendation on the matter until the Embassy have reported Japanese reactions to the draft text.

I am copying this letter to Jonathan Spencer, John Rhodes and Richard Hatfield.

Yours ever,
Francis Holmes

(J E Holmes)
Private Secretary

A J Coles Esq
10 Downing Street

CONFIDENTIAL

Mr Thomson
Mr Elliott o/r
Mr Stark 26/7

W.0457

23 July 1982

TO: SIR ROBERT ARMSTRONG

cc: Mr Donald)

Mr Martin) FCO

FROM: DR NICHOLSON

✓ Mr Stark)

Mr Khanna) DoI
Dr Goldstone)

Mr Sparrow

Mr Bailey

Miss Rycroft (Dr Davies)

Mr Coles (No 10)

TECHNOLOGY AGREEMENT WITH JAPAN

1. Following your discussion with Sir Hugh Cortazzi on 25 June, officials have had a number of discussions on the preparation of a document which maximises benefit to the UK and minimises the possibility of damage; we have consulted our Embassy in Tokyo throughout these discussions.
2. This morning we agreed on a draft which the FCO is now asking the Embassy to put to the Japanese. We believe that the draft takes care of all the significant points which have been raised both in Whitehall and in the Embassy.
3. The principal features of the proposed agreement are that it concentrates on technology (it is called 'An agreement on cooperation in the field of technology'), it makes Government Departments and agencies the vehicles of the agreement, and it places equal weight on cooperation in research for new technology and in the application of existing technology.
4. Science is included only insofar as the agreement mentions scientists working in technology. The proposed agreement will not cover science in universities and will therefore not affect existing scientific cooperation through The British Council, The Royal Society etc.
5. It is proposed to 'sell' the agreement to the Japanese on the basis that focussing cooperation in technology attends to the needs of the

moment and is in the spirit of Versailles. The agreement treats the UK and Japan as equals in stature in technology, which is probably advantageous to both sides.

6. Sir Hugh Cortazzi will be briefed on the above before he sees the Prime Minister this afternoon. I understand that he will be putting the idea of an agreement to her on the basis that this is one potentially positive aspect of a visit which necessarily has a number of strong negative aspects.

MSW

RESTRICTED

RESTRICTED

FM TOKYO 210730Z JUL 82

TO IMMEDIATE F C O

TELEGRAM NO 302 OF 21 JULY

FEJ 138/2

22 JUL 1982

YOUR TEL NO 2648 PROPOSED SCIENCE AND TECHNOLOGY AGREEMENT

1. WE AGREE WITH MOST OF THE FURTHER AMENDMENTS DETAILED IN YOUR TUR WHICH USEFULLY REINFORCE THE MAIN THRUST OF OUR OBJECTIVES. WE HAVE FOUR ADDITIONAL POINTS TO MAKE:

(A) REVISION OF THE TITLE OF THE AGREEMENT FROM "SCIENCE AND TECHNOLOGY" TO "INDUSTRIAL (SCIENCE AND) TECHNOLOGY" IS LIKELY TO BE SEEN BY THE JAPANESE SIDE AS PRESENTING THEM WITH A COMPLETELY NEW ANIMAL. SUCH A PROPOSAL WOULD BE OUTSIDE THE AREA OF CONSENSUS WHICH THEY HAVE ESTABLISHED AMONGST THEMSELVES THROUGH THE NEGOTIATIONS OF THEIR PREVIOUS SCIENCE AND TECHNOLOGY AGREEMENTS. AS A RESULT IT MAY LEAD TO A COMPLETE IMPASSE IN THE NEGOTIATIONS OR AT LEAST MAKE THEM MUCH MORE PROTRACTED THAN THE TIME AVAILABLE WILL PERMIT BEFORE THE PRIME MINISTER'S VISIT. OUR COMMENTS IN PREVIOUS TELEGRAMS ABOUT THE NEGOTIABILITY OF THE AGREEMENT WERE BASES ON THE ASSUMPTION THAT WE WOULD BE ABLE TO PRESENT IT TO THE JAPANESE AS IN PRINCIPLE BREAKING DISTINCTIVELY NO NEW GROUND (ALTHOUGH IN PRACTICE WE WOULD BE STEERING THEM FIRMLY TOWARDS A NEW AREA). THE FORMULA WHICH IS MOST LIKELY TO SUCCEED IS TO RETAIN THE TITLE AS "SCIENCE AND TECHNOLOGY AGREEMENT" (AND DROPPING THE CONSEQUENTIAL DRAFTING AMENDMENTS LISTED AS 2(A), 2(B) AND 2(E) IN YOUR TUR) WHILE MAKING IT VERY CLEAR ELSEWHERE IN THE BODY OF THE TEXT, AS WELL DURING NEGOTIATIONS AND FOLLOW-UP, THAT THE AGREEMENT IS TO BE CONSIDERED AS ONE FOR THE PROMOTION OF EXCHANGES IN SCIENCE AND TECHNOLOGY OF INDUSTRIAL INTEREST TO US. THE OTHER AMENDMENTS PROPOSED IN YOUR TUR CONTRIBUTE TOWARDS THIS OBJECTIVE. WE ARE MOST LIKELY TO GET THESE THROUGH THE JAPANESE IF WE DO NOT INSIST ON FORCING THE NOVELTY OF THE NEW ARRANGEMENTS DOWN THEIR THROATS BY INSISTING ON A RADICALLY DIFFERENT TITLE.

(B) WE SEE NO STRONG OBJECTION TO INCLUDING SPECIFIC REFERENCE TO THE PRINCIPAL AGENCIES ALONG THE LINES OF YOUR PROPOSAL IN PARA 3(B) IN YOUR TUR. HOWEVER, WE THINK IT IS BEST TO KEEP THE TEXT AS SIMPLE AS POSSIBLE IN ORDER TO MINIMISE THE DIFFICULTIES OF CLEARANCE. OUR PREFERENCE WOULD BE AGAINST GIVING A SPECIFIC LIST OF THIS SORT SINCE

RESTRICTED

/STRICTLY

STRICTLY SPEAKING IT IS UNNECESSARY AND MAY BE
CONSTRUED AS TYING OUR HANDS IN THE FUTURE. IF THE
TEXT IS AMENDED ALONG THESE LINES, WE THINK IT IS
IMPORTANT THAT THE PHRASE "AND ACCEPTED BY THE
JAPANESE GOVERNMENT" SHOULD NOT (REPEAT NOT) BE
INCLUDED. THIS WOULD COMPLICATE THE NEGOTIATION WITHOUT
GIVING US IN PRACTICE ANY MORE LEVERAGE. THE JAPANESE
SCIENCE AND TECHNOLOGY AGENCY WILL COORDINATE ON THEIR SIDE.

(C) WE AGREE WITH THE PURPOSE OF AMENDMENT 2(F) IN YOUR
TUR BUT THINK THAT THE AMBIGUITY OF THE WORD
"INDUSTRIAL" MAY CAUSE DIFFICULTY FOR THE JAPANESE
SINCE IT MAY BE READ TO MEAN NOT ONLY WORK OF
INDUSTRIAL INTEREST OR APPLICATION BUT ALSO BUSINESS,
PARTICULARLY PRIVATE BUSINESS, PROJECTS. IF PRESSED,
THE JAPANESE WOULD BE BOUND TO SAY THAT THEY CANNOT
UNDERTAKE TO DIRECT THEIR PRIVATE COMPANIES ANY
MORE THAN WE CAN. THEY MAY ALSO BE WARY (PARTICULARLY
PERHAPS AFTER THEIR EXPERIENCE IN NEGOTIATION WITH
THE AMERICANS) OF THE INDUSTRIAL PROPERTY COMPLICATIONS
OF GETTING INVOLVED IN DEVELOPMENT VERY CLOSE TO
THE COMMERCIAL STAGE. WE COULD SAFEGUARD OUR ESSENTIAL
OBJECTIVE WITHOUT SUCH A HIGH PROBABILITY OF AROUSING
SUCH OBJECTIONS BY AMENDING "INDUSTRIAL RESEARCH
PROJECTS AND PROGRAMMES" TO "RESEARCH PROJECTS AND
PROGRAMMES" ALONE SINCE YOUR REFERENCE TO "TECHNOLOGY"
EARLIER IN THE SENTENCE SHOULD PROVIDE SUFFICIENT
QUALIFICATION. IF THE JAPANESE RAISE THE MATTER,
WE SUGGEST THAT "TECHNOLOGICAL RESEARCH" MIGHT BE
READILY AMENDED TO "INDUSTRIAL SCIENTIFIC AND
TECHNOLOGICAL RESEARCH" AMONG THE LINES OF THE REST OF
YOUR DRAFT.

(D) AMENDING THE PROPOSED NEW THIRD PREAMBULAR SUB-
PARAGRAPH TO READ "RECOGNISING THE CONTINUING VALUE
OF THE EXISTING UNDERSTANDINGS BETWEEN OFFICIAL
BODIES IN THE TWO COUNTRIES ON COOPERATION IN
VARIOUS FIELDS AND DESIRING TO PROMOTE ADDITIONAL
COOPERATION IN OTHER AREAS". THIS CORRECTS THE REFERENCE
TO "GOVERNMENTS" (THE EXISTING ARRANGEMENTS ARE MAINLY
BETWEEN INDIVIDUAL MINISTRIES OR MINISTRIES AND RESEARCH
COUNCILS; AN AGREEMENT BETWEEN GOVERNMENTS WOULD AUTOMATICALLY
INVOLVE THE MINISTRY OF FOREIGN AFFAIRS ON THE
JAPANESE SIDE); USING A MORE READILY INTELLIGIBLE
WORD THAN "ENDORISING" AND BY IMPLICATION, COVERING THE
UKAEA ARRANGEMENTS AND THOSE UNDER THE CULTURAL AGREEMENT
(SUCH AS THOSE WITH THE SERC) AS WELL AS THOSE WITH
DOI. IF A DETAILED LIST IS PREFERRED, THESE ARRANGEMENTS
SHOULD BE INCLUDED.

RESTRICTED

/2.

RESTRICTED

2. THE MAIN BENEFIT FROM THE AGREEMENT SHOULD BE TO FACILITATE OUR ACCESS TO JAPANESE GOVERNMENT RESEARCH INSTITUTIONS. IT SHOULD ALSO GIVE US GREATER INFLUENCE OVER SCIENTIFIC AND TECHNOLOGICAL EXCHANGE THAN WE HAVE AT PRESENT. IT WILL BE AN INDICATION FROM THE HIGHEST POLITICAL LEVEL TO THE ADMINISTRATIVE AND SCIENTIFIC OFFICIALS CONCERNED ON THE JAPANESE SIDE THAT CLOSER COOPERATION WITH THE UK IS REGARDED AS A POLITICALLY DESIRABLE NATIONAL OBJECTIVE. THIS SHOULD FACILITATE THE ACCEPTANCE OF WHATEVER SPECIFIC PROPOSALS WE MAY HAVE FOR STUDY VISITS BY EXPERTS, ACCESS TO THE RESULTS OF RESEARCH AND DEVELOPMENT AND JOINT PROJECTS AND PROGRAMMES. THE AGREEMENT SHOULD ALSO IMPROVE ACCESS TO RESEARCH INSTITUTIONS ELSEWHERE IN THE JAPANESE PUBLIC SECTOR (EG IN NTT) TO VARYING DEGREES UNDER THE SUPERVISION AND INFLUENCE OF GOVERNMENT. IT MAY ALSO HELP ANY PROPOSALS WE MAY HAVE FOR BETTER ACCESS TO JAPANESE PRIVATE RESEARCH INSTITUTIONS (EG THROUGH THE DOI ENGINEERS' SCHEME) ALTHOUGH IN THE CASE OF THE PRIVATE SECTOR, IT CAN DO NO MORE THAN HELP TO CREATE A BETTER GENERAL CLIMATE OF POLITICAL APPROVAL.

WHITEHEAD

LIMITED
FED
ES&SD
MR DONALD
MR ADAMS

COPIES TO
MR KHANNA ICA DOI
MR GOLDSTONE RTS DOI
MISS RYE CROFT CPRS CABINET
OFFICE
DR LAVERCOMBE BRITISH COUNCIL

AGREEMENT BETWEEN THE GOVERNMENT OF JAPAN AND THE GOVERNMENT
OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND
ON COOPERATION IN THE FIELD OF TECHNOLOGY

The Government of Japan and the Government of the United
Kingdom of Great Britain and Northern Ireland:-

Considering their mutual interest in promoting cooperation
in technology between the two Governments characterized by
a. recognition of equality;

Believing that such cooperation is of advantage in enhancing
the economic well-being of the peoples of their respective
countries;

Endorsing the existing understandings between the two
Governments on cooperation in various industrial fields
including high technology industries, and on cooperation in
telecommunications systems;

Desiring to strengthen further such cooperation as a
foundation for closer cooperation between the industries
of both countries;

Have agreed as follows:

ARTICLE 1

The two Governments shall promote cooperation in technology, in such fields as may be mutually agreed on the basis of equality and mutual benefit, and in the light of each Government's priorities.

ARTICLE 2

Forms of the cooperative activities between the two Governments under this Agreement may include:

- (a) meetings between representatives of Government and industrial research institutions and laboratories, to discuss and exchange information on aspects of technological research and the application of existing technology, and to identify technological projects and programmes which may usefully be undertaken on a cooperative basis;

- (b) visits and exchanges of scientists, technologists and other experts from Government and industrial research institutions and laboratories on general or specific subjects, arranged through Government Departments and agencies;

- (c) implementation of agreed cooperative technological projects and programmes;
- (d) exchange of information; and
- (e) other forms of cooperation as may be mutually agreed by the two Governments, their agencies and industrial institutions.

ARTICLE 3

Implementing arrangements setting forth the details and procedures of the specific cooperative activities under this Agreement may be made between the two Governments or their agencies, whichever is appropriate. Financial arrangements for specific cooperative activities will be agreed at the time of discussion of those activities.

ARTICLE 4

(1) The two Governments shall establish a Joint Committee the functions of which shall be to promote the exchange of information and views on major technological issues relating to the implementation of this Agreement, to review the cooperative activities and accomplishments under this Agreement, and to provide advice to the two Governments with regard to the implementation of this Agreement.

(2) The Joint Committee shall meet alternately in Japan and the United Kingdom at mutually agreed times. Sub-committees may be set up in specialised technical areas as appropriate under the overall guidance of the Joint Committee.

(3) The Joint Committee shall consist of members drawn from Government and industry and shall number no more than twelve members, six from each country.

ARTICLE 5

The provisions of this Agreement shall be applied in accordance with the laws and regulations in force in each country.

ARTICLE 6

Nothing in this Agreement shall be construed to prejudice other arrangements for cooperation between the two Governments or their agencies existing at the date of signature of this Agreement or concluded thereafter.

ARTICLE 7

The termination of this Agreement shall not affect the carrying out of any project or programme undertaken under this Agreement and not fully executed at the time of the termination of this Agreement.

ARTICLE 8

(1) This Agreement shall enter into force upon signature and remain in force for five years. However, either Government may at any time give written notice to the other Government of its intention to terminate this Agreement, in which case this Agreement shall terminate six months after such notice has been given.

(2) This Agreement may be extended by mutual agreement of the two Governments.

In witness whereof the undersigned, duly authorised thereto by their respective Governments, have signed this Agreement.

DONE in duplicate at Tokyo this day of 1982, in the Japanese and English language both texts being equally authoritative.

For the Government
of Japan:

For the Government
of the United Kingdom
of Great Britain and
Northern Ireland:



2.

10 DOWNING STREET

Prime Minister.

You may like to glance
at this, especially with your
visit to Japan in mind.

Sir Campbell Frazar gave it
to me recently. It is a report
by a Dunlop employee who
worked for seven years in the
firm's Japanese company where
all the staff but a handful
are Japanese. I found it v. interesting.

AKW

30 vii 82

JAPAN

A QUESTION OF ATTITUDES

A.H. Mc NALLY

JAPAN

INTRODUCTION

In writing this paper on Japan I have concentrated on a presentation of the primary reasons for the differences in the performance of Japanese management and labour versus their Western counterpart. The observations made are generally applicable to all Japanese industry and in most respects reflect my experience of working within a Japanese management team for the past seven years and a study of Japanese business practices as analysed in published literature.

Industrial Society

Japan is usually viewed as one of the leading capitalist economies in the world, but is it? A study of Japanese business practice suggests that Japan has surpassed the stage of capitalism and that Japanese companies are no longer bound by the rules of capitalist society as it is known to the Western businessman.

Our view of a company operating in capitalist society is of an enterprise, owned by shareholders who, through the board of directors, control the company. The primary purpose of that company is to make profit and provide the shareholders with a return on their investment by the distribution of dividends. This is not the case in Japan, and here is one of the most fundamental differences from which many others derive.

The most important rule governing a company in Japan is that it exists for the sake of its own employees, not for the shareholder. The primary concern of Western management is to seek opportunities for increasing profit. Concentration on the bottom line, which is the primary measurement of management performance, leaves consideration for the employee a secondary matter. Labour is expendable, it is a variable expense which can be manipulated to maximise profit. This quite clearly separates management and labour into two groups with quite different values and aspirations.

In Japan, labour is not expendable. It is a fixed expense. The behaviour of Japanese executives is guided by the belief that their primary mission is to provide a place of work for their employees. Job security takes priority over profitability, hence the drive for market share and growth, often at the expense of profitability. Of the profit that is made, most is retained within the company and reinvested so that a bigger market share and a stronger competitive position may be secured for the benefit of all.

With such an arrangement, labour-management confrontation is rare and because of other national characteristics, team-work and flexibility throughout the whole organisational structure of a Japanese company is the norm.

Where does the shareholder stand in all this? To see things in proportion, it should be noted that most Japanese companies are heavily debt financed with debt/equity ratios of 4 to 1 being quite normal. The typical Japanese investor looks on his shareholding as no different from a deposit in the Post Office or Savings Bank. He does not consider himself part owner of the enterprise. Just as there would be no question of challenging the manner in which the Post Office or bank uses these funds, the same attitude applies to the way in which management uses shareholders' funds. The General Meeting of Shareholders is a formality, usually scripted, running to a pre-set timetable which rarely lasts more than 30 minutes. As most companies pay fixed dividends at fixed periods, it is implied that the shareholder is not expected to share the ups and downs of success or failure. His role in the company management is negligible. Management decisions are therefore directed towards the long-term well being of the company and its employees.

/..... Contd.

If one were to set down in order of importance the duties of Japanese management towards the various groups with which they interact it would look something like this:

1. Employees
2. Suppliers
3. Customers
4. Community
5. Government
6. Bankers
7. Shareholders

In dealing with Japan we should therefore recognise that business, whilst structured on similar lines to our own, operates on very different ground rules which impinge significantly on decision making.

Management/Labour Co-operation

As has been said earlier, the preoccupation of Japanese executives is with the long-range implications of decision making. What could be more long-term than life-time employment?

In return for this long-term commitment, management receives the workers' whole hearted support, commitment and dedication to the company. The popular term "Japan Incorporated", referring to close ties between business and government, should perhaps more appropriately be used to refer to typical Japanese companies where both labour and management are one and the same, sharing the same values and goals, and therefore able to see eye to eye on company policy.

Problems, which in a Western company would be viewed to be the exclusive responsibility of management, for example, production or industrial engineers in the plant context, are considered differently in Japan. Workers, at plant level, form groups to solve these problems. These groups go under various names, Quality Control Circle, Zero Defect Movement, No Error Movement, but whatever the name, the aim is the same, collective worker participation in creating an efficient and acceptable workplace compatible with the lifetime commitment.

Quality Control Circles are well known. These are usually small groups of six to ten workers who decide on a problem to be studied, with the blessing of management, choose their own leader and meet during breaks or after work to seek out a solution. The original purpose of Q.C. Circles which were introduced into Japan in 1962, was to create the right environment at the workplace and enhance job satisfaction. They were not formed for the purpose of improving productivity and quality control. Their efforts to put things in order and maintain safety led on to more challenging tasks from which the natural spin offs were improved productivity and quality, as these contributed so much to job satisfaction.

/..... Contd.

The important feature of Quality Control Circles is the voluntary nature of participation. Management may help in providing direction and professional or technical help and may, in some instances, allow the circles to meet in company time. Recognition of the contributions made by the circles is made in the form of citations or awards for outstanding improvements achieved.

Quite separate from the semi-formalised Q.C. circles are the individual contributions made by the staff and workers through company Suggestion Schemes which, again, demonstrate the value of close management/worker co-operation. In Sumitomo Rubber Industries Ltd. the number of suggestions submitted rose from 15 per head in 1978, the first year the Scheme was positively promoted, to 98 per head in 1981. This in a company employing approximately 4,000 people. The adoption rate in 1981 was 86% and they produced savings of over £5 million.

Management/labour co-operation extends even into the realms of wage and bonus negotiation. Negotiations are long and hard, nevertheless, they are carried out with the long-term interest of the company firmly in mind on both sides. This has been evidenced by the annual wage agreements since 1980 which have been settled with little difficulty at rates below the level of inflation without the immediate threat of unemployment which has conditioned similar negotiations in the United Kingdom in recent years.

As a result of all this, Japanese management have been able to pursue a bold long-term approach because there have been few short-term demands to check their performance. With the support of the various management, financial and political institutions which favour this approach, they simply do what is best for the company in the long run. They are under less pressure than their Western counterparts who are much more competitive and harder working but operate under the handicap of having to motivate an unmotivated workforce.

The co-operative attitude in Japan is probably stronger now than it has ever been. We hear talk of countries like Korea, Taiwan and, eventually, China catching up with Japan but this is doubtful. These countries have already established the contractual work ethic - so much work, so much money. They are making progress but once work processes become more sophisticated so do work rights and obligations and these cannot be reduced to simple contractual terms. In the absence of some instinctive basis on which to operate, these countries are unlikely to reach the levels of efficiency to which Japan is now accustomed.

Product Quality

In commenting on Japan's success in the field of quality management, Western observers point to Japanese homogeneity as a race, the high level of education, the feeling of assurance that comes with life-time employment and similar factors. They group all these things under the heading of "cultural factors" when trying to explain the difference from the West. But, are they right?

Within Japan there are large differences in efficiencies between Japanese companies all exposed to the same system or culture.

These differences within Japan display a gap in managerial capability. The newest equipment and a competent workforce do not function well if management is poor. There are numerous examples where companies have run into serious problems, either because of incompetent management or internal struggles at the top, and have been unable to rely on the "cultural factors" for survival. Within the tyre industry Yokohama Rubber was a good example of this in the late '70's. Under new management some of those companies have been rebuilt into prospering organisations. The point is not whether the workforce or staff are competent but whether higher management can provide the leadership necessary to trigger the natural motivation those "cultural factors" are said to promote.

Western management should therefore give as much priority to an examination of its own performance as it is presently giving to an examination of Japanese attitudes.

In many Western factories, workers in the production departments appear not to care beyond completion of the task allotted to them. There is little consciousness of the need to provide the customer with a good product. The introduction of scientific management systems under the broad heading of industrial engineering, whilst making significant contributions to productivity in the context of mass production, brought about a widening in the gap between those who consume and those who produce. They removed very important human factors, the satisfaction of making something and fulfilment from work.

The Quality Control Circle mentioned earlier restores this feeling of fulfilment. It is an attempt to return the concept of manufacture back to the days of the handicrafts. The first consideration is the consumer. The worker is made to recognise that there is a duty that the maker should never sell a defective product to the customer. In doing so a sense of pride in work is re-established and the individual is encouraged to recognise that he is an expert in his own field and the responsibility which this places on him.

An essential part of all this is a regular feedback to the worker of the day to day performance in the workplace. He should be told of the market reaction to the product and how it stands in relation to similar products made by competition. The persistent demand from the marketplace for improvement whether it be for price, quality or design should be fed back to the workplace. In most Western companies these pressures are held in the marketing, technical or engineering departments. In Japanese companies these pressures are viewed as encouragements to do better by everyone from the Managing Director to the lowest level of worker. This total involvement is the key feature of the Japanese philosophy and there is no doubt as to its success.

/..... Contd.

It will be a waste of time to ask Western workers to sit around in circles discussing how to improve quality, in its widest sense, unless they are provided with the emotional basis for work involvement or a clear financial return is offered to them for improved quality. If Western management are to attempt this, it should recognise the key factors which have enabled Q.C. circles to work so successfully in Japan.

1. A highly educated and well trained workforce.
2. Team spirit and emotional rewards.
3. Class barriers between management and workers are small resulting in eased communications.
4. The emotional attraction to the company stemming from life-time employment.
5. Union support.

These are factors which society as a whole must tackle if we wish to approach the success of the Japanese in manufacturing industry.

The Japanese approach to Productivity

The Japanese set up the Japan Productivity Centre in 1955 with the following philosophy.

- "1. We believe that improvement in productivity eventually leads to expanded employment opportunities. Temporary redundancy should be dealt with to the extent possible by re-allocation thus minimising the risk of unemployment.
2. We believe that specific steps for improving productivity should be studied by joint consultation between labour and management.
3. We believe that the fruits of improved productivity should be fairly distributed among management, labour and consumers."

Such thinking is often heard in the West, but it is applied in a spirit of confrontation between labour and management rather than co-operation.

The success of the Japanese productivity movement is obvious from a comparison of labour productivity changes between 1960 and 1978. In that period, Japanese productivity has improved by 450% compared with: West Germany - 294%; U.K. - 177%; U.S.A. - 164%.

The results may be demonstrated by a comparison of the growths of Per-capita Income in the period 1960-1977 which were as follows: Japan - 1,247%; West Germany - 611%; U.K. - 309%; U.S.A. - 307%.

/..... Contd.

We come back to the primary aim of Japanese management, which is that all things are done with a conviction that its ultimate goal should be to improve the welfare of employees. They believe that, no matter what management may do, physical productivity will not improve unless people working in the company are willing to work and retain a feeling of making an important contribution to the success of the company.

In the early days, the Japanese were eager to introduce scientific management from the West, but their approach to its application was different. To them, management involves not only technology but also, equally important, human feeling. Whilst the West takes a technical approach to raising productivity, Japanese efforts are directed to raise the level of satisfaction of workers at the workplace. In other words, they do not manipulate productivity; they draw it out from the natural instinct of the people. It is a cultural approach but one that has been one of Japan's greatest post-war achievements.

The drive for productivity concentrates on the elimination of waste in its widest possible sense, not simply the elimination of scrap or defective products but extending, for example, to the study of the effects of advanced automation and mechanisation, introduced to improve the efficiencies of machines and processes with sophisticated programming but which, in doing so, often leave the operator waiting for the machines to complete their automated cycles. The Japanese worker looks upon himself as a human resource not to be wasted. He is therefore trained to ask himself - "In doing what I do, am I adding value to the product?" If the answer is in the negative he has identified waste and he considers it as much his responsibility as that of management to eliminate that waste.

All this does not negate the responsibility of management to establish and maintain the most efficient manufacturing facilities available to them but it adds a tremendous refinement to the process of manufacture and represents a vast human resource largely neglected by management in the past.

However, amidst the success of its manufacturing efficiency, Japan tolerates an appalling inefficient service sector which currently occupies close to sixty per cent of its G.N.P. The distribution system alone with its army of intermediates produces a delivery service to the consumer difficult to fault, but at the price of enormous mark-ups. The Japanese consumer demands this high level of service, lavish packaging and total after-sales care and accepts the high cost but things are beginning to change.

The service sector has received little attention in the drive for efficiency. Even today, top graduates still queue to join even some of the declining industries in the manufacturing sector but the large service sector industries such as distribution, retailing, housing and transport have had the greatest difficulty attracting even the residues from the lower rated universities. This is now changing with the Economic Planning Agency calling for greater attention to the service sector.

If the Japanese tackle the service sector with the same approach as they have used in the manufacturing sector, great strides can be made in the economy, without the external reaction that has occurred with the growth of trade friction. Progress is already being made. In recent years, growth from the non-manufacturing sector has provided a major prop for the economy. It is significant to note that the rate of increase in the consumer price index is now quite a few points below that of the wholesale index rate, mainly because of a rapid increase in service sector efficiency. Much can be gained from a rather simple change in outlook and economic priority.

The Group

The Japanese are not the careful, calculating planners many people imagine. Their success relates more to their ability to react to circumstances and is tied in to other and more emotional factors. To the outside world, Japan seems to provide the model of modern rational planning but this is not so.

Japan left feudalism barely a hundred years ago and many of their basic values and attitudes today are hangovers from that period. Group loyalty is one such example. If people are required to work purposefully and co-operatively in any enterprise, they will not do so on the basis of rationalistic reason alone. They have to be persuaded to work for the sake of working and to co-operate for the sake of co-operating.

It is an emotional instinctive thing which comes much more easily to those who have been subjected to the emotional values that usually go with well developed feudalism. Northern Europe, like Japan, has feudal origins and, like Japan, developed very successful industrial societies but it abandoned feudalism much earlier and it may be significant to note that the U.K., which was the first to do so, was the first to run into enterprise productivity problems.

Groups, and perhaps the simplest is the family, operate on an emotional and instinctive basis. Goals are felt instinctively. Mutual rights and obligations are decided in the same way. In Japan, the concept of the Group is spread through the whole of society. There is such a concept in the West but there is a subtle difference which can be expressed clearly in two simple mathematical equations:-

$$\begin{aligned} 1 + 1 + 1 + 1 + 1 + \text{----} &= \text{Western Group} \\ 1 \times 1 \times 1 \times 1 \times 1 \times \text{----} &= \text{Japanese Group} \end{aligned}$$

In the first, adding or subtracting an individual changes the nature of the Group. In the second, the individual is present but as an individual does not really count but all the individuals are inter-dependent. The Western Group stems from the individuals but in Japan the group orientation of individuals starts from the Group.

Japan's great strength stems from a highly developed awareness of the Group's welfare as the means of protecting the interests of the individual. This awareness is present from the levels of national government to the lowest level of worker. It produces a focus on responsibility and sacrifice for the common good. The dominant Japanese relevant value would be described as the primacy of community, whereas, in the West, the primacy of the individual dominates, focussing on self-realization and freedom of choice, individual rights and justice, with little trace of shared responsibility.

Whilst this feature of the Japanese character may be viewed as a strength, it does have its drawbacks. Japan may seem to have the structure of a standard Western style democracy where the various units of society will, in the last resort, submit to the basic principles of the society and the control of central government. This is an illusion. This feature of their society requires that the survival of the Group remains all important. There have been several instances in recent history where even the national interest has been allowed to suffer because the interests of certain groups have so demanded. This is rarely seen to happen in the private sector where the normal forces of competition can check excesses by one group but the public sector has no ready mechanism for controlling excesses.

Japan has survived and prospered because of the strength and vitality of its private sector and an understanding, since the war, of the need to limit the public sector, not as a result of some principle of national planning and discipline.

Management

There is a fundamental difference in outlook between the Western and Japanese manager. To the Western manager, life is seen as a series of problems which, with the use of reason and mathematics, are soluable. However, to the Japanese, life confronts them with new situations and with every new situation, their system of relationships is disrupted and must be harmoniously reset in order that inter-relationships and the flow of communication may function freely again. This applies both within and between groups and works because each individual acknowledges and keeps his social place and fulfils the task that is prescribed for him at any point in time.

To the Western mind, authority is normally vested in the leader who, in the normal course of events, is "outstanding". This is completely contrary to the structure of Japanese society where nobody should "stand out". In fact, authority is normally delegated to one who "stands in", or remains an intrinsic part of his group and therefore facilitates communication or interchange among all members of the group.

/..... Contd.

The Japanese leader has normally grown up with the group and has a talent, reinforced by training, for keeping an exchange of communication going. He is able to anticipate, by his deep understanding of all the members of a group, what would achieve unanimous approval before a proposal is made. As a result, authority and responsibility are distributed among all members of the group.

As such, no real authority exists, only responsibility, and therefore there is no such thing as an order or command. Instructions do pass down an organisation but these are not imposed instructions. They simply express the impersonal wish of the whole organisation. A command cannot, therefore, be imposed from outside the group but must grow from inside.

With this situation, decision-making is complex and laborious but perhaps, more importantly, is sound and effective.

The mechanics of decision-making in a Japanese company depend on a formal document called a "Ringisho" which is a detailed statement of proposals to be circulated to relevant departments and then submitted to top executives for authorisation.

A manager normally delegates the preparation of this document to a subordinate in his group and in so doing automatically involves a lower level of management in the decision-making process since he will spend many hours negotiating an adjustment of views within his own group before the document is ready for circulation upwards through the management in that particular function and across and upwards through other functions.

Before the "Ringisho" is circulated to other groups for detailed examination and criticism, the manager concerned will call a meeting of the heads of the other groups involved to clear immediate questions and objections. This process, known as "Nema washi", meaning literally "digging around the roots", clears what we would refer to as the internal politics in a Western organisation.

The "Ringisho" will be modified as it progresses through this screening process until everybody who is involved in the proposal in any way accepts it in its entirety. This does not necessarily mean unanimity of view as individuals often suppress their own views for the benefit of a wider management view.

When seals or signatures of all the levels and functions of management concerned have been applied to the "Ringisho", it is then passed to top management for authorisation. By this stage, this is usually a matter of form. On approval, the manager who initiated the proposal has his authority to proceed and all other functions involved know precisely where they fit into the plan and automatically make their contribution. As a result, the execution of plans in a Japanese company can rarely be faulted.

/..... Contd.

The system means that authority in a Japanese company is delegated downwards on an ad hoc basis. It is commonly referred to as bottom/up management as opposed to the Western system of top/down. It works extremely well but calls for a much higher level of communication within an organisation than is customarily achieved in Western companies.

The Influence of Advancement

Visitors to Japan see the overpowering growth of Westernisation and affluence. Traditional Japan is disclosed to them in the form of preserved tourist attractions, or so it appears. What they do not perceive is that Traditional Japan remains in the heart and character of the people.

The Japanese are great assimilators. Over the past century they have adopted tremendous Western influence and this is what the Westerner sees, but it should be realised that the Japanese adopt very few things at their face value. They take them in, adapt and transform them and make them distinctly Japanese. Westernisation is a surface phenomenon which has barely touched the inner and emotional character of the Japanese.

From a very early age, Japanese children are taught by what we in the West would consider the old fashioned method of rote memory. Their obligations to society are driven into them by constant repetition almost to the point of being a ritual, until recognition and acceptance becomes virtually a reflex. From an early age they become accustomed to serving, working and accomplishing so that their minds react automatically to incentives to activity.

In the West, we direct our children, through family upbringing and education, to stand on their own feet. We encourage independence. In Japan, the emphasis is on inter-dependence. The family, as has been mentioned earlier, is the simplest form of group in society and within that group, the child is reared to recognise its obligations to that group, not as a social pressure or moral obligation but rather as its very reason for existence.

The transfer of that feeling of obligation to the group within which that child develops as it grows up through school, college or university and, ultimately, work, is virtually automatic.

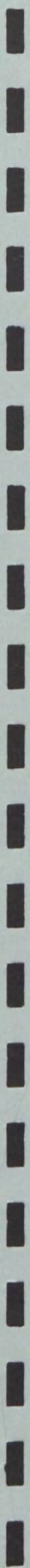
There is some divergence seen in the youth of Japan which is tolerated by society but that is not a new phenomenon. Youth, it has always been claimed, is not very aware of the conditions of human existence and allowances are made. Once a young man enters employment, however, no indifference to the rules of Japanese society is tolerated. Any Japanese who flouted his situational or social obligations would very soon find himself an outcast and, in a country where the greatest problem for the Westerner living there is to find solitude, loneliness is the prime weapon used to enforce the basic law of society.

/..... Contd.

The external trappings of Westernisation have been adapted aggressively by the Japanese but Western values have been largely rejected in favour of their own. We might ask ourselves why. I would simply point to the one factor of density of population. Without the harmony which the rules of Japanese society maintain, life in Japan would become intolerable.

The progress that Japan has made is therefore unlikely to change the basic character of the Japanese to any significant extent. The Japanese know this is their strength and will maintain it for survival, the prime motivation understood by every Japanese from a very early age, when they view their country in a world context.

AHMcN/PMW
30/6/82



PRIME MINISTER

MEDIA ARRANGEMENTS FOR JAPAN, CHINA AND HONG KONG

May I suggest that you judge the attached recommendations from Bernard against the principal aim of your visit: to strengthen confidence in Hong Kong about the future.

You have authorised Sir Percy Cradock to tell the Chinese Government that our minimum aim for your visit to China is an agreed concluding statement that the two sides have agreed to have serious talks at official level about the future of Hong Kong. We have also asked the Chinese Government to avoid any public statement that would make this aim hard to achieve.

There is a distinct risk that if there is endless press comment between now and your visit (and I am not encouraged by the attached extract from today's Economist) expectations will be so built up that even a commitment to "serious talks" will fall flat.

My own preference would be that you should give no press interviews before you leave. But if you think it impossible to avoid them I hope you would agree that Bernard, who is quite willing to do so, should make it plain to the Japanese journalists that you are prepared to talk to them about Japan but not Hong Kong and that the Chinese journalists should be similarly controlled through the submission of questions in advance.

A. J. COLES

30 July 1982



HOUSE OF COMMONS
LONDON SW1A 0AA

30th July 1982

The Prime Minister
10 Downing Street
London SW1

Pat Prime Minister.

As you will know, the Select Committee on Defence recently visited Washington, Tokyo and Hongkong, after which some of us paid a four day visit to Peking.

In view of the fact that you will be visiting the Far East in September, I thought you might like to have a brief report on our own visit.

UNITED STATES OF AMERICA

We had discussions with the Senate Armed Services Committee, the State Department and the Department of Defence about the United States' relations with Japan.

The Senate complained that Japan was still spending under 1% of their GNP on defence although the Prime Minister had given an undertaking that, in due course, Japan would look after her own defence and be responsible for defence of sea communications for up to 1000 miles from Japan. The Senate believed this undertaking could not be implemented for a decade.

They believed that Japan was spending 47% of their defence budget on the Army and tending to neglect the Navy and the Air Force. The Japanese could not deal with the threat from the Backfire bomber and ships had little air defence. Reserve missiles and ammunition were practically non-existent.

They believed that the American/Japanese Treaty was outdated as it was very one sided, and Japan was not bound to help the United States in Korea or elsewhere.



The State Department were less critical than the Senate and pointed out that Japan was paying \$1 billion for US forces in Japan. However Japan's trade imbalance had risen from \$2 billion in 1979 to \$18 billion. They added that Japan imports less than Switzerland!

The Department of Defence said that Japan was spending 0.93% of their GNP on defence and that this would have to rise to at least 1.8% by 1990 if the Japanese were to have any capability for self defence.

The Japanese third defence plan 1982-1987 was now under consideration.

JAPAN

In Japan we talked to members of the Special Committee on Security of the House of Representatives, the Foreign Minister, the Minister of Justice, the Director General of the Japanese Defence Agency etc. The members interested in defence took the view that Japan could and should spend more.

The Government recognised that the Prime Minister's promise should be fulfilled but refused to say when. It appeared that this would take at least ten years.

The Japanese were getting worried about the increasing threat from the USSR, particularly from the SS20 and the Backfire bomber, and recognised that the Americans had to move units from their Seventh Fleet from the Pacific to the Indian Ocean.

Japan imports 99% of its oil, 70% from the Middle East and at present did nothing to protect these vital supplies.

They were concerned about the continued Soviet occupation of their four northern islands, and recognised the need for greater air defence and the improved ASW capabilities of their Navy.

The Americans had 51,000 troops in Japan and one was very sympathetic with their frustration about the slowness of the Japanese to provide for their own defence.

I would particularly like to refer to the outstanding quality of Mr J S Whitehead, the Chargé d'affaires (the Ambassador being on leave), who could not have been of greater assistance to us.



HONGKONG

We visited the Gurkha Battalions and the Scots Guards and found that facilities and accommodation were being improved.

Some of the British wives were not very happy in the rather strange environment of the Far East but the majority seemed well content. The three-fold increase in car tax and the increased cost of electricity were obviously affecting the lives of married servicemen as these costs were not yet reflected in their scale of allowances. As a result, many could not afford to turn on their air conditioning.

I personally was very concerned about the condition of the Vietnamese refugees who are now being moved to closed camps. The number of persons in the hutted camp we visited in Kowloon, was the same as when these huts were used for British prisoners of war in what were then termed "barbaric conditions". These refugees, some of whom have been in Hongkong for over three years, are now being moved to closed camps on an island where they will not be allowed to work or leave the island. I attach Answers to Questions I have asked on this subject.

CHINA

After the excesses of the Cultural Revolution, China moved towards democracy but this has endangered the control of the Communist Party, and the brakes have now been put on. We visited an Army Division which had been in its quarters for many years and had its own farms and workshops. Only senior officers' wives were allowed to accompany their husbands, and they were required to work seven hours a day in the workshops.

We also visited a show Commune where the Management Committee was elected. It was suggested that if this could be done on Commune level, it might also be done on the level of a national leadership. Parliament meets only once a year and is a rubber stamp.

The two issues on which Chinese officials were most voluble were their fear and dislike of the USSR and their annoyance with America over their supply of arms to Taiwan. I got the impression that the latter was, to some extent, synthetic and that the most they would do - and even this was unlikely - would be to ask for the withdrawal of the American Ambassador as they had for the Dutch when the Netherlands supplied two submarines for Taiwan.



Their relations with ASEAN were good. They regarded Pol Pot as having been mistaken but now reformed. They said that the disputed islands in the South China Sea undoubtedly belonged to China. Their relations with Japan were good.

China wished to become a leader of the Third World, hence their attitude to the Falkland Islands operations.

My overall impression was that if China modernises, the Party would be in danger of losing control and that the Party leaders would put their future first.

So far as British firms were concerned, many complained that after long negotiations, the Chinese said they had no money.

It is understood that British Aerospace will be supplying Sea Dart missiles to their new destroyer. BP and Shell also hoped to take part in off-shore oil development.

It was said that only companies who could afford to pay for up to five years' unproductive work would have ~~much~~ opportunity of succeeding in the Chinese market.

I hope that these remarks may be of some value.

what representations he has received upon (a) the infant mortality rates and (b) his steps for improving the situation.

Mr. Wiggin: Analysis of the deaths among babies of dependants in BAOR shows that the rate of deaths in the first seven and 28 days is very similar to that obtaining in the United Kingdom. The rate of deaths after the first month and up to the end of the first year is higher in BAOR than the national average in the United Kingdom but not higher than some regional and social class mortality rates.

Mr. Freud asked the Secretary of State for Defence if he will list the per capita juvenile crime rate for areas dealt with by each of the two standing civilian courts in West Germany of offences committed by dependants of personnel serving with the British Army of the Rhine; and what has been the annual rate of increase in the figures for each of the years since 1977.

Mr. Wiggin: The crime rate of dependants (aged between 10 and 16) of Army personnel serving in British Army of the Rhine and Berlin, based on convictions in the two Standing Civilian Courts is:

	Per 1,000
1978	3.5
1979	3.9
1980	3.8
1981	4.2
*1982	3.4

* Six months.

The separate figures for convictions in British Army of the Rhine and Berlin are not immediately available.

FOREIGN AND COMMONWEALTH AFFAIRS

Malaysia

Mr. Adley asked the Secretary of State for Foreign and Commonwealth Affairs if he will make a statement on his most recent contact with the Malaysian Government; and if he will indicate progress on the establishment of the proposed joint commission to review matters of concern to the Malaysian Government in their relations with Her Majesty's Government.

Mr. Rifkind: My right hon. Friend met the Malaysian Foreign Minister most recently in Belgrade earlier this month. They had a useful discussion ranging over a variety of matters of common interest and agreed to keep in close touch. As my right hon. Friend explained in his reply to my hon. Friend on 9 June, we have put informal proposals about a joint commission to the Malaysian Government and are still awaiting their response.

Swaziland

Mr. Proctor asked the Secretary of State for Foreign and Commonwealth Affairs whether he has received from the Government of the Kingdom of Swaziland requests for diplomatic support in the matter of the proposed transfer of the Ingvaruma region from the Republic of South Africa to Swaziland.

Mr. Onslow: No. The matter is not one in which Her Majesty's Government have any official standing.

Vietnamese Refugees

Sir Patrick Wall asked the Secretary of State for Foreign and Commonwealth Affairs in each of the past three years how many Vietnamese refugees have arrived in Hong Kong; how many of these have been given homes in other countries; and how many remain in camps in Hong Kong.

Mr. Rifkind: Arrivals from Vietnam in 1979, 1980 and 1981 were 68,748, 6,788 and 8,470 respectively. Resettlements from these years were 64,258, 6,085 and 7,041 respectively. In addition 5,735 in 1979, 4,385 in 1980 and 3,416 in 1981 arrived from China, where it is believed they had previously settled before coming to Hong Kong illegally. The number of refugees remaining in Hong Kong on 23 July was 11,837, of whom 487 were ex-China cases.

Sir Patrick Wall asked the Secretary of State for Foreign and Commonwealth Affairs if he will ask the United Nations High Commissioner for refugees to deal with the large number of Vietnamese refugees now under the care of the Hong Kong Government.

Mr. Rifkind: From the outset, the staff of the United Nations High Commissioner for Refugees (UNHCR) have worked in close co-operation with the Hong Kong Government to resettle Vietnamese refugees arriving in Hong Kong. Moreover, most refugees awaiting resettlement are accommodated in camps run by the UNHCR.

Sir Patrick Wall asked the Secretary of State for Foreign and Commonwealth Affairs how many Vietnamese refugees have been in Hong Kong camps for one year, two years and three years, respectively.

Mr. Rifkind: The numbers are as follows: 6,517 for one year, 4,785 for two years and 1,793 for three years.

Sir Patrick Wall asked the Secretary of State for Foreign and Commonwealth Affairs if he is satisfied that the proposals to the house Vietnamese refugees in closed camps in Hong Kong are in full accord with the declarations on human rights to which the United Kingdom is a party.

Mr. Rifkind: The Hong Kong Government took account of the relevant international human rights instruments when preparing their proposed legislation in this field. Consideration is being given as to whether it may be desirable, in order to avoid any doubt, for certain amendments to be made.

Lebanon (Red Cross Supplies)

Mr. Winnick asked the Secretary of State for Foreign and Commonwealth Affairs what progress is being made by Her Majesty's Government and other Governments in ensuring that Red Cross supplies are allowed into the Lebanon.

Mr. Hurd: The supply of humanitarian aid to Lebanon has improved since the period immediately following the Israeli invasion. On 18 July, the Israeli Government in response to an approach by the European Community Presidency, said that medicines and food supplies, though subject to control, would henceforth be allowed into West Beirut without hindrance. Trucks carrying blankets, medicines and basic food supplies were allowed to enter West Beirut on 22 July.

Mr. Newton [pursuant to his reply, 16 July 1982, Vol. 27, c. 489-90]: Since July 1979 there has been clear change of status in two of the Finer committee's recommendations which relate to the work of the Department. Recommendation 120 was implemented as part of the reform of the supplementary benefit scheme in November 1980 in that the qualifying period for the long-term scale rate was reduced from two years to one for all eligible beneficiaries including lone parents. Recommendation 127, that maternity grant should be paid without contribution conditions, was implemented from 4 July 1982.

In addition, recommendation 208, which was previously under consideration, has been agreed in principle. Local authority associations are devising a set of ground rules with a view to rationalising the charges for day care on a national basis.

DEFENCE

Falkland Islands (Compensation)

Mr. Wigley asked the Secretary of State for Defence what have been the total payments to civilians as a result of the Falklands war by way of compensation or other payment.

Mr. Pattie: It is too early to say what total payments over and above normal pay and allowances will be made to civilians employed by the Ministry of Defence as a result of the Falklands conflict.

Defence Equipment (Purchasers)

Mr. David Watkins asked the Secretary of State for Defence if he will publish a table additional to 2.7 in volume 2 of the 1982 Defence White Paper giving an analysis by region of the purchasers of British defence equipment which is not identified in the Customs and Excise tariff and which is listed in note 2 to table 2.7.

Mr. Pattie: No. All the information readily available from industry is already published in the Defence White Paper.

British Warships (Courtesy Visits)

Mr. David Watkins asked the Secretary of State for Defence how many courtesy visits have been made by British warships, including Royal Fleet Auxiliaries, to ports in Syria, Lebanon and Israel since 1977.

Mr. Wiggin: Since 1977, 13 courtesy visits have been paid to Israeli ports by British warships, some of which were escorted by Royal Fleet Auxiliaries. One visit was made to Syria in 1979. There have been no visits to the Lebanon during this period.

Damaged Vessels (Repair)

Mr. Colvin asked the Secretary of State for Defence if he will seek to ensure that repairs to British vessels of all types engaged in the Falklands conflict are carried out in British shipyards.

Mr. Pattie: Warships will be repaired in the Royal dockyards. Any Royal Fleet Auxiliaries which are not repaired in the Royal dockyards, including Gibraltar, will be repaired in British ship-repair yards. Ships taken up from Trade are being repaired in British yards.

Dartmoor Steering Group

Mr. Maxwell-Hyslop asked the Secretary of State for Defence if he will publish the report of the Dartmoor steering group.

Mr. Wiggin: I have today placed in the Library a copy of this report and also of the reply which I have sent to Sir Peter Stallard, chairman of the Dartmoor steering group. My right hon. Friend the Secretary of State for the Environment and I would like to take this opportunity of placing on record the Government's appreciation of the work of the steering group, which has provided an invaluable forum for the discussion of the many different, and sometimes controversial issues arising from the Services' use of Dartmoor.

Chilean Air Force

Mr. Denzil Davies asked the Secretary of State for Defence whether aircraft of the Chilean air force during the current calendar year have paid any visits to any Royal Air Force establishments in the United Kingdom.

Mr. Blaker: This year there have been three short visits, one in each of January, February and March, by C130 transport aircraft of the Chilean Air Force to RAF Lyneham. No other visits by Chilean aircraft have been made this year.

Mr. Denzil Davies asked the Secretary of State for Defence whether there is an agreement between the United Kingdom and the Chilean authorities for the stationing in the United Kingdom of Chilean military aircraft.

Mr. Blaker: No.

Chilean Air and Naval Personnel

Mr. Denzil Davies asked the Secretary of State for Defence whether there is an agreement between the United Kingdom and Chilean authorities for the training in the United Kingdom of Chilean air and naval personnel.

Mr. Wiggin: There is no training agreement as such. Chile is, however, one of the large number of countries which has sent students to attend military training courses in the United Kingdom.

Gruinard Island

Mr. Donald Stewart asked the Secretary of State for Defence what is his latest estimate of the period during which it will be unsafe for (a) animals and (b) humans to land on Gruinard Island.

Mr. Pattie: The likely duration of contamination, methods of decontamination, their potential effectiveness and their cost remain under intensive review. Following laboratory tests of a number of potential decontaminants, it is now planned to undertake field trials on Gruinard Island.

British Army of the Rhine

Mr. Freud asked the Secretary of State for Defence, pursuant to his reply to the hon. Member for the Isle of Ely, *Official Report*, 19 July, c. 58, what steps he is taking to improve the infant mortality rates of dependants of personnel serving with the British Army of the Rhine; and

PERSONAL AND CONFIDENTIAL



FROM: WILLIAM REES-DAVIES, QC MP

Rt. Hon. Margaret Thatcher, MP,
The Prime Minister,
10, Downing Street,
London, SW1.

29th July, 1982.

My Dear Prime Minister

On your visit to Japan on September 22nd I greatly hope that you will be able to visit National Panasonic. I am fairly sure that if you are able to do so it will have a great effect on their decision to install a plant in Britain along the lines which would be so helpful to our country.

As I explained to you at your delightful drinks party at Number 10 the psychology of these Japanese leaders is such that they prefer to do on their own volition an act which they would be less likely to do under pressure. If you were able to take into your programme a visit to their factory there would be a deep sense of appreciation which I believe will reflect to the benefit of our country.

All arrangements can be made to fly you to the factory in their plane or alternatively by the fast train which you may prefer.

I am sending a copy of this letter to Kenneth Baker with whom I have previously spoken and I hope that once again you will achieve the outstanding successes which you achieved on your last visit to Japan.

Incidentally, sincere congratulations on your success with Victor Matthews with whom I had a chat at your party on the self same subject. It seems that nowadays Prime Ministers have to become traders as well as statesmen and shipbuilders.

*Yours sincerely
Billy Rees Davies*

Prime Minister

Content with objectives? - please note in particular C.3 on page

CONFIDENTIAL

3.

MR. COLES

A.S.C. 30/7

I must prefer your version
of the H'K objectives

Abraham agreed not

Prime Minister's Visit to the Far East,
16th-29th September 1982

Sir Antony Acland copied to you his letter of 7th July to me about the Prime Minister's forthcoming visits to Japan, China and Hong Kong. I have not minuted you before about the briefing arrangements for these visits, since I have had to await comments from the other Permanent Secretaries concerned about the proposals contained in that letter and its enclosures.

2. None of the Permanent Secretaries to whom Sir Antony Acland's letter was copied have made any comments on the contents of the letter as far as these concern the background against which the visits will be taking place and also developments in Japan and China. The letter made the point that neither in the political nor in the economic arena has Japan's performance as a member of the club of advanced countries been very satisfactory. As was seen in particular over the Falkland Islands, Japan's sense of political responsibility remains immature. Japan's response to the pressures of the international economic situation has also been inadequate, and her government has sought to forestall or divert criticism about the problems created by Japan's export policies by taking piecemeal or short-term and generally minimal measures in the hope of temporarily placating Japan's critics rather than making the more fundamental policy adjustments which her trading partners would welcome. This approach was evident in the run-up to the recent Versailles Economic Summit, when the Japanese announced a number of minor measures allegedly to encourage imports in an ultimately successful effort to prevent the Summit itself raising Japan's trading policies as a leading agenda item. These considerations have caused the Department of Trade to propose a more pointed British objective for the visit in the area of trade policy.

3. As far as China and Hong Kong are concerned, the combination of the two visits will inevitably mean that one of the principal focuses of attention for the Prime Minister's talks in Peking will be the future of Hong Kong.

CONFIDENTIAL

There will similarly be much attention paid in Hong Kong to the implications of the Prime Minister's talks in China for the future of the Colony with all that that involves for the financial and trading interests based there. The Prime Minister has already had the opportunity of discussing these aspects of her visits to Hong Kong and China with Lord Maclehoze and she is also to see Sir Percy Cradock later this week to discuss her visit to Peking. (She has also seen Sir Hugh Cortazzi about the visit to Japan.) In the light of these discussions, she will no doubt have her own views on the draft objectives for the visits and on the list of briefs, both of which I attach with this minute.

4. I should be grateful if you could let me know the Prime Minister's views on these drafts so that I can put in hand the commissioning of the briefs by the Cabinet Office. We would aim to arrange for them to reach you by close of play on Friday, 10th September. The Prime Minister's briefing meeting for the Far Eastern visits is currently planned for Monday, 13th September. She will thus have the weekend of 11th and 12th September in which to study the briefs.



Robert Armstrong

28th July 1982

PRIME MINISTER'S VISIT TO THE FAR EAST
16-29 SEPTEMBER 1982

OBJECTIVES

A. JAPAN

BROAD OBJECTIVES (UNITED KINGDOM)

1. To encourage Japan to accept greater responsibility for the international consequences of her economic success, and to adapt her economic and trading policies accordingly.
2. To promote industrial collaboration between the United Kingdom and Japan.
3. To convey the continued importance we attach to collaboration with Japan on political as well as economic issues.
4. To promote specific bilateral economic and commercial objectives.

SPECIFIC OBJECTIVES (UNITED KINGDOM)

ECONOMIC - INTERNATIONAL

5. To bring the Japanese to recognise the need for adjustment of their economic policies so as to prevent continuing large trade surpluses; to avoid export-led growth; to increase import propensity to levels comparable with other OECD countries; to support voluntary restraint arrangements as a means of avoiding direct Government action; and to encourage measures to strengthen the yen.

ECONOMIC - BILATERAL

6. To promote inward investment and scientific and industrial co-operation.

POLITICAL

7. To seek Japanese support for United Kingdom/Western objectives especially in East/West matters and the Middle East; and to exchange views on other international issues, especially Asian questions.

COMMERCIAL

8. To promote aircraft sales (BAe 146); defence sales (especially Sea Harrier); and sales of high technology equipment. To emphasise the need for changes in the structure of Japanese industry and distribution to reduce the propensity for self-sufficiency and to secure easier access for foreign goods. To press for meaningful reductions in tariffs in areas of importance to the United Kingdom.

Confidential

LIKELY JAPANESE OBJECTIVES

1. To repair the damage to Anglo-Japanese relations caused by Japanese unhelpfulness over the Falklands.
2. Following recent visits to Japan by other European leaders (Pertini, Mitterrand) and contacts eg at Versailles, to strengthen overall political and economic co-operation with Britain.
3. To avoid excessive concentration on bilateral (United Kingdom-Japan and EC-Japan) trade problems; and to convey the importance of recent measures to open the Japanese market.

B. CHINA

MAIN OBJECTIVES (UNITED KINGDOM)

1. To demonstrate Britain's willingness to develop through exchanges at the top level an enduring and balanced relationship with China. To show our confidence in China's stability and our interest in long-term co-operation, especially in Chinese economic development.
2. To continue a dialogue with the Chinese leadership on international issues. To explain our view particularly of the Soviet threat and of North-South questions. To persuade China of Western unity, realism and determination. To encourage China to play a constructive role in international organisations and debates.
3. Against this background, to obtain further Chinese understanding and co-operation over Hong Kong: this is the dominant objective for the visit. To reaffirm our wish to see a major Hong Kong contribution to China's economic development. To seek agreement on the opening of discussions on the future of the Territory after 1997. To contain public expectations of progress on the issue so that confidence in Hong Kong is not undermined.
4. To take such limited opportunities as may arise to further our commercial interests. To register with the Chinese what we have to offer in terms of technology and experience. To discuss possibilities for future commercial co-operation, including the Guangdong nuclear project.

LIKELY CHINESE OBJECTIVES

1. To discourage any weakening of British resolve to resist Soviet expansionism. To persuade Her Majesty's Government to work for greater European and NATO cohesion and to adopt more radical North/South policies aimed at reducing Soviet penetration of the Third World.
2. To persuade Her Majesty's Government of Chinese political stability and of the prospect of continuity for China's current 'open door' economic policy.

Confidential

3. To achieve progress towards the re-establishment of Chinese sovereignty over Hong Kong without jeopardising the Territory's prosperity.
4. To secure aid or concessionary finance in support of British involvement in China's economic modernisation.
5. To obtain Her Majesty's Government's support for the further development of economic co-operation between China and Hong Kong.
6. To obtain Her Majesty's Government's support for the maintenance of Democratic Kampuchea's credentials at the United Nations and to secure political support for the recently formed coalition of anti-Vietnamese forces in Cambodia.

C. HONG KONG

MAIN OBJECTIVES (UNITED KINGDOM)

1. To reassure the people of Hong Kong that Her Majesty's Government's commitment is as strong as ever.
2. To confirm that the common objective of the United Kingdom and China is to maintain Hong Kong's prosperity and stability.
3. [Depending on the results of the China visit] To confirm that in discussions with the Chinese on Hong Kong's future the interests of the people of Hong Kong will be taken into account.

LIKELY HONG KONG OBJECTIVES

1. To bring to the Prime Minister's attention certain United Kingdom/Hong Kong issues, notably Hong Kong's unhappiness over the Multi-Fibre Arrangement, the Nationality Act, and students' fees.
2. To obtain firm assurances that Britain is in no way distancing itself from Hong Kong.
3. To encourage Her Majesty's Government to face up to the problem of the future of Hong Kong in the near future and to ensure that in any discussions with the Chinese the wishes of the Hong Kong people are taken into account.

Prime Minister

C 3 above. You may prefer something like:-

"To confirm that in discussions with the Chinese on Hong Kong's future we shall be guided by our aim will be to secure a prosperous and secure future for the people of Hong Kong."

Confidential

ANNEX B

LIST OF BRIEFS FOR THE PRIME MINISTER'S VISIT TO
THE FAR EAST - 16-29 SEPTEMBER 1982

<u>LIST OF BRIEFS</u>	<u>Lead Department</u>	<u>In consultation with</u>
A. JAPAN		
1. Steering Brief (together with programmes and personality notes)	FCO(FED)	
<u>Bilateral Matters</u>		
2. Industrial issues (including inward investment and industrial and scientific co-operation)	DOI	FCO(FED/EESD/TRED)
3. Commercial issues (including BAe 146)	DOT	FCO(FED/TRED)
4. Defence relations and sales	MOD	FCO/FED/Defence)
<u>International Matters</u>		
5. EC/Japan (trade/political co-operation)	FCO (ECD(E))	DOT, DOI, TSY
6. Japanese Economy-International Implications	Treasury	FCO(ECD(E)FED) DOT, DOI
7. East and South East Asia	FCO(FED/ SEAD)	
8. East-West political relations (including Afghanistan)	FCO(EESD)	
9. East-West economic relations	FCO(TRED)	DOT, Treasury
10. Defence (and forces)	MOD	FCO(FED/Defence)
11. North-South dialogue	FCO(ERD)	Treasury
12. Middle East	FCO(NENAD/ MED)	

Capitular

LIST OF BRIEFS

Lead
Department

In consultation
with

Background Briefs

- | | | | |
|-----|------------------------------------|----------|--|
| 13. | Japan Foreign Policy | FCO(FED) | |
| 14. | Anglo-Japanese political Relations | FCO(FED) | |
| 15. | Politics in Japan | FCO(FED) | |
| 16. | Northern Islands | FCO(FED) | |

B. CHINA

- | | | | |
|----|---|----------|--|
| 1. | Steering Brief (together with programmes and personality notes) | FCO(FED) | |
|----|---|----------|--|

Bilateral Matters

- | | | | |
|-----|--|------------------|-------------------------------|
| 2. | Future of Hong Kong | FCO(HKGD) | |
| 3. | Guangdong Nuclear Project | DOI | FCO(FED/NED)
Treasury, DOT |
| 4. | Other commercial issues (eg involvement in modernisation of Chinese coal industry and ports, telecommunications and agricultural co-operation) | DOT | FCO(FED) |
| 5. | Defence Relations and Sales | MOD | FCO(FED/TRED) |
| 6. | Aid | ODA | FCO(FED/CRD)
Treasury, DOT |
| 7. | Scientific and Technological Co-operation and Educational exchanges | FCO(CRD) | DES, ODA |
| 8. | Air Services | FCO(MAED) | DOT |
| 9. | Consular agreement (including opening of consulate at Shanghai) | FCO(FED) | |
| 10. | Claims | FCO(Claims Dept) | Treasury |
| 11. | Travel Restrictions | FCO(FED) | |

Confidential

OF BRIEFS

Lead
Department

In Consultation
with

International Matters

- | | | | |
|-----|---|--------------------|------------------------------|
| 12. | East and South East Asia | FCO(FED/
SEAD) | |
| 13. | China and South Asia | FCO(SAD) | |
| 14. | East-West Relations (including
Poland and Afghanistan) | FCO(EESD) | |
| 15. | Defence (and forces) | MOD | Treasury
FCO(FED/Defence) |
| 16. | Middle East | FCO(NENAD/
MED) | |
| 17. | Arms Control | FCO(ACDD) | |
| 18. | COCOM | FCO(TRED) | MOD |

Background Briefs

- | | | | |
|-----|---|-----------|---------------|
| 19. | Chinese Foreign Policy (including
Sino/US and Sino/Soviet relations) | FCO(FED) | |
| 20. | Anglo-Chinese Political Relations | FCO(FED) | |
| 21. | Chinese Internal Policies | FCO(FED) | |
| 22. | Chinese Economy (including
modernisation) | MOD(D173) | FCO(FED), DOT |
| 23. | Taiwan | FCO(FED) | DOT |

C. HONG KONG

- | | | | |
|----|--|-----------|--|
| 1. | Steering Brief (together with
programmes and personality notes) | FCO(HKGD) | |
|----|--|-----------|--|

Bilateral Matters

- | | | | |
|----|---|-----------|-----------------------------|
| 2. | UK/Hong Kong issues (eg Nationality Act,
Students Fees, MFA, refugees) | FCO(HKGD) | Treasury |
| 3. | Defence and Security | FCO(HKGD) | MOD |
| 4. | Castle Peak Power Station | DOI | FCO(HKGD),
Treasury, DOT |

Confidential

LIST OF BRIEFS

	<u>Lead</u> <u>Department</u>	<u>In consultation</u> <u>with</u>
5. Other Major Commercial Opportunities	DOT	FCO(HKGD) Treasury
6. Meeting with Unofficial Members of the Executive and Legislative Councils (UMELCO)	FCO(HKGD)	
7. Multifibre Agreement in Hong Kong	DQT	FCO(ECD(E))

Background Briefs

8. Hong Kong's Political, Economic and Social Situation	FCO(HKGD)	
9. Hong Kong's Economic Relations with UK, EC, US and Japan	FCO(HKGD)	



Japan

cc mol Hz

10 DOWNING STREET

From the Private Secretary

26 July 1982

PERSONAL

Prime Minister's visit to Japan

Sir Julian Ridsdale asked me to lunch today to discuss the Prime Minister's visit to Japan.

He was rather concerned that the impact of the visit on public opinion here might be negative since it was bound to resurrect criticism of Japanese behaviour during the Falklands crisis as well as of its economic policy. He wondered whether, in order to impart a positive note, we might be able to secure significant defence sales business during the visit. In particular, he thought we should be able to interest the Japanese in purchasing Harrier aircraft. No doubt this point is under consideration.

He also suggested that we should arrange for the Prime Minister to meet, during her visit:

(a) The Governor of the Bank of Japan whose views on economic policy were, Ridsdale thought, not dissimilar from those of the Prime Minister.

(b) A Mr. Komoto who I believe is Minister of Planning and who, again according to Ridsdale, might be a future Prime Minister.

I am copying this letter to David Omand (Ministry of Defence).

A. J. COLES

Francis Richards, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL

copy filed as 1) Chris May &
visit to Chris May
2) May/roy fly &
visit to May/roy (May)

file - L.B



10 DOWNING STREET

From the Private Secretary

26 July 1982

VISIT BY THE PRIME MINISTER TO THE FAR EAST

I enclose a copy of a letter which the Prime Minister has received from Mr. Michael Marshall, M.P. As you will see, it outlines a number of defence sales and other commercial opportunities which Mr. Marshall believes might be pursued during the Prime Minister's visit to the Far East in September.

Mrs. Thatcher has replied, thanking Mr. Marshall for his letter and saying that we shall be looking at all his ideas.

Unless you or other recipients consider that the Prime Minister should receive advice on any of these matters now, perhaps you could ensure that they are covered to the extent necessary in the briefing which is prepared for the visit.

I am copying this letter and enclosure to Francis Richards (Foreign and Commonwealth Office), John Rhodes (Department of Trade), Jonathan Spencer (Department of Industry) and David Wright (Cabinet Office).

AL COLES

D. B. Omand, Esq.,
Ministry of Defence.

288

copy filed on 1) china May 82
Visit to China Brief
2) Hong Kong July 82
Visit to Hong Kong Brief



10 DOWNING STREET

THE PRIME MINISTER

26 July 1982

Mr & Mrs Marshall

Thank you very much indeed for your full and interesting letter of 22 July about defence sales and other commercial opportunities in Japan, Hong Kong and China. We shall be looking at all your ideas, together with the various Ministers involved. Thank you so much for writing.

Yours ever

Raymond

Michael Marshall, Esq., M.P.

From: Michael Marshall, M.P.



copy filed on 1) China May 82
sent to China Office
2) Hong Kong July 82
sent to Hong Kong Office

22nd July 1982

Dear Prime Minister,

Earlier this week I returned from a visit to Japan, Hong Kong and the People's Republic of China, which I undertook both as a member of the Select Committee on Defence and as Parliamentary Adviser to British Aerospace and Cable and Wireless. Having declared my interest in defence sales generally, specifically on behalf of British Aerospace and in wider telecommunication opportunities for Cable and Wireless, I hope that the following comments may be of interest to you in the light of your proposed visit to the Far East in September.

1. Japan.

By way of background, I should mention that the Select Committee had had full discussions in Washington before arriving in Japan where, apart from a real, intense interest in and appreciation of our success in the Falklands, the main thrust of the discussions both with the administration and the Senate Armed Services Committee had been to enlist our support for increased Japanese defence expenditure.

Within the last few days, Prime Minister Suzuki has made it plain that Japan will exceed its current limit of defence expenditure of 1 per cent of GNP this year and there are obvious opportunities for British defence sales in Japan. The Foreign Minister, the Minister for Justice as well as Members of the Diet with special defence interests, all showed a willingness to consider British plans for the sale of equipment such as the Harrier, Rapier, Blow-pipe, Sea Wolf etc.

However, such sales are inhibited by two factors. First, there is the long-standing Japanese inhibition about "going public" on defence procurement and, second, the virtual monopoly of U.S. defence supplies to Japan at the present time. As against this, Japan is clearly sensitive to its trade imbalance with Europe and its special relationship with the United Kingdom as the principal source for its foreign investment designed to capture a share of the European market. Under these circumstances and given the somewhat strident tone adopted by the U.S. administration and Congress in pressing for increased defence expenditure, I believe that there are reasonable prospects in looking for increased Japanese defence expenditure from the United Kingdom, and in meetings with British Aerospace and the SBAC during the next few days I shall be pressing for a concerted effort to provide the maximum industrial impetus to



coincide with your own visit.

2. People's Republic of China.

My views after a four-day visit are necessarily limited. Nevertheless, it seems clear that the Chinese Government wish to have some kind of contract which can be agreed in time for your visit. On the other hand, on sales one cannot be over optimistic even with the prior claims for modernisation of industry, agriculture and science and technology. Moreover, Xu Xin, Assistant Chief of General Staff (and very much regarded as the coming Defence man) gave clear indication that his priorities were directed towards the modernisation of the Army first and the Navy second (and no mention was made of the Air Force). He went on to emphasise that the United Kingdom should regard itself as well placed in the league of defence suppliers in relation to its major competitors.

Looking more widely at the prospects for British exports to China, it is hard to see where the grand gesture will come from given the current shortage of foreign exchange. On that score, it may be that some prospects currently lie in the joint venture and increased scope for trading at provincial level. I have particularly in mind the Hong Kong - Guangzhou micro-wave system which is to become operational by early 1983. This is part of a determined effort by Cable and Wireless to build up a direct communications commitment between Hong Kong, the Province of Guangdong and through its other interests in Singapore and Manila, to cover the whole of the Far East.

There are substantial political implications in a joint commitment of this kind so far as the whole future of Hong Kong is concerned.

3. Hong Kong

Apart from what might be termed conventional communication links of this kind, there are a number of other opportunities for Hong Kong to strengthen its commercial and industrial links with mainland China. The chief concern remains the uncertainty over the future of the New Territories and its impact on such desirable projects as the possible replacement airport on Lantau Island. Meanwhile, Mr. Bremridge, the Financial Secretary, believes that the Colony must make a firm decision regarding this and other competing claims for the new towns, the house building programme etc. in about 18 months time. Incidentally, he expressed himself well satisfied with the Hong Kong Government's equity stake in Cable and Wireless and the new vigour and drive in the management of that Company.



One other possible Hong Kong project is worthy of mention, particularly as it would seek to draw on substantial private capital and the China connection. This is the proposal for a regional satellite which might provide television and business services along the pattern evolved by British Aerospace, Marconi and BT in this country. In Hong Kong a partnership made up of Cable and Wireless, British Aerospace and other owner/users such as the Hong Kong Shanghai Bank (who have already indicated their initial interest) would certainly strengthen Hong Kong's claim as the communications centre for the Far East as well as strengthening the U.K. space industry.

I have obviously used a good deal of shorthand in this letter and I would only be too pleased to amplify any of the points raised. However, in view of the importance of a number of these Cable & Wireless, British Aerospace projects as they affect your Far Eastern tour, I hope you will not take exception to the provision of further detailed briefing material from both Companies and the S.B.A.C. via the M.O.D. and D.of I.

Yours ever,

Thatcher

The Rt. Hon. Margaret Thatcher P.C., M.P.,
Prime Minister,
10 Downing Street,
London S.W.1.



From the Permanent Secretary
M. D. M. Franklin, CB CMG

*cc to Japan, Hong Kong Policy
Originator China Policy*

DEPARTMENT OF TRADE
1 VICTORIA STREET
LONDON SW1H 0ET

TELEPHONE DIRECT LINE 01 215 3785
SWITCHBOARD 01 215 7677

20 July 1982

Sir Robert Armstrong KCB CVO
Cabinet Office
Whitehall
London SW1

A.J.C. ^{21.}/₇

k.a.

Dear Robert,

PRIME MINISTER'S VISIT TO THE FAR EAST
16-29 SEPTEMBER 1982

I have no comments on Antony Acland's letter to you of 7 July setting out the background and general objectives to the Prime Minister's visit to the Far East.

As regards Annex A, I would like to suggest:

- (a) some rewording of paragraph 5 (Japan) as follows:

"To bring the Japanese to recognise the need for adjustment of their economic policies so as to prevent continuing large trade surpluses; to avoid export-led growth; to increase import propensity to levels comparable with other OECD countries; to support voluntary restraint arrangements as a means of avoiding direct Government action; and to encourage measures to strengthen the yen."

- (b) an addition to the "Commercial" objectives in para. 8 (Japan) of

"To press for meaningful reductions in tariffs in areas of importance to the UK."

On the list of briefs at Annex B, I think the Department of Trade should be included among those to be consulted on the Guangdong nuclear and aid briefs (Nos. 3 and 6) for China; and the same applies, brief No. 4, on the Castle Peak power station for Hong Kong. Finally, the Prime Minister will undoubtedly hear a great deal about the Multifibre Agreement in Hong Kong and you may feel that it would be advisable to provide a separate brief on this subject rather than include it in the general brief on UK/Hong Kong issues. We will of course produce it.



I am copying this to Antony Acland and recipients of his letter.

Yours ever
Michael

M D M FRANKLIN

cc Sir Antony Acland KCVO CMG
Foreign & Commonwealth Office

Sir Peter Preston KCB
ODA

Sir Peter Carey GCB
Department of Industry

Sir Frank Cooper GCB CMG
Ministry of Defence

A J Coles Esq
No. 10



Original folder China - PM's visit to China

Foreign and Commonwealth Office

London SW1A 2AH

7 July 1982

Sir Robert Armstrong KCB CVO
CABINET OFFICE


My dear Robert,

*AR 9/7
p. 2.*

PRIME MINISTER'S VISIT TO THE FAR EAST, 16-29 SEPTEMBER 1982

1. The Prime Minister is due to visit Japan, China and Hong Kong in September. This will be her first visit to Japan since 1979, when she attended the Tokyo Economic Summit, and to China and Hong Kong since 1977 when she was Leader of the Opposition. No British Prime Minister has visited China while in office. Most other Western heads of government and state have done so.
2. Since 1979 the Liberal Democratic Party Government of Japan, which has increased its majority, has concentrated on administrative reform and efforts to balance the national budget; on a gradual extension of Japanese involvement in international affairs; and, with even greater caution, on the development of a stronger defence posture. During this period the Japanese economy has been characterised by low inflation and unemployment and by an ever-growing external trade surplus, causing increased friction with OECD partners. Neither in the political nor in the economic arena has Japan's performance as a member of the club of advanced countries been entirely satisfactory; her sense of political responsibility is still immature, and her response to the pressures of the international economic situation has been inadequate.
3. Changes in China have been much greater since the Prime Minister's visit to Peking in 1977. Deng Xiaoping, who was beginning then to re-emerge as a major face in Chinese politics, has eased Mao Zedong's designated heir Hua Guofeng out of both the Premiership and the Chairmanship, and put in his own men; China has embarked on a course of economic modernisation which she has had to modify substantially in the light of experience since the programme was launched in 1978; and Sino/US relations have been normalised, although the relationship is at present threatened by disagreement over the supply of US arms to Taiwan.

CONFIDENTIAL



4. Hong Kong has continued to prosper throughout the last 5 years under the outstanding governorship of Sir Murray MacLehose, who was succeeded by Sir Edward Youde in May. A growth rate of 8-10% has been sustained despite the world recession, and a number of major development projects, in which the participation of British companies has been prominent, have been undertaken in both the private and public sectors. The influx of refugees from China has been brought under control, but a steady albeit reduced stream of refugees from Vietnam continues. The importance of Hong Kong as a market for British export goods has increased dramatically: at over £500 million the level of British sales makes Hong Kong almost as important in this respect as Japan.

5. By visiting the Far East at this time the Prime Minister will show that Britain as a world power has a role to play in an area of great strategic importance and in relations with two great Asian powers. Bilaterally the visit will enable us to impress on the Japanese that in our view they have so far failed to live up to our expectations of them in the international political and economic fields; it will be an opportunity to continue the development of our relationship with China, and specifically to begin discussion of the future of Hong Kong; and to identify HMG firmly with the interests of Hong Kong.

6. It is evident that the Japanese attach considerable importance to the visit, especially in the light of the uncertainty surrounding French economic policy and the domestic political strength of the West German Government. For the Chinese it will be an opportunity to gauge British thinking on the future of Hong Kong. People in Hong Kong will watch the outcome of the talks in Peking carefully and will look for progress on the problem, in order to sustain the confidence which is critical to their continuing prosperity.

7. I attach at Annex A a list of objectives for the tour, and at Annex B a proposed list of briefs. The list of briefs may appear long, but this is in our view unavoidable given the importance and breadth of interest of the two major countries to be visited, and their very different outlook. We suggest that Departments be asked to have all the briefs circulated by Friday, 10 September, with a view to a briefing meeting with the Prime Minister at the beginning of the following week. Both Sir H Cortazzi and Sir P Cradock (both at present on UK leave) are planning to return to their posts to supervise final preparations for



the visit before the Prime Minister returns from holiday in September, but she will have had an opportunity to meet the two Ambassadors to discuss the overall shape of the visit before she leaves for her holiday in early August.

Yours ever
Antony

Antony Acland

cc: Sir Douglas Wass GCB
HM TREASURY

Sir Peter Preston KCB
ODA

M D M Franklin Esq CB CMG
DEPARTMENT OF TRADE

Sir Peter Carey GCB
DEPARTMENT OF INDUSTRY

Sir Frank Cooper GCB CMG
MINISTRY OF DEFENCE

A J Coles Esq
NUMBER 10



CONFIDENTIAL

OBJECTIVES

A) JAPAN

Broad Objectives (UK)

1. To encourage Japan to accept greater responsibility for the international consequences of her economic success, and to adapt her economic and trading policies accordingly.
2. To promote industrial collaboration between the UK and Japan.
3. To convey the continued importance we attach to collaboration with Japan on political as well as economic issues.
4. To promote specific bilateral economic and commercial objectives.

Specific Objectives (UK)Economic - International

5. To bring the Japanese to recognise the need for adjustment of their economic policies so as to prevent the re-emergence of a large trade surplus; to avoid export-led growth; to increase import propensity; and to encourage action to strengthen the yen.

Economic - Bilateral

To promote inward investment and scientific and industrial cooperation.

Political

7. To seek Japanese support for UK/Western objectives especially in East/West matters and the Middle East; and to exchange views on other international issues, especially Asian questions.

Commercial

8. To promote aircraft sales (BAe 146); defence sales (especially Sea Harrier); and sales of high technology equipment. To emphasise the need for changes in the structure of Japanese industry and distribution to reduce the propensity for self-sufficiency and to secure easier access for foreign goods.

Likely Japanese Objectives

1. To repair the damage to Anglo-Japanese relations caused by Japanese unhelpfulness over the Falklands.
2. Following recent visits to Japan by other European leaders (Pertini, Mitterrand) and contacts eg at Versailles, to strengthen overall political and economic cooperation with Britain.
3. To avoid excessive concentration on bilateral (UK-Japan and EC-Japan) trade problems; and to convey the importance of recent measures to open the Japanese market.

B) CHINA

Main Objectives (UK)

1. To demonstrate Britain's willingness to develop through exchanges at the top level an enduring and balanced relationship with China. To show our confidence in China's stability and our interest in long-term cooperation, especially in Chinese economic development.
2. To continue a dialogue with the Chinese leadership on international issues. To explain our view particularly of the Soviet threat and of North-South questions. To persuade China of Western unity, realism and determination. To encourage China to play a constructive role in international organisations and debates.
3. Against this background, to obtain further Chinese understanding and cooperation over Hong Kong: this is the dominant objective for the visit. To reaffirm our wish to see a major Hong Kong contribution to China's economic development. To seek agreement on the opening of discussions on the future of the Territory after 1997. To contain public expectations of progress on the issue so that confidence in Hong Kong is not undermined.
4. To take such limited opportunities as may arise to further our commercial interests. To register with the Chinese what we have to offer in terms of technology and experience. To discuss possibilities for future commercial cooperation, including the Guangdong nuclear project.

Likely Chinese Objectives

1. To discourage any weakening of British resolve to resist Soviet expansionism. To persuade HMG to work for greater European and NATO cohesion and to adopt more radical North/South policies aimed at reducing Soviet penetration of the Third World.

2. To persuade HMG of Chinese political stability and of the prospect of continuity for China's current 'open door' economic policy.
3. To achieve progress towards the re-establishment of Chinese sovereignty over Hong Kong without jeopardising the Territory's prosperity.
4. To secure aid or concessionary finance in support of British involvement in China's economic modernisation.
5. To obtain HMG's support for the further development of economic cooperation between China and Hong Kong.
6. To obtain HMG's support for the maintenance of Democratic Kampuchea's credentials at the United Nations and to secure political support for the recently formed coalition of anti-Vietnamese forces in Cambodia.

C) HONG KONG

Main Objectives (UK)

1. To reassure the people of Hong Kong that HMG's commitment is as strong as ever.
2. To confirm that the common objective of the UK and China is to maintain Hong Kong's prosperity and stability.
3. [Depending on the results of the China visit] To confirm that in discussions with the Chinese on Hong Kong's future the interests of the people of Hong Kong will be taken into account.

Likely Hong Kong Objectives

1. To bring to the Prime Minister's attention certain UK/Hong Kong issues, notably Hong Kong's unhappiness over the Multi-Fibre Arrangement, the Nationality Act, and students' fees.
2. To obtain firm assurances that Britain is in no way distancing itself from Hong Kong.
3. To encourage HMG to face up to the problem of the future of Hong Kong in the near future and to ensure that in any discussions with the Chinese the wishes of the Hong Kong people are taken into account.

PRIME MINISTER'S VISIT TO THE FAR EAST, SEPTEMBER 1982

LIST OF BRIEFS	Lead Department	In consultation with
A) JAPAN		
1. Steering Brief (together with programmes and personality notes)	FCO (FED)	
<u>Bilateral Matters</u>		
2. Industrial issues (including inward investment and industrial and scientific cooperation)	DOI	FCO (FED/EESD/TRED)
3. Commercial issues (including BAe 146)	DOT	FCO (FED/TRED)
4. Defence sales	MOD	FCO (FED/DEFENCE)
<u>International Matters</u>		
5. EC/Japan (trade/economic/political cooperation)	FCO (ECD(E))	DOT, DOI, TREASURY
6. East and South East Asia	FCO (FED/SEAD)	
7. East-West political relations (including Afghanistan)	FCO (EESD)	
8. East-West economic relations	FCO (TRED)	DOT, TREASURY
9. North-South dialogue	FCO (ERD)	TREASURY
10. Middle East	FCO (NENAD/MED)	
<u>Background Briefs</u>		
11. Japan foreign policy	FCO (FED)	
12. Anglo-Japanese political relations	FCO (FED)	
13. Politics in Japan	FCO (FED)	
14. Japanese economy	FCO (FED)	TREASURY, DOI, DOT
15. Japanese economic relations with UK and other countries	FCO (ERD)	
16. Northern islands	FCO (FED)	

B) CHINA

1. Steering Brief (together with programmes and personality notes) FCO (FED)

Bilateral Matters

2. Future of Hong Kong FCO (HKGD)
3. Guangdong nuclear project DOI FCO (FED/NED)
4. Other commercial issues (eg involvement in modernisation of Chinese coal industry and ports, telecommunications and agricultural cooperation) DOT FCO (FED)
5. Defence sales MOD FCO (FED/TRED)
6. Aid ODA FCO (FED/CRD)
7. Scientific and Technological Cooperation and Educational exchanges FCO (CRD) DES, ODA
8. Air services FCO (MAED) DOT
9. Consular agreement (including opening of consulate at Shanghai) FCO (FED)
10. Claims FCO (Claims Dept)
11. Travel restrictions FCO (FED)

International Matters

12. East and South East Asia FCO (FED/SEAD)
13. China and South Asia FCO (SAD)
14. East-West relations (including Poland and Afghanistan) FCO (EESD)
15. Middle East FCO (NENAD/MED)
16. Arms control FCO (ACDD)
17. COCOM FCO (TRED) MOD

Background Briefs

- | | | |
|---|------------|----------------|
| 18. Chinese foreign policy
(including Sino/US and Sino/
Soviet relations) | FCO (FED) | |
| 19. Anglo-Chinese political
relations | FCO (FED) | |
| 20. Chinese internal policies | FCO (FED) | |
| 21. Chinese economy (including
modernisation) | MOD (DI73) | FCO (FED), DOT |
| 22. Taiwan | FCO (FED) | DOT |

C) HONG KONG

- | | | |
|---|------------|--|
| 1. <u>Steering Brief</u> (together
with programmes and
personality notes) | FCO (HKGD) | |
|---|------------|--|

Bilateral Matters

- | | | |
|--|------------|------------|
| 2. UK/Hong Kong issues
(eg Nationality Act,
Students Fees, MFA,
refugees) | FCO (HKGD) | |
| 3. Defence and Security | FCO (HKGD) | MOD |
| 4. Castle Peak Power Station | DOI | FCO (HKGD) |
| 5. Other major commercial
opportunities | DOT | FCO (HKGD) |
| 6. Meeting with Unofficial
Members of the Executive
and Legislative Councils
(UMELCO) | FCO (HKGD) | |

Background Briefs

- | | | |
|---|------------|--|
| 7. Hong Kong's political,
economic and social
situation | FCO (HKGD) | |
| 8. Hong Kong's economic
relations with UK, EC, US
and Japan | FCO (HKGD) | |



FIVE

RM

10 DOWNING STREET

From the Private Secretary

6 July, 1982

THE GREAT JAPAN EXHIBITION AND THE PRIME MINISTER'S VISIT TO

JAPAN

Thank you for your letter of 5 July recommending that the Prime Minister should give a small reception for the Policy Committee of the Great Japan Exhibition and one or two other guests.

The Prime Minister has considered this recommendation but has decided that she does not wish to give such a reception. It would be difficult to find time for the event between the Prime Minister's return to London on 6 September and her departure for the Far East ten days later. But I think the Prime Minister was also influenced by the attitude which Japan displayed during the Falklands crisis and the recent evidence suggesting that Nissan was likely not to go ahead with its earlier plans to invest in the United Kingdom.

A. J. COLES

John Holmes, Esq
Foreign and Commonwealth Office

BPC



10 DOWNING STREET

Prime Minister

1. The contrary arguments are :-

- (a) your visit to the Exhibition was a sufficient gesture
- (b) you will have a mere 10 days between your visit to Balmoral and your departure for the Far East. You will probably want to concentrate on domestic matters
- (c) we shall be asking you to fit in to that 10 day period a number of interviews with Far Eastern journalists, plus perhaps a meeting / reception with British businessmen.

2. I am therefore inclined to doubt whether you should agree to the F./C.O. recommendation. Decline? Yes

M/ A.S.C. $\frac{5}{7}$.



Foreign and Commonwealth Office

London SW1A 2AH

5 July 1982

Dear John,

I think that would be too much. Minister now looks like pulling out of negotiations here & Japan has NOT been a friend not

The Great Japan Exhibition and the Prime Minister's Visit to Japan

The Great Japan Exhibition is generally reckoned to have been very successful. The Prime Minister will be aware of its quality, the work that went into it and the degree of Japanese support and commitment to it, without which it could not have taken place.

In spite of Japanese feebleness in our support recently, we have been wondering whether this success is something which we can turn to our advantage, particularly in the context of the Prime Minister's visit to Japan in September. We believe that if the Prime Minister were prepared to give a small reception in September before her visit to Japan for the Exhibition's Policy Committee and perhaps one or two others this would have a number of advantages.

First it would be seen by the Japanese as a clear sign that the Government generally, and the Prime Minister in particular, share the general opinion of the success of the Exhibition and its importance for Anglo-Japanese cultural relations. The fact that the Prime Minister is Patron of the Exhibition would make the gesture seem appropriate. The Japanese themselves have attached exceptional importance to the Exhibition and the holding of a reception would have an effect on the general climate for the Prime Minister's visit. (Conversely, the lack of a gesture of this kind, particularly given the Prime Minister's position as Patron, would be noticed by the Japanese and perhaps given undue significance, particularly since the Crown Prince of Japan has offered parallel entertainment in Tokyo.)

/Secondly,



Secondly, business sponsorship of the Arts is comparatively new in this country. The Government have made no secret of their view that in present economic circumstances the private sector must play its part in supporting major cultural manifestations. In the case of the Great Japan Exhibition, private sponsorship subscribed over £1 million with several of the larger sponsors contributing over £100,000 each. A reception for the Policy Committee would be much appreciated by the sponsors themselves (and would undoubtedly strengthen the position of those responsible in their companies for support for the Japan Exhibition). It would also be seen generally as an indication of approval for business sponsorship of the Arts and could favourably influence future business sponsorship. I enclose a list of the Policy Committee which includes all of those chiefly responsible either for organising or sponsoring the exhibition. I suggest that only representatives of Grand Metropolitan Hotels and British Airways be added as the only two major sponsors not represented on the Policy Committee.

I also attach a list of a few other names who might also be invited to such a reception. For the most part they need no explanation. Both Mr Channon, the Arts Council and the British Council have been actively promoting business sponsorship of the Arts.

Yours ever

(J E Holmes)
Private Secretary

A J Coles Esq
10 Downing Street



GREAT JAPAN EXHIBITION

ROYAL ACADEMY OF ARTS, LONDON W1V ODS

Policy Committee Members (UK)

Sir Hugh Casson KCVO, Chairman
President of the Royal Academy

Mr Antony Butterwick
Director, Overseas Containers Ltd

Mr Roger de Grey RA
Treasurer of the Royal Academy

The Earl of Drogheda KG KBE

Mr Joe Earle
Assistant Keeper, Far Eastern Dept, Victoria and Albert Museum

Sir John Figgess KBE CMG

Mr Frederick Gore RA
Chairman Exhibitions Committee, Royal Academy

Sir Denis Hamilton DSO

Mr Sydney C Hutchison CVO
Secretary of the Royal Academy

Dr Oliver Impey
Assistant Keeper, Department of Eastern Art, Ashmolean Museum
Oxford

Sir John Keswick KCMG

Mr Roderick MacFarquhar MP

Mr J E C Macrae
Head of Cultural Relations Dept, Foreign and Commonwealth Office

Mr Graham McCallum CBE
Director, John Swire & Sons Ltd

Mr Brian Nicholson
Joint Managing Director, The Observer

Sir John Pilcher GCMG

Mr Brian Quinn
Managing Director, Visnews Ltd

Sir Julian Ridsdale CBE MP
Chairman, British Japanese Parliamentary Group

Mr Tom Ross
Shell Group Public Affairs Coordinator

Mr Lawrence Smith
Keeper, Department of Oriental Antiquities, British Museum

Mr Geoffrey Taylor
Director and Deputy Group Chief Executive, Midland Bank Ltd

Mr John Waterton
Group Marketing Director, Dawson International Ltd (Pringle of
Scotland)

Professor William Watson
Head of the Percival David Foundation, University of London

Dr David Wilson
Director of the British Museum

Mr Nicholas Wolfers
Assistant Director, Samuel Montagu & Company Ltd
Exhibition Coordinator for the Sponsors

Sir Philip de Zulueta

Mr Norman Rosenthal
Exhibitions Secretary, Royal Academy

Others

The Rt Hon Paul Channon MP
Minister of State, DES

Sir Roy Shaw
Secretary General, Arts Council of Great Britain

Sir John Burgh CB
Director General, British Council

Mr David Michels
Director of Sales and Marketing, Grand Metropolitan Hotels

Mr R D Ganderton
Chief of Promotional Sales, British Airways, West London Terminal

Mr Christopher Hammond
Chairman, Sponsors Sub-Committee, Midland Bank International

Mr Tsuyoshi Hirahara
Japanese Ambassador

Mr Natsuo Amamiya
Director and London representative of Japan Foundation

Mr Koichi Tsutsumi
Minister, Japanese Embassy

Mr Shoji Sato
Second Secretary, Japanese Embassy

Mr H Ito
JAL Vice-President (Europe) and Vice-President (Africa)

Mr Y Mayumi
General Manager UK and Eire, JAL

Reserves

Executive Committee Members (not included on Policy Committee)

Mr Laurie Bray
Registrar, Royal Academy



- 3 -

Miss Griselda Hamilton-Baillie
Assistant Secretary (Public Relations), Royal Academy

Mr Trevor Clark
Bursar, Royal Academy

Mr Alan Irvine
(Designer of the Exhibition), Buzas & Irvine

Mr Alan Macdonald
(Manager, Press and External Affairs), Midland Bank International

Dr Michael Pascoe
(Adviser on Conservation), Camberwell School of Arts & Crafts

Mr Denis Serjeant
Surveyor, Royal Academy

Mr Kenneth Tanner MVO
Comptroller, Royal Academy

Miss Annette Bradshaw
Deputy Exhibitions Secretary, Royal Academy

Others

Mrs S Henny
Assistant Director, Japan Foundation

Miss Beth Borchardt
(Liaison) Midland Bank International

Miss Christine Smith
(Shop Manager) 28 Neal Street WC2

Mr Akira Sugino
Counsellor, Japanese Embassy

Mr Yukio Satoh
Counsellor, Japanese Embassy

2



10 DOWNING STREET

PRIME MINISTER

You might like to look at
this letter from George
Turnbull about the performance
of Japanese motor manufacturers.
I have acknowledged on your
behalf.

MS

3 February 1981

G. H. TURNBULL
B.SC.(HONS),C.ENG.,F.I.MECH.E.,F.I.P.E.
CHAIRMAN AND MANAGING DIRECTOR



28th January 1981.

(3)2

Japan
file
for visit.

The Rt. Hon. Margaret Thatcher, M.P.,
Prime Minister,
10 Downing Street,
LONDON.

Dear Prime Minister,

pk. @A

Mr. James Pawsey, who as Member of Parliament for Rugby, represents the constituency in which our Ryton Car Assembly Plant is located has asked for my views on certain aspects of the Japanese car industry in the light of correspondence between him and yourself.

I am attaching, for your information, a copy of my letter to Mr. Pawsey which I felt you might wish to read in view of your special interest in the question of productivity in Britain compared with that of other nations.

Yours sincerely,

G. H. Turnbull

Enc.

TALBOT MOTOR COMPANY LIMITED

REGISTERED OFFICE: ADMINISTRATIVE CENTRE PO BOX 122A ABBEY ROAD WHITLEY COVENTRY CV3 4GB TEL 0203 303505
TELEX 311511 CABLES TALBOTWHT COV REGISTERED IN ENGLAND NO.148545
DIRECTORS: G.H.TURNBULL P.L.GRIFFITHS R.D.PARHAM R.A.GRANTHAM R.T.KINGDON
A.F.MURRAY F.PERRIN-PELLETIER(FRANCE) LORD ROLL of IPSDEN D.SAVEY(FRANCE) L.B.WARREN(U.S.A) G.J.B.V.HEREIL(FRANCE)

28th January 1981.

Mr. J. F. Pawsey, M.P.,
House of Commons,
LONDON,
SW1A 0AA.

Dear Mr. Pawsey,

Thank you very much for your letter together with the correspondence between yourself and the Prime Minister.

Whilst I do not think I have seen the particular report to which you refer in your letter I have seen the report prepared by Bill Hayden of Ford which he circulated to his senior management and which would appear, from what you say, to have formed the basis of the presentation to the House of Commons All Party Motor Industry Group. It certainly indicates that Ford see the Japanese problem in exactly the same way as we do.

I share the Prime Minister's view that cultural attitudes are a contributory factor in explaining why Japanese productivity is so high but like Mrs. Thatcher, I believe that the cultural contribution should not be over-exaggerated. Discipline which is at the heart of the matter is not by any means a Japanese monopoly.

I have visited a number of major Japanese automotive plants and believe that other important contributory factors include a high degree of automation on the shop floor, which is the result of extensive and planned investment, a highly supportive and consistent government attitude to the motor industry and a very realistic and practical approach by the trade unions and the workforce.

Whilst many European and American companies have had similar planned investment programmes to the Japanese, they have not been able to match the fundamental and practical attitudes of the Japanese labour force. There is absolutely no doubt whatsoever that practical manpower utilisation practiced in the Japanese motor industry is the overriding factor in achieving higher productivity. There is, in Japan an understanding that there is a virtue in producing more cars with less people and this has led in turn to fundamental changes in thinking about job content. It is viewed in a way which, if repeated in the U.K. with present attitudes, would rapidly put trade unions into conflict with each other.

As an example work which we would categorise as highly skilled, semi-skilled and unskilled are often grouped together and undertaken by one individual. It has resulted in dramatic changes in manning and labour flexibility.

Education is another factor. The standard of education of many employees at Japanese car plants is extremely high and it is quite common to see personnel educated to High School level and beyond undertaking manual work. In addition extensive post-recruitment employee-orientation programmes are very common.

During my two years at Talbot I have made productivity a major priority and, as you say in your letter, we have managed to make improvements in excess of 20 per cent. Whilst this has brought us much closer to the levels of our European counterparts, very much bigger improvements still need to be made if we are to be truly competitive in international terms. This is a message I have constantly emphasised in my regular meetings with employees and trade unions.

The rewards for substantial improvements in productivity, as the Prime Minister rightly points out, will be higher wages in real terms and better job security.

I, of course, share the very real concern about the high level of Japanese imports into this country. The current informal understanding between the Society of Motor Manufacturers and Traders and JAMA, its Japanese counterpart, seeks to impose limits on penetration levels in this country. Naturally as a member of the SMMT delegation at the next round of discussions in Portugal next week I hope that this understanding continues to be honoured by the Japanese manufacturers because we must face up to the fact that if they do not contrive to co-operate the whole of the United Kingdom motor industry must be at risk.

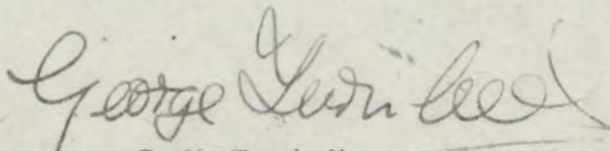
In the meantime we must use the period of co-operation to address ourselves to the task of trying to convince the Trades Unions and employees that they need to face some fundamental changes in attitudes and accept that all types of demarcation must go.

The Japanese management and workers attitude to quality is also another significant contributory factor and gives a double benefit ; much better quality and almost negligible numbers of inspectors and quality control staff.

I could go on illustrating the differences between the Japanese motor industry and the rest of the world and it all adds up to more cars and less people to make them. Ratios of 3 : 1 in favour of the Japanese compared with best German car companies and 6 : 1 when compared with the U.K. Perhaps in more recent time the gap has been narrowed to 5 : 1 but as you well realise that to catch up in the short term is almost impossible.

Thank you again for the opportunity to comment on the correspondence.

Yours sincerely,



G. H. Turnbull

