

PREM 19/1073

PART 3.

Confidential filing.

Anglo - Japanese Relations.

JAPAN.

Effects of Japanese imports on the European car industry.

Part 1: May 1979

Nissan.

Part 3: Nov 1982.

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
25.11.82		28.2.83					
30.11.82		18.3.83					
3.12.82		23.3.83					
7.12.82		5.4.83					
9.12.82		14.4.83					
15.12.82		29.4.83					
17.12.82		7.6.83					
24.12.82		16.6.83					
12.1.83		23.6.83					
19.1.83		8.7.83					
20.1.83		12.7.83					
25.1.83		18.7.83					
30.1.83		26.7.83					
2.7.1.83		19.9.83					
31.1.83		29.9.83					
7.2.83		26.10.83					
15.2.83		2.11.83					
17.2.83		7.11.83					
25.2.83		14.11.83					

PREM 19/10/83

PART 3 ends:-

A Pinnel (British Embassy, Tokyo) to AJC 31.10.83

PART 4 begins:-

FCO to AJC

1.11.83

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
CC(83) 5 th Meeting, item 3	17/02/1983

The documents listed above, which were enclosed on this file, have been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate CAB (CABINET OFFICE) CLASSES

Signed J. Gray

Date 15/4/2013

PREM Records Team



British Embassy
No 1 Ichiban-Cho Chiyoda-ku Tokyo

Telex J22755 (A/B PRODROME)
Telephone 265-5511

Amg 1/15
CK
await Award Certificate before submitting to AGC

A J Coles Esq
No 10 Downing Street
London SW1

Your reference
Our reference 126/2
Date 31 October 1983

Dear Coles,

INTERNATIONAL DESIGN FESTIVAL, OSAKA

As promised in the Ambassador's letter of 11 October, I am forwarding to you by this bag the Award Certificate (in a lacquered frame) and the Prize presented to the Prime Minister at the International Design Festival held in Osaka on 7 October.

Yours ever
A F Pinnell

A F Pinnell
First Secretary
(Information)

Copies to:

Inward Bag Room, FCO

Far Eastern Department, FCO

Super
Relations,
Pt 3





Foreign and Commonwealth Office

London SW1A 2AH

31 October 1983

Dear John,

Mr Michio Watanabe is calling on the Prime Minister at 4 p.m. on 2 November. I enclose copies of the briefing prepared for the Foreign Secretary (who is receiving a similar courtesy call on 1 November), a personality note, and a copy of Mr Watanabe's programme.

Mr Watanabe is reported to be bringing with him a personal letter for the Prime Minister from Mr Nakasone.

Yours ever,

(P F Ricketts)
Private Secretary

Peter Ricketts

A J Coles Esq
10 Downing Street

POINTS TO MAKE

CALL ON THE SECRETARY OF STATE BY MR WATANABE

1. Have followed closely events in Japan since the Tanaka verdict. Interested in Mr Watanabe's views about how the situation may develop.
2. Recently announced economic measures demonstrate political will of Japanese Government to deal with this problem. We welcome these steps but acid test will be whether measures reduce the present trade surpluses. Trade figures continue to deteriorate. In Japan's interest to defuse inevitable pressures for protectionism.

Far Eastern Department
31 October 1983

ESSENTIAL FACTS

POLITICAL

1. On 12 October former Prime Minister Kakuei Tanaka was found guilty of accepting a 500 million yen bribe from the Lockheed Corporation whilst in office. He immediately appealed against the verdict and announced his determination not to give up his seat in the Diet, although he had formally left the LDP some time earlier and sits as an independent. Parliamentary business has been brought to a standstill because opposition parties insist that a resolution calling for his resignation be introduced into the Diet before other legislation proceeds. Two bills being held up by the opposition boycott, one cutting income tax and the other raising the wages of public servants, are popular with all parties, but the opposition remains intransigent. The powerful influence which Tanaka's faction still exerts within the LDP makes the introduction of a resolution for Tanaka's resignation unacceptable although there are those even in the LDP who would vote for it. Prime Minister Nakasone is reported recently to have tried unsuccessfully to persuade Tanaka to resign. A General Election is due before June 1984, and it is likely that Mr Nakasone will call one in the near future as the only way out of the present impasse. Nakasone's handling of this problem will have a decisive influence on his political fortunes.

2. Mr Watanabe was formerly a member of Mr Nakasone's faction and at present belongs to none (although he is still close to Mr Nakasone). His views as an independent in the LDP, as well as a former senior Minister (Finance) with continuing ambitions, will be of interest.

/TRADE

TRADE

3. The Japanese Government unveiled on 21 October a new package of economic measures. Welcome though these measures are, it remains to be seen how effective they will be in correcting Japan's trade imbalance with the rest of the world. A check-list of the measures is attached. Some of the suggestions (eg creation of a banker's acceptance market to increase the internationalisation of the yen) are presented simply as ideas for consideration. Others (eg low-cost finance for importers) may be of more positive value.

4. Mr Watanabe is known to believe that trade and economic relations in general must be looked at globally rather than bilaterally. The fact remains however that Japan's global trading surplus for the first eight months of 1983 was \$12bn, while projecting the figures for the first four months of fiscal 1983 (April-July) would point to an annual global surplus of \$36bn. As for the UK, the bilateral trading deficit in 1982 was £2bn with the first eight months of this year showing a 25% increase on the corresponding period of 1982.

Far Eastern Department

31 October 1983

ANNEX 7

PACKAGE OF MEASURES ANNOUNCED BY JAPANESE ON 21st OCTOBER

i) Economic Management

Measures to expand domestic demand. These include a ¥1.8 billion expansion of public works, income tax reduction, privatisation of publicly owned land to promote housing development, urban re-development and the removal of controls on housing construction, promotion of industrial investment particularly in energy related industries and measures to stimulate small businesses. In addition a cut of 0.5% in the official discount rate is expected to bring it down to 5%.

ii) Market Opening

A further round of cuts in certain tariffs are to be made with effect from April 1984. In addition the Japanese Government will accelerate Tokyo round reductions should other countries reciprocate. Increases of 50% in quotas for industrial products under the GSP. Confirmation of follow up to the Gotoda Committee's work on standards and certification. Further reinforcement of the trade ombudsman's office.

iii) Import Promotion

Preferential finance for manufactured imports from the EX-IM Bank (7.75% for up to 5 years and up to 60% of the import contract). Further consideration of new financing arrangements to promote imports, the promotion of public procurement of imports, the designation of an 'import promotion month' and better distribution for imported tobacco.

iv) Capital In-Flows

Government bond issues overseas to raise foreign capital.

v) Greater Yen Financing

Consideration of a number of measures (including a bankers acceptance market in yen) to promote greater use of the yen in international exchanges.

vi) Promotion of International Cooperation

Increased aid to the developing world, more encouragement for industrial cooperation and a reaffirmation of the need for Japan to moderate exports.

WATANABE, MICHIO

LDP Politician.

Born 1924.

Entered the Tokyo University of Commerce which later became Hitotsubashi University but was drafted during World War II while still at college. Started his political career as a Prefectural Assembly man. Elected 7 times to the Lower House from Tochigi 1 Constituency. Minister for Health and Welfare 1976-77 and Minister for Agriculture, Forestry and Fisheries November 1978-November 1979. He has also been Chairman of the Lower House Cabinet Committee and Deputy Secretary General of the LDP. He became acting Chairman of the LDP Policy Affairs Research Council when Abe resigned after he had boycotted the vote of no-confidence in the Ohira government. Minister for Finance July 1980-November 1982.

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 known for his ability and directness in dealing with problems. He is one of the youthful but senior LDP men often 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.

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PP TOKYO

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UNCLASSIFIED

FM FCO 271600Z OCT 83
TO PRIORITY TOKYO
TELNO VISIT 50 OF 27 OCT

FES 026/1		
RECEIVED IN REGISTRY No. 50		
31 OCT 1983		
DESK OFFICER		REGISTRY
INDEX	PA	Action Taken

YOUR VISIT 49: MR WATANABE

1. OUTLINE PROGRAMME, SUBJECT TO ALTERATION/CONFIRMATION, AS FOLLOWS:

MONDAY 31 OCTOBER

ARRIVE 0505 HRS, MET BY COI REPRESENTATIVE AND PRECEED TO ATHENAEUM HOTEL,

1630 PROGRAMME DISCUSSION AT HOTEL

TUESDAY 1 NOVEMBER

1000 GOVERNOR OF BANK OF ENGLAND

1500 SIR GEOFFREY HOWE

EVENING FREE FOR DISCUSSIONS WITH JAPANESE BUSINESSMEN

WEDNESDAY 2 NOVEMBER

1000 CHAIRMAN OF BOARD, INLAND REVENUE DEPT, FOLLOWED BY LUNCH

1430 DHSS. DISCUSSION WITH UNDER-SECRETARY

1600 MRS THATCHER (CONFIRMED)

THURSDAY 3 NOVEMBER

0900 CHAIRMAN, LLOYDS BANK

1200 HOUAE OF COMMONS LUNCH WITH MPS FOLLOWED BY PM QUESTION TIME

EARLY EVENING: SHUTTLE FLIGHT TO EDINBURGH

FRIDAY 4 NOVEMBER

VISIT LIVINGSTON NEW TOWN, NEC AND MITSUBISHI

LUNCH WITH LIVINGSTON DEVELOPMENT CORPORATION

P.M. DISTILLERY VISIT

SATURDAY 5 NOVEMBER

GOLF. HOPEFULLY AT MUIRFIELD, OLDEST CLUB IN WORLD.

UNCLASSIFIED

27576 - 2

GLENEAGLES CONSIDERED UNSUITABLE AS TOO DISTANT, AND
CROWDED BY TOURISTS.

SUNDAY 6 NOVEMBER

SHUTTLE TO HEATHROW, TO PICK UP RETURN JAL FLIGHT.

2. NO DIFFICULTY OVER NAGANO JOINING SCOTTISH PROGRAMME.

HOWE

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OVIS, COI

John Cole

It is a matter of FACE!

AW

MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY
JAPANESE GOVERNMENT

Sir Alan Walters,
Economic Advisor to the Prime Minister,
10 Downing Street,
London SW1

26 October 1983

Dear Sir Alan,

I remember with great fondness the meeting I had with you, and the valuable discussion that ensued, when I accompanied MITI Minister Uno on his visit to the United Kingdom last July.

The occasion of my present letter to you is the forthcoming Japanese Market Access Promotion Mission's visit to the United Kingdom.

On behalf of the Japanese Government, I would like to ask you to enquire of the Prime Minister whether it would be possible to give Mr. Mimura, President of Mitsubishi Corporation and the Mission leader, the very great honour of meeting the Prime Minister herself. As I understand Mr. Mimura will be carrying Mr. Nakasone's personal letter to the Prime Minister, such an opportunity would provide a suitably auspicious occasion to deliver the letter by hand.

The Japanese Government sincerely believes that this Mission will have a profound effect on the future of world trade, and on the future of trade relations between our two countries in particular.

The Japanese Government would therefore be highly honoured if the Prime Minister could spare enough time out of her extremely busy schedule to meet with Mr. Mimura, in the same way as President Reagan honoured Mr. Yahiro, President of Mitsui & Co., Ltd. and leader of the Market Access Promotion Mission to the United States of America, by agreeing to meet him. I understand that Mr. Mimura would be prepared to meet the Prime Minister at any time that suits her convenience during his two-day visit to the United Kingdom.

I hope sincerely that this meeting, which we in MITI believe is so central to our two countries' national interests, can take

place.

I would, therefore, be grateful if you would disclose the contents of this letter to the Prime Minister. Thank you in advance for your help and understanding.

Yours sincerely,

Masuo Shibata

Masuo Shibata
Director General,
International Trade Policy Bureau
MITI

9/26 10



M. Howe

PS/Secretary of State

cc Mr Roberts
Mr Dunning

Ab

I had judged it right to protect the Prime Minister from Mr Mimura, whose mission will only be here for two days and can hardly be regarded as likely to create a breakthrough in our exporters' access to the Japanese market. I have reported to our Embassy in Tokyo that I judged it sufficient if the Secretary of State received Mr Mimura and they did not dissent. An earlier mission headed by another industrial leader, visited the USA and was seen by President Reagan and Mr Mimura evidently wants the same treatment.

2 The FCC ask that we consult No 10. I see no need to do so other than in the sense that the Prime Minister might be interested in meeting the head of Mitsubishi who is here to try to persuade British industry that Japan is not a closed market. This should not be regarded as a priority engagement and we would not suggest more than a ten-minute call. I do not regard the carriage of a letter to Mrs Thatcher as bestowing a right of entry to No 10, and if Mr Mimura cannot manage a time convenient to the Prime Minister, that should be an end to the matter.

Suzanne J Chapman

*cc sent to Mr Dunning
FCC*

4/1/83

SPS/R SUNDERLAND
US/OT2
V/530
25 October 1983

(Dictated but not signed personally owing to absence)

Mr Sunderland
PS/SoS

cc Mr Dunning
Mr Foster

JAPANESE MARKET ACCESS PROMOTION MISSION ON CALL ON THE PRIME MINISTER

Please see the attached letter from FED/FCO. Although we did not feel it necessary for the Mission leader (Mr Y Mimura - President of Mitsubishi Corporation) to meet the Prime Minister in view of the meeting already arranged for the Mission to call on the Secretary of State, we have been somewhat outflanked.

In view of the intervention of the Japanese Ambassador, the fact that Mr Mimura will be carrying a personal letter from the Japanese Prime Minister and that No 10 has already indicated that Mrs Thatcher could receive Mr Mimura, albeit with some difficulty, on the evening of 15 November perhaps you will feel that we should go along.

If you agree, perhaps PS/SoS could consult the Prime Minister's office. The Mission were I believe planning to leave for Brussels on 15 November at 16.05. Consequently if the Prime Minister is prepared to make time available during the evening of the 15th the Mission leader will need to adjust his schedule to catch a later flight. Early evening would therefore be preferable.

f.
R S HOWE
EJU
V/349
215.3267
21st October 1983

Subject cc Master
Ops.

OFFICE OF THE PRIME MINISTER
TOKYO

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. 161^B/83

October 24, 1983

Dear Prime Minister,

Learning that Mr. Michio Watanabe, member of Diet and a long political associate of mine, is proceeding to Britain, I am writing to ask you to be good enough to receive and talk with him about the current Japanese - British relations.

Mr. Watanabe has served key Cabinet portfolios, including Minister of Health and Welfare, Agriculture and Fisheries, and twice Finance, and, though young, forms the core of the Liberal Democratic Party and the modern conservatism in Japan.

I am certain that you will find Mr. Watanabe informative as well as interesting.

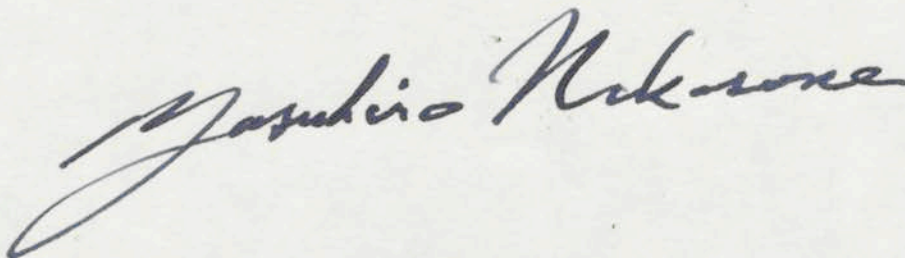
Now that the term at Oxford has started and Prince Hiro has entered into academic and social life at Merton College, I should like to express my heartfelt sense of gratitude to you and the British people concerned for the kind and constant consideration devoted to His Imperial Highness.

Rt. Hon. Margaret Thatcher, MP
Prime Minister of the United Kingdom
of Great Britain and Northern Ireland
10 Downing Street
London, SW1
U.K.

During the two years at Oxford, your Alma Mater, the Prince will learn not only academic science but the basic thinking and philosophy of Western civilization, broadening the Prince's outlook to the world.

Thanking again for the considerate attention to Prince Hiro and wishing you to meet next year at the Summit.

Yours sincerely,

A handwritten signature in dark ink, reading "Yasuhiro Nakasone". The signature is written in a cursive, flowing style with a large, sweeping initial 'Y'.

Yasuhiro Nakasone
Prime Minister of Japan

24 October 1983

Mr. Nobusuke Kishi

The Prime Minister has seen John Holmes's letter of 21 October and agrees that the suggested message to Mr. Kishi should be conveyed by Sir Hugh Cortazzi on her behalf.

AJC

P.F. Ricketts, Esq.,
Foreign and Commonwealth Office.

da



Foreign and Commonwealth Office

London SW1A 2AH

Telephone 01- 233 3259

R S Howe Esq
EJU
Department of Trade & Industry
1 Victoria St
LONDON
SW1H 0ET

Your reference

Our reference FEJ 121/1

Date 21 October 1983

Dear Ron,

JAPANESE MARKET ACCESS PROMOTION MISSION

1. We have now received representations on a number of levels from the Japanese asking for a call to be arranged on the Prime Minister by Mr Mimura, the leader of the Japanese Market Access Promotion Mission. It is said that Mr Mimura will carry with him a personal message from Mr Nakasone to Mrs Thatcher.
2. The Japanese Ambassador and the head of Mitsubishi in London raised this question with the Secretary of State on 19 October when they met at the Japan Society dinner. Sir G Howe undertook to pursue the question. Masuda, the Mitsubishi number two in London, called on FED yesterday to reinforce the message. Arai of the Japanese Embassy telephoned me today, on his Ambassador's instructions, to hammer the message home and Masuda has spoken to our Private Office. In the latter cases we have said to our interlocutors that this is primarily a matter for the DTI and that we would pass on their representations for your consideration.
3. Our own Private Office have checked with Number 10 Downing Street whether the Prime Minister could receive Mr Mimura. It appears that she could, with some difficulty, arrange to see him in the evening of 15 November. I would not wish to express an opinion as to whether Mr Mimura should see Mrs Thatcher. This is more for you, but considering the Prime Minister's interest in Anglo-Japanese trade and since these representations have been made at Ambassador to Secretary of State level, I feel that your Department should consult the Prime Minister's office.

Yours sincerely,

M D Uden
Far Eastern Department

cc: Mr Ricketts, Private Office
Mr Warren, ECD(E)

x *Re: The Mimi deposit for
Brevels on 15/10 at 16.00*

SUBJECT

cc Melis

+
Oms

OFFICE OF THE PRIME MINISTER
TOKYO

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T/1578 B | 83

Translation

Tokyo, October 21, 1983

Dear Prime Minister,

As you may recall, at the ninth Summit Meeting of Industrialized Nations held last May in Williamsburg, Virginia, I touched upon some questions arising from the recent progress made in life sciences, including recombinant DNA research, and proposed a conference of distinguished authorities from various nations with wide-ranging and profound wisdom and insight towards our future as well as specific knowledge in the field of life sciences to discuss these questions.

Fortunately, this suggestion received general support. Upon my return to Japan, I have given further careful thought to this matter in consultation with well-informed people from various circles in Japan, including scholars in natural science, social science, and philosophy.

I would like to propose that a conference on life sciences and mankind (hereinafter referred to as "the

Conference

The Right Honourable
Margaret Thatcher
Prime Minister of the United Kingdom
of Great Britain and Northern Ireland

Conference"), as outlined in the attachment, be held from March 19 to 22, 1984, in Hakone, a resort town near Tokyo.

It is expected that three persons from each member country of the Summit will attend the Conference, and I should be very grateful if you would be good enough to recommend three outstanding authorities (for example, one from among natural scientists with a deep knowledge in the field of life sciences and two from among social scientists, philosophers, religious leaders, etc.), who are regarded as well-qualified as participants from your country.

By its nature, it will not be appropriate that the Conference be an inter-governmental meeting and thus it will be held under the auspices of the Japan Foundation and not the Government of Japan. Accordingly, the invitation will be sent directly to each participant by the Japan Foundation, and the participants will be expected to attend in their private capacities and express their views freely.

It is my earnest hope that the Conference will provide us with many valuable suggestions and insights on problems commonly shared by all mankind, such as how life sciences ought to be conducted in future and how human society could benefit as a result of progress in life sciences

sciences. I believe that the Conference would provide a good foundation upon which to explore ways and means of arranging future international cooperation in this field.

With my best regards,

Yours sincerely,

Yasuhiro Nakasone
Prime Minister of Japan

拜啓

御承知のとおり、私は、去る五月、米国ウイリアムズバーグにて開催された第九回主要国首脳会議において、遺伝子組換え技術をはじめとする最近の生命科学の進歩が提起している諸問題を指摘するとともに、これらの問題につき話し合うため、単に本件についての知識のみならず、広範かつ深遠な英知と将来に対する洞察力をも併せもつた世界各国の斯界の權威による会議の開催を提唱いたしました。

幸いにして、私のかかる提唱は大方の賛同を得るところとなりましたので、私は帰国後、我が国の自然科学者、社会科学者、哲学者等、各界の識者と協議しつつ、さらに検討いたしました結果、一九八四年三月十九日から二十二日まで、東京近郊の箱根において、別紙に示されているような生命科学と人間の会議を開催することを提唱いたしたいと思います。

この会議には、サミット参加各国より、それぞれ三名の方の出席を得たいと考えますので、ここに閣下に対し、貴国からの出席者としてふさわしいと判断される傑出した権威者三名（例えば、生命科学に造詣の深い自然科学者一名、並びに社会学者、哲学者、宗教家等から二名）の推薦をお願いしたいと存じます。

本件会議はその性格上、政府間会議とすることは適当でなく、従つて主催も日本政府でなく国際交流基金がこれにあたる予定であります。招待状は国際交流基金から各々の出席者に直接送付される予定であります。出席者は個人の資格で参加し、自由に意見を表明することが期待されることとなりました。

私は、本件会議が人類全体の共通課題である将来の生命科学のあり方、生命科学の進歩に伴う人間社会のあり方等について、貴重な示唆を提供し、また、この分野における将来の国際協力の方途を探求するための礎となることを強く

期待しています。

一九八三年十月二十一日

日本国内閣総理大臣

中曾根康弘

敬具

グレート・ブリテン及び
北部アイルランド連合王国首相
マーガレット・サッチャー
閣下

Translation

Attachment

Conference
on Life Sciences and Mankind

1. Background and Objectives

Life sciences, which have been making marked progress in recent years, are expected to contribute to the improvement of the welfare of mankind on a long-term basis. On the other hand, they are now posing serious questions concerning the life and dignity of human beings which are the highest values in human society.

The progress so far achieved in life sciences has brought about a large measure of benefit to the welfare and well-being of mankind through improvements in the natural environment, better foods and increased food production, advances in medical techniques, etc., amid the rapid development of science and technology in general.

However, the recent progress made in the field of biology has come to involve technology that can manipulate DNA, cell, and embryo as a result of the convergence of science and technology. Since these techniques are progressing very rapidly and have a direct concern with life itself, they are likely to be utilized, if not controlled with adequate insight and foresight, by human beings for the careless manipulation of their own lives,
and

and this could produce unpredictable effects upon society and human existence.

Research in life sciences has been conducted under the guidelines established by respective countries. In the light of the fact that the wide-ranging technological application of life sciences is steadily expanding, we consider that the above-mentioned questions posed by the progress in life sciences should not be left only in the hands of individual specialists or individual nations, but should be tackled as global questions common to all mankind.

We believe, therefore, that it is a matter of urgent necessity to secure international cooperation and mutual understanding, through discussions based on high intelligence and human concerns transcending national boundaries, with regard to the questions concerning the existence and dignity of human beings.

With this recognition, we of Japan, a country located at the intersection of Oriental and Occidental cultures and with the desire to contribute to the respect for human life and the international development of science, propose to hold frank discussions on various problems arising from the progress of life sciences by inviting to Japan authorities in the fields of science, philosophy, religion, etc., from the member countries of the Summit, and by so doing marshalling their collective wisdom.

2. Themes of the Conference

It is suggested that the following items be on the agenda for discussion.

Theme: Life sciences and human dignity

Sub-themes:

- 1) Current and future states of life sciences
Present state and outlook for the future of life sciences in terms of natural science and technology
- 2) Meaning of life sciences to society
Matters concerning the impact of life sciences on society and society's response, industrialization, circulation of information, and preservation of privacy
- 3) Meaning of life sciences to individual persons
Matters concerning human dignity and human life and death, and philosophical, ethical and religious aspects
- 4) Formation of social consensus concerning the research of life sciences, and international cooperation on the promotion and control of the research of life sciences

生命科学と人間の会議

一 背景及び目的

近年著しい進展を遂げている生命科学は、人類の長期的な福祉の増進に寄与することが期待されている反面、その進歩は人類社会における最高の価値である人間の生命と尊厳に関連する重大な問題を提起するにいたっている。

即ち、これまでの生命科学の進歩は、科学技術一般の急速な発展の中で、自然環境の改善、食糧の改良と増産、医療技術の開発等により、人類の福祉と幸福に大いなる恩恵を及ぼしてきた。

しかし近時の生物学の進歩は、科学と技術の一体化により遺伝子や細胞さらには初期胚の操作等の技術にまで及んできているが、これらの技術の進展は極めて加速度的であり、且つその対象が直接生命にかかわるが故に、これ

を放置すれば、人類が十分な省察を加える余裕のないままに、安易に自らの生命をも操作するに至る惧れもあり、その社会や人間の生存に及ぼす影響には予測し難いものがある。

従来生命科学の研究は各国の定めたガイドラインの下で行われてきたのであるが、今やその広汎な技術的応用が進みつつある現状を見ると、前述の生命科学の進歩が提起している諸問題については各専門家や各国にのみ任せるのでなく、人類共通の地球的課題として取り組まねばならないのではないかと考える。

従つて、この人間の生存と尊厳にかかわる諸問題について、国境を越えた人間的関心と高度の知性に基づいた討議を通じて、国際間の協力と相互理解をはかることは急務であると信ずる。

このような認識の下に、東西文化の接点にあつて、生命の尊重と科学の国

際的发展に寄与せんと希求している我が国はサミット参加国より、科学、哲学、宗教等各界の権威者を本邦に招待し、その英知を結集して、生命科学の進展によつて生じる諸問題を率直に論議することを提案する。

三、会議の討議項目

討議の課題としてはおよそ以下の項目を考えている。

生命科学と人間の尊厳

(一) 生命科学の現状と将来

自然科学的、技術的観点から見た生命科学の現状と将来の展望

(二) 生命科学の社会にとつての意味

生命科学の社会へのインパクトとそれに対する社会の対応、産業化、情

報の流通及びプライバシーの維持に関する諸問題

(三) 生命科学の個人にとつての意味

人間の尊厳と生と死にかかわる諸問題、その哲学、倫理及び宗教的側面

(四) 生命科学に関する社会的コンセンサスの形成、生命科学の推進

や規制に関する国際協力



Prime Minister

Foreign and Commonwealth Office

London SW1A 2AH

More message?

A. J. C. 2/10.

21 October 1983

Yes me

Dear John,

Mr Nobusuke Kishi, former Prime Minister and Foreign Minister of Japan and Grand Old Man of the Liberal Democratic Party, is celebrating his 88th birthday on 8 November. 88 is a particularly auspicious age in Japan.

The Prime Minister met Mr Kishi at Sir Hugh Cortazzi's dinner when she was in Japan last year. For this reason the Ambassador has suggested that a message of good wishes from Mrs Thatcher would be much appreciated. He has said that President Reagan is certain to send a similar message.

We support Sir Hugh Cortazzi's recommendation and his suggestion for a text on the following lines:

"Many happy returns. All good wishes on this auspicious occasion. I recall with much pleasure our meeting last year."

If the Prime Minister agrees, the Ambassador would be happy to convey this message personally.

Yours ever
John Holmes

(J E Holmes)
Private Secretary

A J Coles Esq
10 Downing Street

POSTAGE AND FEE PAID
NO. 1000



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MJ

18 October 1983.

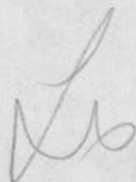
International Design Festival

Thank you for your letter of 11 October.

We are most grateful to you for representing the Prime Minister on this occasion. Our gratitude is increased by your description of the ceremonies.

JC

His Excellency Sir Hugh Cortazzi, KCMG.

A handwritten signature in dark ink, appearing to be 'L. S.', located in the bottom right corner of the page.

CONFIDENTIAL

NBPM

AT

17/10

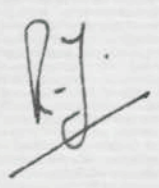
MR. TURNBULL

NISSAN

A minute for your own use, following Ruth Thompson's letter to you of 13 October.

I remain sceptical about DTI's promised tough mindedness on selective assistance to component companies (paragraph 2) and about the value which might be derived from "specific cases carrying significant wider benefits, including demonstration effects" (her paragraph 3). But I see no point in pursuing a general argument at this stage. The warning shot which your letter of 27 September fired has had all the effect which was possible in the circumstances.

As to insulation (paragraphs 4 and 5) Nissan are likely to invoke Mr. Parkinson's "comfort letter" shortly after any changes in Regional Policy are announced. It is not clear (is it?) what DTI will offer - in particular whether they will seek to compensate Nissan for the fact that Selective Financial Assistance is taxable whereas RDG is not. For the sake of damage limitation, may I suggest that, as soon as Cabinet has agreed changes to Regional Policy, DTI and Treasury should settle in detail the basis and level of insulation to be negotiated with Nissan. Otherwise it is wholly predictable that the outcome will be the highest level of compensation.



ROBERT YOUNG
17 October 1983

CONFIDENTIAL

~~EX NO~~

CONFIDENTIAL

DEPARTMENT OF TRADE AND INDUSTRY

1-19 VICTORIA STREET

LONDON SW1H 0ET

TELEPHONE DIRECT LINE 01-215 5422
SWITCHBOARD 01-215 7877

PS/Secretary of State for Trade and Industry

13 October 1983

Andrew Turnbull Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

Dear Andrew,

NISSAN

Thank you for your letter of 27 September conveying the Prime Minister's further comments on Mr Parkinson's minute of 16 September.

2 On the first point, we do not expect any large-scale selective assistance applications from component companies, UK or foreign, linked specifically to the Nissan project. It will be the end of the decade before Nissan is buying components on any scale; and even then the volume of 100,000 units a year (though valuable incremental business) is unlikely to lead to new investments linked exclusively to it. It is, therefore, likely to be only one of a number of factors influencing rationalisation and modernisation investment. We should be generally sceptical of any proposal for new capacity, given the over-capacity in much of this sector, though of course individual projects would need to be looked at on their merits.

3 In the case of assistance under the Support for Innovation scheme, the Memorandum of Understanding (in a section setting out the proposed actions of both sides to encourage local component procurement) commits the Department "to give sympathetic consideration to applications from UK suppliers within the framework of current schemes of support, for the grant of financial assistance towards research and development expenditure required to meet Nissan's particular commercial and technical requirements". It is unlikely in our view that anything more than routine and small-scale applications under the normal schemes would be involved in this, but there could be specific cases carrying significant wider benefits - including demonstration effects - which would justify such assistance on merit.

4 On the second point about insulation for future changes in regional assistance, you will have seen a copy of my Secretary of State's letter of 28 September to the Chancellor (copy enclosed ...



for ease of reference) recording their agreement on the transitional provisions for changes to regional development grants which will protect the RDG position of Nissan and of any other company which happens to be in a similar position at the date of the announcement of the regional assistance changes; there is no other company with a project associated with the Nissan project which will be affected by this.

5 For Nissan itself, the documentation for the project includes a "comfort letter" sought by Nissan last year and conceded then with Mr Jenkin's approval, which says that in the event of any future changes in regional policy with a net adverse effect on Nissan we should give favourable consideration to additional selective financial assistance to make good the deficiency. This is of course a highly exceptional provision, demanded by the company because of the particularly long timescale of their project and their consequent vulnerability, as they saw it, to major RDG changes, and agreed to because it was seen as essential, in the particular circumstances of the case, if we were to retain Nissan's interest. The arrangements for Nissan agreed between Mr Parkinson and the Chancellor do, of course, ensure that there will not be any net adverse effect from the forthcoming changes.

6 I am sending a copy of this letter to John Kerr (HM Treasury).

Yours sincerely,

Ruth Thompson

RUTH THOMPSON
Private Secretary



DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET

TELEPHONE DIRECT LINE 01-215 5422
SWITCHBOARD 01-215 7877

Secretary of State for Trade and Industry

28 September 1983

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
London SW1

Copies to:

PS/Prime Minister
PS/Mr Lamont
PS/Mr Butcher
PS/Sir Brian Hayes
Mr Manzie
Mr Dick
Mr Mountfield
Mr Hewes - on file

NISSAN AND REGIONAL ASSISTANCE CHANGES

I am writing to confirm the outcome of our telephone conversation following your letter to me of 12 September, now that the negotiations with Nissan have been brought to a successful conclusion.

2 When we spoke, you had seen a copy of the note that officials here had prepared on the implications for public expenditure and for the PSBR of my proposal that transitional arrangements for changing the RDG scheme should be framed so as to preserve RDGs for the Nissan project and for others in equivalent circumstances. In view of the difficulties we both saw in adopting an approach which singles out Nissan for specially favourable treatment, you were able to accept my proposal, subject to your officials confirming - as they subsequently did - that they accepted my officials' estimates of a total net PSBR cost of about £20m but of no public expenditure cost compared with the estimates provided by the Anson report since this had assumed pound-for-pound offsetting selective assistance for changes in RDGs.

3 As we agreed, I will of course seek to ensure that the criteria are framed in a way that limit the benefit of the transitional provisions to as small a class of cases as possible. Once we have agreed what the RDG changes will be, this will be a matter for detailed discussion between officials in our two Departments.

4 I am sending a copy of this to the Prime Minister.

Yours
Nigel Lawson
NLS

Japan
Misses R3

14 (U) 1933

11 12 1 2 3 4
5 6 7 8 9 10



10 DOWNING STREET

Can we pl establish from the
files or the vlt's themselves to
whom the Mine Director
should send a thank you
letter?

A.F.C. $\frac{12}{1}$.



BRITISH EMBASSY,
TOKYO.

11 October 1983

A J Coles Esq
No.10 Downing Street

Dear John,

INTERNATIONAL DESIGN FESTIVAL, OSAKA 1983
SPECIAL AWARD TO THE PRIME MINISTER.

As agreed, I attended the ceremony on 7 October in Osaka at which the Festival awards were made and duly received the Prime Minister's honorary award on her behalf. The award, which was similar to that given to the British company Pentagram, consisted of a lacquered tray on which the Prime Minister's contribution to the promotion of design is recorded and a strange looking object which seemed to consist of some steel rods put together in modernistic sculptural form with a plaque inscribed with the Prime Minister's name. I am having these forwarded separately. I duly made a brief speech in Japanese in which I delivered the Prime Minister's message.

2. The ceremonies, which lasted over three hours, were badly organised, long and boring. I am very glad that my recommendation against anyone attending from London was accepted. I was sorry for The Crown Prince and Princess, who had to view the proceedings.

James

Hugh

Hugh Cortazzi

Copy:

Far Eastern Department
Foreign & Commonwealth Office

*Japan
Secretariat
pt 3*

BRITISH EMBASSY
TOKYO



17 OCT 1983



Sosany ^{ML}

Have spoken to FED in
the FCO. concerning the
attached.

They advised me that
as the Ambassador had
received the awards on
the P.M.'s behalf and
also delivered a thank
you message from the
P.M. it was felt not
necessary for any further
action.

Agreed. Peter
AP 16/11
h.a.

RESTRICTED



10 DOWNING STREET

From the Private Secretary

6 October, 1983

MR WATANABE

Thank you for your letter of 4 October about the former Finance Minister of Japan. The Prime Minister has agreed to see him briefly at 1700 hrs on Tuesday, 1 November. I should be grateful if you would let me have a brief in due course.

A. L. COLES

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

RESTRICTED

A handwritten signature in blue ink, appearing to be 'J.E. Holmes', located in the bottom right corner of the page.



Prime Minister

Foreign and Commonwealth Office

You could see him

London SW1A 2AH

at 1700 on Tuesday, 1

November.

4 October 1983

Do you want to?

Will do - briefly.

mf

Dear Sir,

A.F.C. $\frac{5}{10}$.

The Japanese ex-Finance Minister, Mr Michio Watanabe, will be in London between 31 October and 3 November as a guest of the government and has asked to pay a courtesy call on the Prime Minister.

The Prime Minister will remember meeting Mr Watanabe in Tokyo during her Far East tour in September 1982. I understand that his frank and direct manner made an excellent impression.

Mr Watanabe was Minister for Finance for two years until November 1982. He is considered one of the small group of "new leaders" who could rise to be Prime Minister within the next decade. He has close links with both the Nakasone faction, which he may soon rejoin, and the powerful Tanaka faction in the Liberal Democratic Party. He is almost bound to regain ministerial office shortly, although not necessarily as Finance Minister.

Mr Watanabe is to call on the Foreign Secretary, whom he met on several occasions when Sir G Howe was Chancellor of the Exchequer.

Yours ever

J E Holmes

(J E Holmes)

Private Secretary

A J Coles Esq
10 Downing Street



JF4375

Secretary of State for Trade and Industry

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET

TELEPHONE DIRECT LINE 01-215 5422
SWITCHBOARD 01-215 7877

29 September 1983

Tim Flesher Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON
SW1

In diary
whz
Dear Tim

PRIME MINISTER'S MEETING WITH MR KAWAMATA OF NISSAN

IBF
This is just to confirm that you are holding 3.00pm on Monday, 10 October for a possible courtesy call on the Prime Minister by Mr Kawamata of Nissan. I will be able to confirm arrangements as soon as the position becomes clearer.

Yours ever

Andrew Coop

ANDREW COOP
Private Secretary

DEPARTMENT OF TRADE AND INDUSTRY
4th FLOOR, 111, QUEEN STREET WEST
TORONTO, ONTARIO M5H 1R7

Japan Nissan #3

30 SEP 1983





DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET

TELEPHONE DIRECT LINE 01-215 5422
SWITCHBOARD 01-215 7877

Secretary of State for Trade and Industry

28 September 1983

CC 100

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
London SW1

NBRM

ms 28/9

Dear Nigel,

NISSAN AND REGIONAL ASSISTANCE CHANGES

I am writing to confirm the outcome of our telephone conversation following your letter to me of 12 September, now that the negotiations with Nissan have been brought to a successful conclusion.

2 When we spoke, you had seen a copy of the note that officials here had prepared on the implications for public expenditure and for the PSBR of my proposal that transitional arrangements for changing the RDG scheme should be framed so as to preserve RDGs for the Nissan project and for others in equivalent circumstances. In view of the difficulties we both saw in adopting an approach which singles out Nissan for specially favourable treatment, you were able to accept my proposal, subject to your officials confirming - as they subsequently did - that they accepted my officials' estimates of a total net PSBR cost of about £20m but of no public expenditure cost compared with the estimates provided by the Anson report since this had assumed pound-for-pound offsetting selective assistance for changes in RDGs.

3 As we agreed, I will of course seek to ensure that the criteria are framed in a way that limit the benefit of the transitional provisions to as small a class of cases as possible. Once we have agreed what the RDG changes will be, this will be a matter for detailed discussion between officials in our two Departments.

4 I am sending a copy of this to the Prime Minister.

Yours etc,
Neil

JAPAN: Nissan

P. 3

SEP 1968



CONFIDENTIAL

HL



cc HMTT

10 DOWNING STREET

From the Private Secretary

27 September 1983

The Prime Minister has further considered your Secretary of State's minute of 16 September. She has noted that financial assistance given to suppliers of Nissan who relocate or establish new facilities in assisted areas could add to the already substantial assistance being given to this project. In particular she has asked that ways of containing the total assistance be considered. For example where DTI has discretion in approving industrial aid, regional or otherwise, it should not approve applications which are clearly related to the Nissan project. Secondly, no further offers of insulation for future changes in Regional Assistance should be made.

I am sending a copy of this letter to John Kerr (H.M. Treasury).

AK

Jonathan Spencer, Esq.,
Department of Trade and Industry.

AK

CONFIDENTIAL

Spanner .DTI
Call recalls

Prime Minister ①

23 September 1983
Policy Unit

Done AT 2019
Yes please
ml

PRIME MINISTER

Should I convey

X to Mr Parkinson's office?

MUS 23/9

CONTAINING THE NISSAN SUBSIDY

In his minute of 16 September, Cecil reported that a deal is now likely to be struck with Nissan. The incentives which have been offered amount to about £100 million. They are to be insulated financially from any future changes which the Government may make to Regional Assistance.

As Nissan build up their presence in the UK, it is likely that component suppliers will wish to make R&D investment, establish new facilities, and/or relocate existing ones, in order to bid competitively for Nissan's requirements. Under the present regime of Regional Assistance and other industrial support, this "pull through" in the component sector could become a further public expense. This must not happen. "Pull through" was claimed as a benefit from the Nissan project, not as an additional charge upon the taxpayer.

We think it would be sensible to make it clear to Cecil as soon as possible that he must contain the Nissan subsidy by the following steps:

1. Where DTI has discretion in approving industrial aid, regional or otherwise, it should turn down applications which are evidently Nissan-related.
2. No further insulation from future changes in Regional Assistance should be offered.
3. Calls to turn the West Midlands into an Assisted Area (AA) for regional policy purposes should be resisted. (Many employers in the region don't want AA status anyhow, regarding it as more of a stigma than a blessing.) Motor component manufacturers in the region would gain unfairly from AA status in bidding for Nissan's work.

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FERDINAND MOUNT

CONFIDENTIAL



File DJG
10 DOWNING STREET

From the Private Secretary

19 September 1983

NISSAN

The Prime Minister has noted your Secretary of State's minute of 16 September.

The Prime Minister will be glad to see Mr. Kawamata if he comes to the UK for the signing ceremony.

I assume you will let us know as soon as possible whether Mr. Kawamata will take up this invitation.

I am sending a copy of this letter to John Kerr (HM Treasury).

M. C. SCHOLAR

Jonathan Spencer, Esq.,
Department of Trade and Industry.

CONFIDENTIAL



FILE

607

10 DOWNING STREET

From the Private Secretary

19 September, 1983

JAPAN DESIGN FOUNDATION

Thank you for your letter to John Coles of 13. September. The Prime Minister has agreed the draft message of acceptance to this foundation to be incorporated into Sir Hugh Cortazzi's speech subject to two small amendments:-

- (a) delete the words " should like to" in the first line;
and
- (b) delete the word "today" in the third line of the third paragraph.

W.P.S. RICKETT

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

HU



JU531

PRIME MINISTER

NISSAN

CONFIDENTIAL

Prime Minister

Content that Mr. Kawamata
should be told that if he comes
to the UK for the signing ceremony
you will be glad to see him?

EEB

16.9.

It now looks as we have full agreement with Nissan on the details of a deal, on the basis outlined in my minute to you of 3 August. The only significant change is that there will now be no reference to a particular figure (200,000 units a year) as the possible size of a further expansion in the 1990s, though reference remains to a substantial further development and to the initial acquisition of an 800 acre site, which will imply to informed observers the intention to develop eventually a plant well in excess of 100,000 units.

2 A round of talks this week has completed negotiation of the detailed documentation, subject to:

- a final approval by the Nissan Board;
- b approval by our own Industrial Development Advisory Board;
- c agreement by the two trade associations, SMMT and JAMA, that output in Phase 1 (the kit assembly phase) will be counted as imports for the purposes of the Voluntary Restraint Arrangement;



d withdrawal of objections by Nissan's own trade union which have received some publicity in Japan.

Of these only (d) is likely, on present indications, to cause difficulties; it is undoubtedly a considerable problem for the company, but they think they are making progress in resolving it "little by little".

3 Because of these outstanding steps, we cannot sign and announce the agreement until early October at the earliest; the union problem could delay this further. Tentative dates have been arranged in the weeks beginning 3 October and 10 October. I hope to know more about this shortly. It is not yet clear whether Mr Kawamata will come to the UK for the signing ceremony. There are some signs of reluctance, and I think we should encourage him to come in order to get the project off on the right foot. I hope that in encouraging him to do so we can hold out the prospect of a short meeting with you. Meanwhile it remains of the greatest importance that the risk of leaks should be minimised, since this could still cause Mr Kawamata to vacillate yet again. I am therefore sending copies of this minute only to the Chancellor of the Exchequer, with a request that knowledge of the present position should be restricted to the minimum number of people.

CP

CP

16 September 1983

Japan.
Nissan
pt 3

16 SEP 1985

9 8 7 6 5 4
3 2 1

APPROPRIATE

STANDARD FORM NO. 64

THE OFFICE



Foreign and Commonwealth Office

London SW1A 2AH

13 September 1983

Prime Minister

Agree message?

Yes not

A.J.C. 13.9

Dear Sir,

Japan Design Foundation

Your letter of 25 July reported the Prime Minister's agreement that Sir Hugh Cortazzi should accept, on her behalf, the medal which the Japan Design Foundation wish to award her on 7 October.

I attach a short draft message of acceptance from the Prime Minister to the Japan Design Foundation to be incorporated into Sir H Cortazzi's speech of thanks on behalf of the Prime Minister.

Yours ever

John Holmes

(J E Holmes)
Private Secretary

A J Coles Esq
10 Downing Street

Foreign and Commonwealth Office
London SW1A 1AA



4 SEP 1983



INTERNATIONAL DESIGN FESTIVAL, JAPAN


Message of Acceptance from Prime Minister, for use by Sir
H Cortazzi, 7 October

I ~~should like to~~ thank the Japan Design Foundation for honouring me with a special award from the International Design Festival to be held in Osaka later this month. I much regret that I am unable to be in Osaka at this time to receive it in person as I have many pleasant memories of my visit to Japan last year.

I am convinced that product design should be brought to the forefront of industrial development. Design provides the means to achieve the efficient and competitive manufacturing industry on which our two countries depend. It therefore gives me great pleasure to receive this award from the first international design competition to be held in Japan and I am doubly pleased that a British company, Pentagram, is also to receive an award today.

By holding this festival, the Japan Design Foundation has highlighted the undeniable and increasing importance of product design in industry ~~today~~ and I am sure this message will be carried through to the coming Tsukuba Exhibition in 1985 in which the UK hopes to participate actively.

I offer my sincere best wishes to the Japan Design Foundation for a successful festival and also to the City of Osaka which now begins the celebrations of its 400th anniversary.





Sc NO.

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

12 September 1983

The Rt. Hon. Cecil Parkinson MP
Secretary of State for Trade and Industry

[Handwritten signatures]

NISSAN AND REGIONAL ASSISTANCE CHANGES

Thank you for your letter of 9 September, which puts forward a new proposal raising rather different issues from the set of proposals to which my letter of 8 September was addressed. What it involves is a major decision about the transitional arrangements to be adopted if colleagues agree that we should implement the proposed RDG reforms. We cannot allow this one project, on which I recognise you need a quick decision, to prejudice these reforms to which we must look, as I know you agree, for substantial public expenditure savings.

It is clear that your new proposal, of which a proper costing has yet to be done, will be expensive, both in public expenditure and PSBR terms. Our hopes of achieving substantial and early savings on RDGs depend upon a strict approach to the transitional arrangements: certainly not more than £1 of selective assistance for every lost £1 of RDGs, and in some cases less or none at all. As I understand it, you are proposing that in every case where an offer of selective assistance has been made, entitlement to be associated RDGs should be preserved. This is not just full £ for £ compensation but involves lower tax revenue too, since RDGs are non-taxable.

I must confess I am not greatly reassured by what you say about the value for money of the Nissan project. The very large cost-per-job figures which I mentioned in my earlier letter related a projected 2,750 jobs at Nissan to regional assistance of £87 million or £112 million, depending on whether Nissan went to a DA or an SDA. The figure you quote, including possible additional employment in components and ancillary industries, is speculative. I gather that it depends, for example, on an assumption that Nissan manages to export 20 per cent of its output. This must be highly questionable in view of the recent Italian and French action against the Acclaim. The figure also assumes that productivity in the UK components industry remains at present levels and that all of Nissan's 80 per cent local content quota is bought from UK firms even though the definition of local content encompasses the EC.

Even if your figures are soundly based, it would be misleading to compare them with the normal cost-per-job ceilings, which relate to direct employment. All projects may have multiplier effects but their effect on net employment in the economy at large is much less clear-cut.



The fact of the matter is that the Nissan project is highly capital-intensive. There may, as you say, be reasons other than employment which would make it worthwhile to attract it to the UK. I have been prepared to pay the previously agreed public expenditure price (though with some misgivings) in order to do so. But I must resist a proposal which would have the effect of prejudicing across the board the hoped-for savings from reform of RDGs.

I am sending a copy of this letter to the Prime Minister.

NIGEL LAWSON

John Evans
Nigel Lawson

Japan: Relations Pt 3

11 2 SEP 1963





Mr. Scholar

DEPARTMENT OF TRADE AND INDUSTRY

1-19 VICTORIA STREET
LONDON SW1H 0ET

TELEPHONE DIRECT LINE 01-215 5422
SWITCHBOARD 01-215 7877

JU456
Secretary of State for Trade and Industry

September 1983

CONFIDENTIAL

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Whitehall SW1

I have told Mr. Micklin and Miss O'Mara that the PM read and noted the Sec. State's letter without commenting further. I said that I hoped that the Chancellor and the Sec. of State could negotiate an accommodation without involving the PM to adjudicate.

FERB

12.9.

MS

Dear Chancellor,

Thank you for your letter of 8 September 1983 about Nissan.

2 The talks with Nissan have just resumed and it is now clear that a deal is "on". They have accepted the SFA offer of 10% (averaged over the two phases of the project) and met our wishes on local content. I foresee no difficulty in resolving subsidiary issues and the company are confident of overcoming resistance from their own trade union.

3 However the documentation to be discussed next week includes a draft letter given to them, with Ministerial authority, last year containing an assurance that if the RDG regime were to change we would give favourable consideration to the provision of additional SFA. Nissan understood this to mean that they would be fully compensated for any net adverse change i.e they would receive full RDGs or the after-tax equivalent in SFA. Their latest financial forecasts have been prepared on this basis. We therefore have the choice either of honouring that understanding or, as you propose, pulling back and warning Nissan that full compensation will not after all be available.

4 I am sure that on the latter basis we should lose the project. Nissan have with the greatest difficulty been brought to accept our offer of SFA, and to warn them now that they stand to lose a large part of the RDGs they had been expecting (which are worth roughly twice SFA for each percentage point, because of the tax benefit passed through the lessor) would completely over-shadow the much smaller margins which have been the subject of these difficult negotiations.

5 The question is whether the project is still worth what we judged it to be just two months ago. You believe that it is not and give "cost per job" figures to support this view. The calculations you quote are, however, on a highly questionable basis which greatly exaggerates the value of the offer. On the basis of the most up-to-date figures, my Department has estimated that the net employment effect will be a gain of about 6000 jobs, giving a cost per job of £14,600 (in a Development Area) or £18,700 (in a Special Development Area). Although not strictly comparable this is not significantly out of line with the



£15-20,000 per net job anticipated under our proposed new regional policy. The cost per job calculations of course take no account of the "dynamic" benefits we would expect from a Nissan presence here, particularly the higher standards of performance they would stimulate among the assembly and components sectors.

7 I am convinced that our commitment to Nissan is such that we have no option other than to pay Nissan what they have been led to expect. We must, therefore, protect their position when we decide on transitional arrangements for the changes in the RDG scheme we are planning.

8 When we changed regional policy in 1979, limited selective assistance was available to companies who would - because of reductions in expected RDGs - otherwise have cancelled their projects. Those who found themselves so committed to projects that cancellation was not a feasible option received no selective assistance. This caused widespread resentment within industry who considered we had acted in bad faith. Contrary to the position in 1979, selective assistance is now negotiated as the minimum necessary, taking into account RDG, to induce a project to go ahead, and the Government is therefore much more closely committed to the specific offers of assistance made. If the new transitional provisions followed the 1979 model, I would expect the resentment in industry to be if anything stronger than in 1979.

9 I therefore propose that we should devise transitional arrangements which give Nissan the rates of RDG and SFA they are expecting, which cannot be held to give unduly preferential treatment to Nissan by comparison with others in equivalent circumstances, but which are drawn as tightly as possible consistent with these constraints.

10 This means that the savings arising from changes in the RDG scheme would come through more slowly than we might have expected. But the important thing is that very significant savings will still be achieved in the short-term, and all the expected savings in the longer term.

11 The main talks with Nissan resume on Tuesday 13 September; the negotiating team must be in a position by then to handle this issue. I hope that you can agree to what I propose.

12 I am sending a copy of this letter and, for completeness, a copy of yours (and of the note by officials which we both received) to the Prime Minister, in view of her close interest in this project.

Yours sincerely,

Jonathan Spencer

CP CECIL PARKINSON

(Approved by the Secretary of State and signed in his absence)



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

8 September 1983

The Rt. Hon. Cecil Parkinson MP
Secretary of State for Trade and Industry

John Caw?

NISSAN

My officials have shown me the paper that you have been given about Nissan and the regional assistance changes.

I think that we must tell Nissan that they will receive only £ for £ compensation for lost RDGs, despite the risk of losing the project. Grossing-up would mean a cost per job of up to £67,500 if Nissan went to an SDA. This is five to six times greater than the highest cost per job limit which officials have been contemplating in the review of regional economic policy. There must be a limit to the amount that we are willing to pay to entice Nissan to the UK. I recognise that our previous SFA offer, and our willingness to maintain it despite the tax cost to the Exchequer of leasing, represented an implicit decision to pay this much for the project. My concern is that grossing-up is not simply a different way of presenting this cost but could result in our paying even more.

Providing full compensation for Nissan is potentially very repercussive, and runs the risk of losing a substantial part of the savings we have been expecting from the regional review. It is impossible to estimate the knock-on effect of conceding grossing-up for Nissan on other projects but I am advised that it could be up to £50 million per year. This is in addition to the already enormous bill that we are facing and, given the probability that the banks will shelter the additional leasing payments from tax, we are unlikely to receive any additional tax receipts to offset against the cost.

In the light of the damage that grossing-up could do to our new regional policy, I am firmly of the view that we must restrict compensation to the £ for £ formula.

NIGEL LAWSON

*Un-
Vail*



NISSAN PROJECT AND REGIONAL ASSISTANCE CHANGES

Introduction and Summary

1 This paper, prepared in consultation with the Treasury, describes a dilemma that the Department faces in trying to conclude discussions with Nissan at a time when major changes in regional policy are being planned. In negotiating the final deal with the Department, Nissan will be relying on assurances which they sought earlier about protecting the project against possible changes in RDG. If in the event Nissan's expectations about the degree of protection offered by those assurances were not fulfilled, the future of the project would be jeopardised and the Government would be open to accusations of having negotiated with Nissan in bad faith. However, it may be impossible to provide the protection which Nissan require without repercussions for other projects, thus putting at risk some of the public expenditure savings expected to accrue from the regional policy changes.

2 For reasons explained in the paper, we consider that the Government is already committed to offsetting any reduction in RDG for the project by an increase in Selective Financial Assistance (SFA). The question now is whether that offset should be limited to £ for £ or whether Ministers agree that the increase in SFA should be greater than the reduction in RDG to allow for the difference in tax treatment. SFA is taxable; RDG is not.

3 A decision on this is needed before the next substantive discussions with Nissan start on Tuesday 13 September.



If Ministers decide that the offset can include an allowance for the different tax treatment, the negotiations can proceed as planned. Any questions Nissan raise about the risk of possible changes to RDG (as they have earlier) can be met in good faith with confirmation that the Department will leave Nissan no worse off as a result. If Ministers decide that the offset cannot be more than £ for £, we believe that this must be made clear to Nissan before negotiations are concluded. If the Department concluded and announced a deal with Nissan without exposing to them the intention to limit offsetting SFA to £ for £, this would jeopardise the project as soon as the regional policy changes were public and lay the Government open to accusations of bad faith and we therefore recommend against it. On the other hand exposing to Nissan now an intention to limit offsetting SFA to £ for £ of any RDG lost would itself in all probability result in the project being lost.

The Nissan project and the 'Letter of Comfort'

4 Negotiations with Nissan over their prospective UK plant have been proceeding for two and a half years since the announcement of their feasibility study in January 1981. During discussions in late July this year the outline of a deal (described at Annex 1) was struck at working level. What we hope will be the final stage of negotiations is due to start on 13 September when the documentation should be finalised.

5 During their talks with the Department early in 1982, Nissan were worried that changes in the availability of RDG after they



had committed themselves to the UK project might substantially reduce the Government assistance available to their project. The then Secretary of State stressed to Nissan that the Government could not bind itself or its successors not to change regional assistance. Nonetheless, as part of the negotiating process with Nissan, he indicated that he was prepared to offer a limited reassurance to the company, in the terms of the draft letter of comfort attached at Annex 2.

6 This letter was provided at a point when negotiations on the project were at a critical stage, and was recognised to be one of the crucial elements in a package which was later that year described by Nissan as having a "broad measure of agreement". Its wording was carefully drafted to avoid explicit commitment; but in tabling the letter it was recognised on the Government side that there was a moral commitment to compensate Nissan in the event that the level of RDGs for the project were reduced.

7 At that time, the question of whether such compensatory assistance would have to take into account the different tax treatment of RDGs and SFA was not explored in detail. The issue did not seem likely to arise very starkly, since Nissan's UK project would not be in a tax-paying position for at least 15 years.

8 Since then the position has changed. The project under discussion in 1982 was not approved by Nissan's Board and the current project is both smaller and explicitly in 2 phases. Secondly Nissan are now proposing to lease most of the



assets, which considerably improves their return on the project. Thirdly, the prospect of major changes to RDG (in terms of structure as well as coverage) has become much firmer following the interdepartmental review (see below para 11 et seq). However, at no stage has the Department given Nissan any indication that the reassurances in the letter of comfort could not continue to be relied on and Nissan will be expecting a letter of comfort in similar terms to Annex 2 to form part of the final documentation.

9 Leasing and "grossing up"

A critical development in the Nissan project since February 1982, is the introduction of leasing. The Government has encouraged Nissan to adopt the leasing route. Leasing both reduces Nissan's initial cash outlay and allows them to receive, through reduced rentals, ^{the benefit of most of the} tax allowances which the lessors are able to claim but which would not otherwise be available to Nissan because of their lack of taxable profits in the UK.

10 This, combined with the non-taxable nature of RDG, leads directly to the present problem. The leasing company in setting its rental charged to Nissan is able to deduct the RDG which it would receive from its net of tax expenditure. If the RDG is withdrawn or reduced, the leasing company will recoup this by increasing Nissan's rental payments. But when the tax effects are taken into account, the increase in rentals is likely to be greater than the reduction in RDGs - perhaps up to double. Therefore if offsetting SFA were limited



to £ for £, Nissan would be worse off. To put them in a position where they were not worse off might effectively mean paying them as much as £2 additional SFA for every £1 reduction in RDG. (The actual grossing up factor would depend on the terms of the leasing deal, the extent of non-leased assets and Nissan (UK)'s tax position - none of which can be immediately established - but can be assumed to be close to two.)

Regional Assistance Changes

11 Ministers are to consider, in September, the second report prepared by officials on regional economic policy, which includes recommendations to change RDGs. If Ministers endorse these changes, or others similar in character, legislation may be introduced in this Session to give effect to the changes starting from mid-1984. One of the aims of the changes is to achieve a substantial saving in public expenditure on regional policy as early as possible.

12 The extent to which these changes would reduce RDGs on the Nissan project depends on the character of the proposed new scheme, the timing of the changes and the length of the transitional period. Nissan expect to receive RDGs at 15% (or 22% if they locate in an SDA) on expenditure of £350m ie £52½m - £77m RDGs. The associated employment forecast is for 2,754 jobs. If for example the new scheme imposed a £10,000 per job ceiling on grant, Nissan's RDGs would be reduced by between £25m and £50m. Even if RDG changes were delayed, the profile of expenditure puts Nissan's Phase II expenditure after any likely date for changes to RDGs.



If the area in which the project is located were to lose its RDG status entirely before Phase II of the project went ahead, the loss of RDGs would be between £45m and £66m.

13 A number of other companies face a similar position to Nissan in that they will have negotiated SFA for projects which may straddle the RDG changes. They too will lose some of the RDG they were relying on, and will look for selective assistance to meet the gap in funding. None will have had this explicitly provided for in the package of assistance. Some have already approached the Department for assurances, although none have been given, beyond an indication that adequate transitional arrangements would be normal in the event of major changes to the RDG scheme. On past precedent if, as a result of such changes, a project were put in jeopardy, there would be fresh negotiations about the extent of SFA which might be provided. The question of grossing up would then be an element in that fresh negotiation.

14 We have in the past not conceded that projects jeopardised by changes to RDG's should receive compensation at more than £ SFA for £ RDG. Additional SFA in such circumstances has been individually negotiated as the minimum necessary to allow the project to proceed, and the £ for £ figure has not been exceeded:

Options

15 One option based on this precedent is therefore to conclude the Nissan deal on the basis of the existing letter



of comfort with the intention that, when the regional policy changes were announced, Nissan would be offered additional SFA on the basis described at paragraph 14 above, ie £ for £ without any grossing up for the different tax treatment. However it must be very doubtful whether it would be acceptable to proceed in this way given the way the Nissan negotiations have developed.

16 Nissan might well be expected to argue

- (i) that the Government, having encouraged them to follow the leasing route, must have known what effect the planned RDG changes would have on the financing of the project;
- (ii) that the Government must have known that Nissan, having sought specific reassurance, regarded the letter of comfort as saying that they would be left no worse off;
- (iii) that to compensate for loss of RDGs only on a £ for £ basis would leave them worse off;
- (iv) that therefore the Government had negotiated the deal in bad faith.

17 This would have repercussions not only for the Nissan project, but for inward investment from Japan and elsewhere. The Government's reputation for fair dealing could be damaged. Officials could not recommend such a course.



A second option is to make it unequivocally clear now, before Nissan make their decision, that we will be prepared to compensate Nissan for any loss of RDGs only to the extent of £ for £.

19 Officials engaged in the negotiations with Nissan believe that this course would lead at least to an hiatus in the negotiations, and probably to loss of the project in some acrimony. That Nissan have sought for and obtained assurances on the availability of compensation assistance, and the difficulty of the negotiations over marginal changes in the overall terms of assistance available to Nissan, do not suggest that the company would be prepared to proceed with the substantial losses represented by only £ for £ compensation. Nissan could claim publicly and with some justification that they had committed resources and considerable amounts of public reputation to pursuit of the UK project, only to find the UK Government changing its position at the eleventh hour.

20 Treasury officials believe, however, that this risk has to be balanced against the possible cost of going beyond £ for £/. They are inclined to the view that, if Nissan's expectations cannot be met without a substantial increase in public expenditure, it may be right at this stage to attempt to secure the project on the clear understanding of additional SFA £ for £ for any loss of RDGs, recognising the risk that this would entail.



The third option is therefore to decide now that the Government is prepared to ensure that the regional policy changes leave Nissan no worse off ie taking into account the different tax treatment of RDG and SFA.

22 We have identified two possible methods of achieving this:-

- I A contract between the Secretary of State and Nissan guaranteeing that RDGs would be paid on their project at the current rates.
- II Additional SFA, to be negotiated at the time of the RDG announcement, but expressly on the "no better no worse" principle (ie including grossing up);

23 Method I would require specific provision in the relevant legislation to amend RDGs. A general transitional provision preserving RDGs for projects to which companies were already committed would seriously jeopardise a large part of the public expenditure savings that are intended to accrue from the RDG changes. Limiting the protection to projects that had received a contractual commitment would precisely fulfil Nissan's expectations and mean that the benefit could be confined to the Nissan project as long as no other grant applicant were given a similar commitment, thus avoiding any public expenditure repercussions. Treasury would therefore be in favour of this route.

as seems likely

24 However, if/it were clear during the passage of the Bill that this provision were intended to cover only Nissan, the question of hybridity would arise. Hybridity is a matter



intention, rather than the wording of the Act. In this case, intention would clearly be to treat Nissan differently from others in a similar position and the House authorities (who rule on hybridity) might well decide that it was hybrid. This would seriously delay passage of a Bill, add to controversy and would be extremely difficult to defend. The Government would be seen as having acted in bad faith with all RDG applicants (especially those with SFA offers) other than Nissan, to whom preferential treatment would be extended.

25 Method II would also clearly fulfil Nissan's expectations, by the Department responding quickly and positively to Nissan's request for additional SFA when the RDG changes were announced. The main objections are on grounds of public expenditure. By letting Nissan enter the deal on a firm assurance that they would be left no worse off as a result of any RDG changes, it would leave the Department no room to manoeuvre on the tax issue thus resulting in additional public expenditure* for the Nissan project alone of up to £25m for a DA location, up to £50m for a SDA location - considerably more if by the time Phase II starts the location no longer attracts RDG at all. These figures could lift the total assistance to the project - leaving aside the tax benefits obtained through the leasing deal - to as high as £112m (£162m for an SDA location) equivalent to £40,000 (£60,000) per job. This contrasts starkly with much lower cost per job figures contemplated generally in the proposals to reform regional assistance.

* Normally such an increase to allow for the difference in tax treatment would be offset by an increase in tax revenue (although not necessarily in the same financial year). But to the extent that the leasing companies would be able to find further leasing business to cover their tax liability on the increased rentals, this offset would not occur and the PSBR would rise accordingly.



26 There could also be repercussions for other projects affected by RDG changes (including changes to the AA map as well as to the scheme itself). It must be assumed that whatever deal is agreed with Nissan will become public knowledge, including the fact that for the first time the Department had offered compensation 'grossed up' to allow for the different tax treatment. Once this precedent was established, it would weaken the Department's ability to resist claims for similar treatment in other cases where the loss of RDGs was accepted as putting a project in jeopardy. It is not possible to make a sensible guess at how many cases there might be where the tax position of companies justified their claiming grossed up compensation for RDG. But if more than 4 or 5 major projects were involved the additional cost referred to in para 25 could be increased substantially. This would conflict with the intention to achieve major and early public expenditure savings from the RDG changes.

Conclusion

27 Officials do not regard any of the options as free of serious difficulty and, given the conflicts of regional, public expenditure and industrial policy in this case, have not been able to agree any single course of action to recommend to Ministers.

28 If, as we recommend, Ministers rule out on grounds of bad faith the possibility of telling Nissan nothing further at this stage and offering only £ for £ when the regional



changes are announced, the choice is as follows:-

- (a) tell Nissan now that they will receive only £ for £ compensation for any loss of RDGs - this avoids additional public expenditure and creates no new precedent for other cases, but could result in loss of the project;
- (b) give Nissan a contractual commitment to RDG as such regardless of regional policy changes - this too avoids additional public expenditure and runs no risk for the project, but raises the question of hybridity and bad faith for all other firms affected by the changes; or
- (c) confirm to Nissan that they will be left no worse off as a result of any RDG changes with the intention of meeting the grossed up cost - this again avoids any risk to the project, but could add substantially to public expenditure both directly and through its implications for the treatment of other projects.

29 In view of the need for a decision before negotiations restart on 13 September, Ministers may wish to discuss these options with officials. Treasury officials will be putting the paper to the Chancellor who may wish to comment.

DTI

2 September 1983

NISSAN PROJECT

The principal elements of the current proposal, as discussed in Tokyo, are:-

- (i) A project in two phases, with a break-point in 1987 (when Nissan would decide whether to proceed with a full manufacturing operation) but also a clear progression to production of 100,000 units in 1990. There would be a general reference to the possibility of production eventually reaching 200,000 units per annum.
- (ii) A commitment in Phase II to achieving 80% local content within 18 months of the start of full manufacture.
- (iii) Production during the Phase I assembly operation to count as built-up imports for the purposes of the SMMT/JAMA voluntary restraint arrangements on Japanese cars. (This first stage is itself an unprofitable operation and makes sense only as a stepping-stone to Phase II).
- (iv) Selective financial assistance on Phase II of $11\frac{1}{2}\%$ (agreed negotiating margin 12%), equivalent to 10% over the project as a whole, on top of RDGs at 15% or 22% (Nissan have not decided amongst their selected sites, which include both DAs and SDAs).



Capital investment of £350 million, phased as indicated in the attached outline plan totalling £50m in Phase I and £300m in Phase II. Nissan expect to lease all or the majority of the assets.



SCHEME FOR CONSTRUCTION AND PRODUCTION

JULY, 1983

	1983	1984	1985	1986	1987	1988	1989	1990	1991
Model				A-1				A-2	
Phase I Body, Paint, Assembly	Phase I Site investigation / Approval design / Land preparation Negotiation for purchase / Building construction Design / Trial				Phase II Design / Building construction Design / Trial				
Phase II Pressing, Component, Engine sub assembly Expansion of phase II									
Production plan (cars/year)	0	0	0	12,000	24,000	24,000	24,000	81,000	100,000
Target local content (%)	—	—	—	—	—	—	—	70	* 80
Capital investment (L. million)	0.0	23.1	28.3	0.0	70.5	92.7	135.3	0.0	0.0/319.9
Employment at year end (person)	—	64	296	433	429	617	1,851	2,795	2,751

* by mid-1991



Chairman
Nissan (UK) Ltd/

Dear Sir

1 Please refer to the offer letter relating to assistance under Section 7 of the Industry Act 1972. In addition to Section 7 assistance, Regional Development Grants (RDGs) will be available in respect of approved capital expenditure incurred on assets provided for the purposes of the project at the plant (as defined in the offer letter). At present, the rate of RDGs is 15 per cent in a Development Area and 22 per cent in a Special Development Area.

At the meeting on 18 February 1982 between Nissan and the Secretary of State for Industry the continuing availability of RDGs was discussed. The Government cannot commit itself or its successors to making no change in the general statutory arrangements for industrial and regional support. Moreover in the event of such changes, modifications in one aspect of these arrangements might be offset by modifications in another. However in the event of any change to the RDG Scheme which affects adversely the company's eligibility for RDGs without offsetting benefits in other aspects of industrial and regional support, the Government undertakes that favourable consideration will be given to the provision of additional assistance under Section 7 of the 1972 Act according to the criteria applicable under that Act.

CONFIDENTIAL



Nissan

August, 1983

The Road Towards World Cooperation (Beyond Protectionism)

Mr. Masataka Okuma, Senior Advisor of Nissan Motor Co., Ltd., delivered a speech on the Internationalization of the Auto Industry on August 25, 1983, at the International Conference for Moral Re-Armament held in Caux, Switzerland. Mr. Okuma's speech is presented below.

As I have long worked in the auto industry of Japan, and have been involved in its corporate management, I would like to approach today's theme from the aspect of the "Internationalization of the Auto Industry" speaking from my own first-hand experience.

Small Cars' Ascendancy

Today the world auto industry is undergoing a wrenching transition.

Soaring automobile fuel prices and subsequent continuing long-term worldwide economic stagnation have wrought great changes in the world's needs for automobiles, bringing to the forefront of the world auto market the fuel-efficient, high-quality, reasonably priced small car. This trend has its strongest impact on the U.S. auto market which had long revolved around sales of large cars.

The major producing nations of the auto industry, which was born in Europe at the end of the nineteenth century, included the United States by the early twentieth century. Still later, after the World War II, Japan joined their number. Forming three distinct production zones, the Japanese, U.S. and European auto

industries developed in their respective ways largely depending on the differing characteristics of their home markets, and the industry steadily moved into the developing nations of the world. This was the historical pattern followed by the industry until the time of the first oil crisis.

Response to Global Competition

Before the Japanese auto industry joined the world market, the world auto industry had already entered the age of competition on a global scale. Under the stringent conditions created by the protracted slump in auto sales resulting from the oil crises, however, the automakers of each nation were compelled to revamp almost every single aspect of their operations in order to maintain and strengthen their long-term competitive power as well as to respond to the changes in the market. At present, a technological revolution is underway in the industry as a result of the introduction of industrial robots; organizational changes are being implemented, productivity is being boosted, and labor-management relations are being

improved. This drive to make improvements is not limited to the automakers of one nation alone, but also is linked to the efforts mounted by the auto manufacturers as well as the auto parts industry in all automobile producing nations. It seems obvious, then, that the degree of interdependence within the world auto industry is becoming increasingly greater.

Key Industry Status

Automaking is and will continue to be a critically important strategic basic industry for each of the producing nations. It plays a vital role in a nation's gross national product, export activity, transportation, technological development and in employment in particular. For this reason, nations whose auto industries in the past have been the driving force behind economic growth and social development have come to expect further development and growth in this sector for the future. This type of expectation is shared by both developed and developing nations.

As I noted already, the restructuring of the world auto industry triggered by the oil crises has seen each nation continue to direct massive efforts towards the revitalization of its auto industry. In this process the Japanese auto industry, which has long specialized in small cars for reasons including road conditions in Japan, has registered great progress. While Japanese cars have been well received by the world's auto users, European and U.S. automakers have sustained serious blows from the prolonged worldwide recession and resultant slump of automobile sales. This was particularly evident after the second oil crisis. The continually expanding problem of automotive trade friction between developed nations, I believe, is an unfortunate by-product resulting from the process of the revitalization of their auto industries. It is truly regrettable that Japan's automakers have been unfairly blamed for causing this trade friction and have been singled

out as a target for international criticism.

Means for Coprosperity

What should the world auto industry do to check the alarming trend of protectionism and promote coexistence and coprosperity between each of its member industries through increased interdependence? What must it do to revitalize the world's economy and provide customers everywhere with the fuel-efficiency, high-quality and reasonable price they are looking for in their cars?

Speaking from my experience to date, I would like to describe for you my vision of the internationalization of the auto industry and the direction in which it must head.

First, because the auto industry is such a strategic industry for each nation, it is necessary to maintain and develop harmonious auto trade relations so as not to disrupt the order in trading partners' markets. In addition to exports of fully assembled vehicles to the massive European and U.S. markets, local production should also be undertaken, and the new companies thus formed should then put down roots as part of the local auto industry. Endeavors of this kind expand work and employment opportunities at the local level and contribute greatly to the development of the region. Likewise, it is necessary to cooperate with the auto industry policy of the developing nations to encourage local production, and in this way act as a lever for the development of their industries. Through efforts like these, it will become possible for the auto industry to contribute to the economic and industrial development of these developing countries. At the same time, I believe, it will become possible to supply automobiles which are optimally matched to the needs of the market.

Collaboration with Competitive Spirit

Second, it is necessary to forge collaborative arrangements between automakers transcending national boundaries.

"...It is vital for us to collaborate on product development and production while continuing to compete against one another for sales. Examples of cooperation are technology exchanges, joint research and development, joint vehicle production and parts provision."

"...The degree of our mutual dependence is continually rising ... the free exchange of products, parts, technology and capital across national borders must be assured."

These arrangements, of course, must permit both parties to reap benefits in terms of management and contribute to the strengthening of each company's competitive power. From the viewpoint of providing customers with automobiles that are worth more, it is vital for us, on the one hand, to collaborate on product development and production, while, on the other hand, continuing to compete against one another for sales. As examples of the framework for such cooperation, there are technology exchanges, joint research and development, joint vehicle production and parts provision to maximize benefits arising from economies of scale, to name but a few.

Acting under this type of philosophy, Nissan Motor Co. has made internationalization a major part of its corporate strategy and development of its enterprise.

For example, we have set up joint production with Alfa Romeo in Italy, and, in this way, I believe we are playing a part in the promotion of industry in southern Italy. Just this past June, our U.S. pickup truck plant went on line, expanding employment in a region perennially short of jobs. At this moment, we are going ahead with preparations to produce Volkswagen Santana in one of our plants and sell them on the Japanese market. This model is aimed at helping to expand the sales of foreign cars in our domestic market.

These are but a few examples of directions in which the Japanese auto industry is internationalizing. At the same time, this is illustrative of the general state of development of the auto industries in each of the developed nations. I also believe that methods such as these are one of the few ways in which the auto industries of the world can mutually assist each other's progress, coexist and even become prosperous in the current difficult economic climate.

Free Trade for Growth and Prosperity

While this internationalization is necessary, it also must be pointed out that a number of other points must be abided by.

Today, in an international socioeconomic complex in which the degree of our mutual dependence is continually rising, the free exchange of products, parts, technology and capital across national borders must be assured. For this purpose, it is necessary that the principle of "free trade" be widely accepted and put into practice on an international basis. Looking at events around us today, however, we can see numerous instances where without resorting to "self-help" to overcome difficulties, industries have tried to avoid competition by erecting protectionist barriers. Experience in the past two or three years has shown just how protectionism reduces international trade and may prolong the world recession. More than ever before, nations must try to understand their respective perspectives and never forget the principles of free competition and free trade. They must all affirm that this is the only way to bring about healthy economic development and bountiful lifestyles. And they must keep competition fair among themselves, bearing in mind these principles.

International Personnel, As Well As Products

Lastly, speaking as a man who has devoted his life to his company and his industry, I hope you will permit me to tell you my ideas about what can, and indeed must, be done for world cooperation and development in the years to come.

There are two ways in which those of us in the private sector can contribute to world cooperation.

First, we can provide the world with products we have taken pains to develop and produce to match the needs of the market. Thanks to its mobility and convenience, the automobile is the most

"... the rearing of internationally minded company personnel is a task of the utmost urgency .. These must be people capable of taking into account the diverse interests and ways of thinking of people the world over."

avored means of land transport today. It is an international product that is used by people the world over for their daily commuting and transport needs. We hope to contribute to the improvement of people's daily lives and greater economic development by furnishing them with automobiles.

Second, by fostering the growth of more truly international people within our companies we can further insure that international cooperation will in time bear fruit. At a time when the economic climate is such that if nothing is done protectionism will only spread, the rearing of internationally minded company personnel is a task of the utmost urgency. These must be people who are not bound by feelings of mere self interest, but who are capable of taking into consideration the diverse interests and ways of thinking of people the world over. This is one mission of companies today, I believe.

There are now eleven companies independently manufacturing motor vehicles in Japan. Rising from the devastation of World War II, they devoted massive human and financial resources to their task of rebuilding the industry while seeking technical assistance from U.S. and European automakers, and finally succeeded in providing the market with fuel-efficient, high-quality, reasonably priced small cars.

The Japanese car, which represents the crystallization of the ingenuity and inventiveness of our industry, has been well received by customers all over the world, and as an international product has spread to nearly every corner of the globe. As one who has experienced the hardship and sacrifice involved in this process from the inside, this fact gives me a feeling of joy.

Need to Close International Perception Gap

When I think of how international our products have become, however, I am troubled by one persistent question. How well do the people of the world

understand the Japanese who produced these products? I have long worried about the existence of this gap in perception, and sincerely hope that the Japanese will be better understood abroad. At the same time, I am painfully aware of the fact that we must devote greater effort to the process of internationalizing ourselves in order to see world cooperation become a reality in the future.

Of course I don't expect this process of internationalization to take place overnight. It will, no doubt, require time and persistence. Nevertheless, having spent my entire working life in Japan's automotive industry, I am optimistic that though the steady advance of internationalization we will be able to play a role in world cooperation.

The industrial session of the International Conference for Moral Re-Armament was held from August 23 to 28, 1983 under the theme "Preconditions for a Healthy Economy," attended by industrialists, trade union leaders and politicians from 32 countries. As well as several speeches by invited guests, the conference program included a variety of activities and discussion centered on international exchange and cooperation.

Main speakers: Mr. Masataka Okuma, Senior Advisor, Nissan Motor Co., Ltd., Tokyo, Japan.
Dr. Olivier Giscard d'Estaing, Vice President, INSEAD
Prof. James Thwaites, Laval University, Quebec, Canada.

Panel: Mr. Neville Cooper, Director, Standard Telephones and Cables Ltd. England.
Mr. Richard Tritter, President, On-Site Medications Inc., U.S.A.
Mr. Christer Hall, Committee member of Swedish Trade Union, Congress, Sweden.





JF4135

CONFIDENTIAL

of A. Owen
Prime Minister 2

*A possible agreement
by the end of September.*

~~_____~~ *WJ*

MS

9/8

PRIME MINISTER

NISSAN

A further round of negotiations took place in Tokyo last week. These made good progress and resulted in a provisional new package of proposals which will be translated into a draft Heads of Agreement and submitted to the Nissan Board before the next round of discussions planned in mid-September. The Nissan team expressed some confidence that a package on these lines would be approved but their statements fell short of a guarantee and officials do not rule out the possibility of further bargaining sessions, particularly on the question of SFA.

2 Nevertheless, if accepted, the new proposals would represent a very satisfactory deal and this was achievable, I understand, only after a mid-week tussle between Messrs Kawamata and Ishihara in which the former was forced to make concessions. The project, based on Nissan's Plan A, would be in two phases with a break-point in 1987 (when Nissan would decide whether or not to proceed with a full manufacturing operation) but also a clear progression to production of 100,000 units in 1990. There would be general reference to the possibility of production eventually reaching 200,000 units per annum. Most encouraging is the proposed commitment on local content where Nissan would undertake to



achieve 80% within 18 months of the start of full manufacture(ie in 1991) which represents a considerable advance over the position the company have previously adopted.

3 If all goes well, it is possible to envisage the signature of final agreements by end-September/early October. In the meantime, Nissan remain extremely sensitive about publicity and, with the Nissan Board poised to reach a final decision, I am taking steps to reduce the risk of leaks which could be highly damaging to the prospect of a favourable outcome.

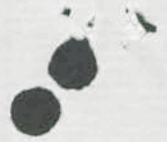
C.P.

C P

3 August 1983

Department of Trade & Industry
Ashdown House
123 Victoria Street
LONDON
SW1E 6RB

Japan - Relats with OK pt. 3 . NISSAN



(100)

CONFIDENTIAL



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LOT

10 DOWNING STREET

From the Private Secretary

25 July 1983

JAPAN DESIGN FOUNDATION

Thank you for your letter of 22 July. The Prime Minister agrees that Sir Hugh Cortazzi should, at the ceremony on 7 October, accept on the Prime Minister's behalf the medal which the Japan Design Foundation wish to award to her.

I am copying this letter to Jonathan Spencer (Department of Trade and Industry).

A. J. COLES

Roger Bone, Esq.,
Foreign and Commonwealth Office

RB

19/1

CONFIDENTIAL
COMMERCIAL IN CONFIDENCE



Prime Minister (2)

Mus 25/7

Caxton House Tothill Street London SW1H 9NF
Telephone Direct Line 01-213 6400
Switchboard 01-213 3000

The Rt Hon Cecil Parkinson MP
Secretary of State
Department of Trade and Industry
Ashdown House
123 Victoria Street
LONDON
SW1

25 July 1983

mt

D Cecil,

NISSAN

Thank you for sending me a copy of your letter of 15 July to Nigel Lawson about the Nissan project.

I fully support the line which you are proposing officials should take when the talks with Nissan are resumed later this month. I agree that we should go for the proposals outlined in your letter as plan A.

I gather that the number of new jobs likely to be created by the project is no longer on the scale originally envisaged - 2,800 if only phases 1 and 2 are completed compared with the original estimate of nearly 8,000. Nevertheless nearly 3,000 jobs will not be regarded as insignificant in whatever assisted area location is chosen by Nissan.

I am sending copies of this letter to the Prime Minister, the Chancellor of the Exchequer and the Foreign and Commonwealth Secretary.

J. Norton

Engl-Japanese
Relations
pg. 3.

25 JUL 1953



COVERING CONFIDENTIAL



Prime Minister

Foreign and Commonwealth Office

*Agree that our Ambassador
in Tokyo should accept
the award on your behalf?*

London SW1A 2AH

22 July 1983

A.J.C. 22/7

Yes not

John Thur...

You may have seen an advance copy of Tokyo telegram number 385, which reports the intention of the Japan Design Foundation to award a medal to the Prime Minister at an International Design Festival ceremony on 7 October as part of the celebrations for the 400th anniversary of Osaka City. I enclose a further copy of that telegram for convenience. (Those parts of the telegram which concern Mr Parkinson's possible visit to Japan are being dealt with by the Department of Trade and Industry.)

We know no more of the organisation concerned beyond what is contained in paragraph 2 of the telegram. However it is clear that it has official sponsorship at the highest level and that the proposed award is a personal compliment to Mrs Thatcher.

The Foreign and Commonwealth Secretary supports Sir H Cortazzi's recommendation that he be authorised to accept the award at the ceremony on 7 October on behalf of the Prime Minister. I should be grateful to know whether the Prime Minister has any objections. If she agrees, it would be appropriate to send a message of acceptance. We will suggest a draft message nearer the time.

I am sending a copy of this letter to Jonathan Spencer at the DTI.

[Handwritten signature]

(R B Bone)
Private Secretary

A J Coles Esq
10 Downing St

COVERING CONFIDENTIAL

CONFIDENTIAL

FM TOKYO 200630Z JUL 83

TO IMMEDIATE F C O

TELEGRAM NUMBER 385 OF 20/7/83

INFO OSAKA (ACTIONED)

THE INTERNATIONAL DESIGN FESTIVAL.

1. THE MINISTRY OF FOREIGN AFFAIRS HAVE TOLD US THAT A PRIVATE ORGANISATION, THE JAPAN DESIGN FOUNDATION, IS TO AWARD A MEDAL TO MRS THATCHER AT AN INTERNATIONAL DESIGN FESTIVAL CEREMONY ON 7 OCTOBER IN OSAKA, AS PART OF THE CELEBRATIONS FOR THE 400TH ANNIVERSARY OF OSAKA CITY AND A PROJECT ENTITLED THE " OSAKA 21ST CENTENARY PLAN" WHICH IS INTENDED TO ENHANCE OSAKA 'S NATIONAL AND INTERNATIONAL STATUS.
2. THE JAPAN DESIGN FOUNDATION IS SPONSORED BY MITI AND THE OSAKA AUTHORITIES AND AIMS TO PROMOTE "AN IMPROVED BALANCE OF INDUSTRIAL DEVELOPMENT AND THE NATURAL ENVIRONMENT". THIS IS TO BE ACHIEVED NOT ONLY DOMESTICALLY IN JAPAN BUT ALSO THROUGH INTERNATIONAL COOPERATION. THEY INTEND THAT THEIR FIRST INTERNATIONAL DESIGN RESTIVAL IN OSAKA WHICH TAKES PLACE FROM 22 OCTOBER TO 9 NOVEMBER SHOULD BE LAUNCHED BY AN ADVANCE CEREMONY IN THE AFTERNOON OF 7 OCTOBER, ATTENDED BY THE CROWN PRINCE AND PRINCESS, AND THE MINISTERS OF FOREIGN AFFAIRS AND INTERNATIONAL TRADE AND INDUSTRY. A NUMBER OF AWARDS WILL BE MADE AT THIS CEREMONY TO INTERNATIONAL COMPANIES DEEMED BY THE FESTIVAL COMMITTEE TO HVE MADE AN IMPACT ON DESIGN (THEY INCLUDE A BRITISH COMPANY CALLED PENTAGRAM). BUT A SPECIAL AWARD WILL BE MADE TO MRS THATCHER ALONE TO MARK HER PARTICULAR PERSONAL ACHIEVEMENTS. BRITAIN IS SAID TO BE REPRESENTED AT THE SUBSEQUENT 22 OCTOBER TO 9 NOVEMBER FESTIVAL BY MR ANTHONY RYDER.
3. THE MINISTRY OF FOREIGN AFFAIRS SAID THAT THEY COULD WEL UNDERSTAND THAT THE PRIME MINISTER'S OTHER COMMITMENTS (AND ALSO HER VISIT TO JAPAN LAST AUTUMN) MIGHT MAKE IT DIFFICULT FOR HER TO RECEIVE THIS AWARD IN PERSON. IF THIS WAS SO, THE MINISTRY OF FOREIGN AFFAIRS WONDERED WHETHER THE SECRETARY OF STATE FOR TRADE AND INDUSTRY MIGHT TIME HIS PROPOSED VISIT TO JAPAN TO COINCIDE WITH THE CEREMONY OF 7 OCTOBER AND THEREBY RECEIVE THE AWARD ON DEHALF OF THE PRIME MINISTER. IF MR PARKINSON'S PLANS PREVENTED

CONFIDENTIAL

/HIM

HIM FROM DOING THIS, THE FOUNDATION WOULD ASK ME TO RECIEVE THE AWARD ON THE PRIME MINISTER'S BEHALF.

4. THE MINISTRY OF FOREIGN AFFAIRS ALSO SAID THAT THEY WERE, IN ANY EVENT, KEEN THAT MR PARKINSON SHOULD PAY AN EARLY VISIT TO JAPAN AND WERE THEREFORE INFORMALLY CONSIDERING THE POSSIBILITY OF INVITING HIM HERE AS A GUEST OF THE GOVERNMENT. THAT WOULD MEAN THAT HIS PROGRAMME WOULD BE IN THE HANDS OF THE JAPANESE, WHO WOULD ALSO MEET ALL THE COSTS OF HIS PARTY WHILE IN JAPAN. THEY HOPED THAT MR PARKINSON MIGHT BE ABLE TO COME AS A GUEST OF THE GOVERNMENT AT THE TIME OF THE INTERNATIONAL DESIGN CEREMONY OR FOR THE OPENING OF THE FESTIVAL ON 22 OCTOBER, WHICH SHOULD ALSO BE A GRAND AFFAIR. BUT EVEN IF HIS DATES FOR A VISIT TO JAPAN THIS AUTUMN COULD NOT COINCIDE WITH EITHER OCCASION, THE MFA MIGHT STILL BE PREPARED TO PROPOSE THAT HIS VISIT SHOULD BE AS AN OFFICIAL GUEST. THEY WOULD CERTAINLY HOPE THAT HE WOULD VISIT THE FESTIVAL: A SUITABLE DATE FOR THIS WOULD BE 27 OCTOBER, WHEN THE ORGANISERS AND PROMINENT BUSINESSMEN IN THE KANSAI WOULD LIKE TO GIVE MR PARKINSON DINNER (THIS DATE WOULD FIT IN WELL WITH THE GIFU AIR SHOW AS SBAC ARE PLANNING THEIR DINNER RECEPTION IN TOKYO ON 26 OCTOBER AND ARE HOPING THAT MR PARKINSON CAN ATTEND THIS AS WELL AS THE OPENING OF THE GIFU AIRSHOW ON 29 OCTOBER).

5. I HOPE THAT MR PARKINSON WILL BE ABLE TO COME TO JAPAN IN OCTOBER. BUT APART FROM THE FACT THAT A VISIT TO ATTEND THE INTERNATIONAL DESIGN CEREMONY WOULD BE JUST BEFORE THE PARTY CONFERENCE, I AM NOT CONVINCED THAT IT WOULD BEST SERVE OUR NATIONAL PURPOSES. MR PARKINSON'S PRESENCE WOULD BE USED TO GIVE A BOOST TO OSAKA AND THE LAUNCHING OF THE LONG-TERM OSAKA 21 ST CENTURY PLAN. IT WOULD, OF COURSE, BE REASONABLY STRAIGHT-FORWARD TO COMBINE THIS WITH MEETINGS WITH MINISTERS AND THE CUSTOMARY FEATURES OF A HIGH LEVEL VISIT. BUT MR PARKINSON WOULD NOT BE ABLE TO PARTICIPATE IN ANY BRITISH-ORIENTATED PROMOTIONS AND HE WOULD IN PARTICULAR MISS THE OPENING OF THE GIFU AIRSHOW AT THE END OF OCTOBER. HE WOULD THERE BE ABLE TO GIVE A DIRECT BOOST TO BRITISH HIGH TECHNOLOGY AND EXPORTS OF CAPITAL GOODS, WHICH IS WHAT WE NEED TO SET OUR SIGHTS ON AT THIS STAGE.

6. I RECOMMEND THAT : (A) I SHOULD ATTEND THE CEREMONY AND BE AUTHORISED TO ACCEPT THE AWARD ON BEHALF OF THE PRIME MINISTER AND (B) MR PARKINSON, IF POSSIBLE, VISITS THE FESTIVAL IN OSAKA DURING THE COURSE OF HIS PROPOSED STAY IN JAPAN, PERFERABLY BY 27 OCTOBER

CORTAZZI

LIMITED
FED
NEWS D MR GIFFARD
YRED MR DONALD
PS
PS MR LUCE
PS IPUS

COPIES TO
DTI/OTD

THIS TELEGRAM
WAS NOT
ADVANCED

2

CONFIDENTIAL

CONFIDENTIAL



N BPM

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

20 July 1983

The Rt. Hon. Cecil Parkinson MP
Secretary of State for Trade and Industry

A handwritten signature in dark ink, appearing to read 'Cecil Parkinson'.

NISSAN

We had a word about our recent exchange of correspondence yesterday afternoon and I promised to think further about your proposal.

In view of the importance you attach to the project, I am prepared to agree to the extra £5 million as a negotiating margin, on two conditions.

The first is that you can assure me that if it is not possible to agree the deal on the terms you propose, there will be no question of the negotiators seeking authority to make any higher offer. The project now under consideration is not as attractive as the one originally presented to us and, as I said in my letter of 18 July, I think we have gone up to, if not beyond, the price it is worth paying for it.

My second condition is that your negotiators should seek the firmest possible assurance from Nissan that if the deal is agreed, they accept that there is no question of their seeking any further assistance when they come to take decisions on the implementation of Phase II in 1987.

Both these points are, of course, subject to the project remaining substantially as now envisaged. If the plans changed, we should naturally have to look at it again.

I am sending copies of this letter as before to the Prime Minister, to Geoffrey Howe, Norman Tebbit and Sir Robert Armstrong.

NIGEL LAWSON

A handwritten signature in dark ink, appearing to read 'Nigel Lawson'.

Aglo Japanese Blvd

12 1 2 3 4 5 6 7 8 9 10 11 12

26 JUL 1985



LG

c. DTI

10 DOWNING STREET

THE PRIME MINISTER

Personal and Confidential
PRIME MINISTER'S

20 July 1983

PERSONAL MESSAGE

SERIAL No. T 107/83

My dear Mr. Kawamata,

I am very grateful for your personal letter to me, which has been delivered through our Embassy in Tokyo, and particularly grateful for your thoughtfulness in asking Mr. Goto to call on my Principal Private Secretary to explain further the background to your thinking. Thank you also for your kind words about the result of the General Election in Britain.

I greatly value our personal exchanges. The benefit of those exchanges, resulting from the acquaintance which we formed when I first visited Nissan some years ago, is that we have been able to be entirely frank with each other. Such contacts at the highest level help to avoid misunderstandings lower down.

I have always fully understood that your own view of the Nissan project in Britain was determined by your concern for what is best for the Nissan Company. I respect that position, and I know that the decision has been a very difficult one for you.

I can therefore well understand your anxiety about the political interest attaching to this matter. I have been conscious of the need to avoid any appearance of imposing public pressure upon you, and for this reason as you know I have attached the utmost importance to maintaining the strict confidentiality of our correspondence not only publicly but even within the Government. As for my discussion with Mr. Nakasone at Williamsburg, you know that I have always stressed that the decision must be a commercial one for Nissan: we should not want the project on any other basis.

/ But

But I am sure you will understand that, whether we like it or not, there is great interest in Britain in Japanese investment here. The British people would expect me, when meeting the Japanese Prime Minister, to refer to that matter and at least to say that we hope that Nissan will invest in Britain.

As British officials will be arriving for discussions with your company in Tokyo at the same time as this letter, I will not comment now on the proposals Mr. Kawai brought with him, or on the suggestions our officials made in response, except to make one point. Despite our disappointment that Nissan are not now envisaging an immediate investment on the scale we previously hoped for, I do understand, in the light of what you say in your letter and the points made by Mr. Goto, your anxiety and uncertainty about the imponderables surrounding the project in the longer term. So I have agreed that our negotiators should look constructively and positively at the concept of a "pilot plant" contained in one of your proposals, and at what adjustments, mainly of a presentational nature, we would need to secure to make such a concept acceptable to, and welcomed by, British public opinion.

I know that you will understand too, from our previous conversations, why I hope that this project will go ahead and why I believe that it is the right way forward. I am greatly encouraged to think that you yourself take the view that the proposals now put forward may be the basis for a successful outcome.

With warm personal regards

Yours sincerely

Rangart Thakur

Mr. Katsuji Kawamata.

CONFIDENTIAL



541
(no second carbon)

10 DOWNING STREET

From the Principal Private Secretary

20 July 1983

NISSAN

I enclose an envelope containing a personal letter from the Prime Minister to Mr. Kawamata in reply to the letter which he delivered to our Embassy in Tokyo. I should be grateful if the leader of the DTI negotiating team would take it with him to Tokyo.

As you know, I asked Mr. Goto what degree of confidentiality Mr. Kawamata attached to his letter. The reply was that Mr. Kawamata regarded his letter as personal, but hoped that the Prime Minister would speak to Mr. Parkinson about its contents.

There is therefore no reason why the leader of the DTI team in the negotiations with Nissan should not show himself to be aware that Mr. Kawamata has written a letter to the Prime Minister and that the Prime Minister has been in touch with Mr. Parkinson about its contents. Indeed, I imagine that the DTI team would wish to be able to say that their position in the negotiations reflects instructions from the Prime Minister and Mr. Parkinson which take account of the views expressed by Mr. Kawamata. But the DTI team should not suggest that they have seen Mr. Kawamata's letter or the Prime Minister's reply.

I should be grateful if the leader of the DTI team would brief our Ambassador in Tokyo on these lines.

~~E. E. R. BUTLER~~

E. E. R. BUTLER

Jonathan Spencer, Esq.,
Department of Trade and Industry.

CONFIDENTIAL

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JH 213



DEPARTMENT OF TRADE AND INDUSTRY

Room 11.01 Ashdown House 123 Victoria Street SW1E 6RB

Telex 8813148

Telegrams Advantage London SW1

Telephone Direct Line 01-212 3301

Switchboard 01-212 7676

PS/Secretary of State for Trade and Industry

19 July 1983

Robin Butler Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

Dear Robin,

NISSAN

Following Robin Mountfield's talk with you last night, I attach a draft letter for the Prime Minister to send to Mr Kawamata. Mr Parkinson has seen and approved this draft.

2 As you know, there is a problem of timing. I understand your intention is for this letter, in a sealed envelope, to be taken out by the team of officials who leave for Tokyo on Thursday morning. It would therefore be very helpful if we could have the envelope by close of play on Wednesday, 20 July.

*Yours sincerely,
Jonathan Spencer*

J P SPENCER
Private Secretary



DRAFT LETTER FROM THE PRIME MINISTER TO MR KAWAMATA

I ~~was~~ ^{am very} grateful for your personal letter to me, ^{which has been delivered through our Embassy in Tokyo,} and particularly grateful ~~to~~ ^{for} your thoughtfulness in asking Mr Goto to call on my ^{Principal} Private Secretary to explain further the background to your thinking. Thank you also for your kind words about the result of the General Election in Britain.

I greatly value ~~the~~ ^{our} personal exchanges. ~~The benefit of those exchanges, I am saddened that you have been displeased at the press statements about my hope that you will be able to reach a favourable decision on the UK project. I have been most conscious of the need to avoid any appearance of such public pressure upon you, and for this reason as you know I have attached the utmost importance to maintaining the strict confidentiality of our correspondence not only publicly but even within the Government. As for my discussion with Mr Nakasone at Williamsburg, you know that I have always stressed that the decision must be a commercial one for Nissan: we should not want the project on any other basis. But I am sure you will understand that, The British people would expect me, when meeting the Japanese Prime Minister, to tell him of our hope that your eventual decision will be a favourable one. to refer to that matter and at least to say that we hope that Nissan will invest in Britain~~

As British officials will be arriving for discussions with your company in Tokyo at the same time as this letter, I will not comment now on the proposals Mr Kawai brought with him, or on the suggestions our officials made in response, except to

I have always fully understood that your own views of the Nissan project in Britain were determined ~~only~~ ^{concern for} by your view of what ~~was~~ ^{is} best for the Nissan Company. I respect that position, and I know that the decision has been a very difficult one for you! ^{It is} I can well understand your ^{anxiety about the political interest} ~~concern~~ that the matter should have become ^{attached to} ~~a political one. I have been~~



make one point. Despite our disappointment, ^{that Nissan are not now envisaging an immediate investment on the scale we previously hoped for, I do} we understand, your ^{in the light of what you say in your letter and the points made} anxiety and uncertainty about the imponderables surrounding the project in the longer term; ^{So I have agreed that our negotiation should look} ~~it is for this reason that we are~~ ~~looking~~ constructively and positively at the concept of a "pilot plant" contained in one of your proposals, and at what adjustments, mainly of a presentational nature, we would need to secure to make such a concept acceptable to, and welcomed by, British public opinion. ~~I know that I can look to you and your company to approach these issues in the same constructive and positive spirit which I have so much admired in the talks and exchanges we have had.~~

"I know that you will understand too, ~~the~~ from our previous conversations, why I hope that this project will go ahead and why I believe that it is the right ^{way} forward. I am greatly encouraged to think that you yourself take the view that ^{the} proposals now put forward may be the basis for a successful outcome.

JAPAN: Anglo-Japanese Pt 3.

NBPM



BRITISH EMBASSY,
TOKYO.

19 July 1983

Robin Butler Esq
Private Secretary
10 Downing Street
LONDON
SW1

Dear Robin,

In my telegram number 379 I conveyed the text of the most recent message from Mr Kawamata to the Prime Minister. I enclose the original of that message with this letter.

Yours ever

A handwritten signature in dark ink, appearing to read 'H Cortazzi', with a stylized flourish at the end.

Sir Hugh Cortazzi

PRIME MINISTER

I attach a reply from you to
Mr. Kawamata.

The references to the negotiations in
Tokyo are based on advice from the Depart-
ment of Trade and Industry.

Lord Marsh called on me today. He
said that it was most important that,
despite the testy tone of Mr. Kawamata's
letter to you, your reply should be warm
and personal. If you would add
"With warm personal regards" or some other
brief message at the end, I am sure that
this would be well received.

I propose to send this letter out in
a sealed envelope with the leader of our
negotiating team: they will need it in
the course of tomorrow.

FERB.

19 July 1983

D-566L
NO 10



With the compliments of

Stane

THE PRIVATE SECRETARY

Tom help the call today

Cl's 1/8

FOREIGN AND COMMONWEALTH OFFICE
SW1A 2AH

28

TOP COPY

copied to
MR Giffard
+ TRED.

CONFIDENTIAL

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DD 190030Z TOKYO
GRS 172
CONFIDENTIAL

PEJ 102/1		
RECEIVED IN REGISTRY No. 50		
20 JUL 1983		
DEST OFFICER	REGISTRY	
INDEX	PA	Action Taken
	<i>None</i>	

DESKBY 190030Z
FM FCO 182000Z JULY 83
TO IMMEDIATE TOKYO
TELEGRAM NUMBER 270 OF 18 JULY 1983

FOLLOWING PERSONAL FOR AMBASSADOR FROM BUTLER, 10 DOWNING STREET
YOUR TELNO 379 REFERS
NISSAN

- GOTO CALLED ON ME THIS AFTERNOON. HE INFORMED ME THAT KAWAMATA HAD WRITTEN TO THE PRIME MINISTER. HE THEN DELIVERED ORALLY ADDITIONAL COMMENTS FROM KAWAMATA. THESE WERE MAINLY TO THE EFFECT THAT KAWAMATA WAS UPSET BY COMMENTS IN THE BRITISH PRESS THAT HE WAS OPPOSING THE PROJECT. IN FACT, HE SUPPORTED THE PROJECT ON THE LINES NOW PROPOSED AND WOULD DO HIS UTMOST TO PROMOTE IT.
- I SAID THAT I HAD BEEN INFORMED BY YOU THAT KAWAMATA HAD DELIVERED TO YOU A LETTER TO THE PRIME MINISTER AND THAT YOU WERE TAKING SPECIAL STEPS TO CONVEY IT TO THE PRIME MINISTER BEFORE THE DTI TEAM SET OUT FOR TOKYO. I DID NOT REVEAL THAT YOU HAD OPENED THE LETTER OR THAT AT THAT STAGE I KNEW ITS CONTENTS. I SHOULD BE GRATEFUL IF YOU WOULD TAKE A SIMILAR LINE IN ANY CONTACTS WITH THE COMPANY AND ALSO KEEP CONFIDENTIAL THE FACT OF GOTO'S CALL ON ME.

HOWE

NNNN
DISTRIBUTION
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FED
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PS/MR RIFKIND
PS/MR LUCE
MR EVANS
MR DONALD

X

CONFIDENTIAL

NISSAN MOTOR CO., LTD.

17-1,6-chome, Ginza, Chuo-ku
Tokyo, Japan

Katsuji Kawamata
Chairman

18th July, 1983

The Rt. Hon. Mrs. Margaret Thatcher, MP
Prime Minister
First Lord of the Treasury
and Minister for the Civil Service
10 Downing Street London SW1
United Kingdom

Dear Madame Prime Minister,

Thank you very much for your letter of 15th June, 1983. Please accept once again my heartfelt congratulations on your landslide victory in the recent election.

It has already been three months since I wrote to you in April to the effect that our policy was to arrive at a conclusion at the earliest possible date, and that I would contact you immediately upon our decision being reached.

Meanwhile, your Government has expressed hope at every opportunity that Nissan would pass a favourable decision on the U.K. project. I have to say that I could not help becoming irritated each time I came to learn of your Government's continued expression of its wishes in connection with the matter.

I learned from newspaper reports as well as from your letter that you indicated your wishes to our Prime Minister Mr. Nakasone at the Williamsburg Summit last May. Upon his return to Tokyo, he notified our President Ishihara of your remarks.

As time goes by, I am very concerned that this matter has been taking on an increasing political tinge. I presume that you have been briefed on the visit to London of our Mr. Kawai, Executive Managing Director and his team and on their meeting with Under Secretary Mountfield to submit our two proposals. While I understand that the next round of the discussions will be held at our head office in Tokyo from the 25th of this month when officials from your Government arrive here, I would like to assure you that the two proposals submitted can be considered to be the best conceivable alternatives we have been able to devise under the circumstances prevailing at the present time.

NO. 2

DATE: 18 July, 1983

TO: Madame Prime Minister

FROM: NISSAN MOTOR CO., LTD.

I had thought of meeting with you in person to explain the purport behind these proposals. However, due to the considerable public attention which has been drawn to the matter in question of late, I decided it more prudent to dispatch Mr. Kawai to London.

There is one matter of particular importance which I feel should be mentioned to you at this time. I am extremely concerned over the imponderables surrounding our U.K. project which would still continue to persist even as far as ten years or more into the future. Indeed, this issue is of such concern that I have come to believe it essential to provide for a high level of safeguard for the project in the longer term. Therefore, I would like to ask your Government to consider taking every measure possible to relieve our anxieties in this regard when you come to review the two proposals we have made.

I look forward to your kind personal attention to the above-mentioned issue. Meanwhile, I will await the outcome of the technical-level discussions scheduled to be held at our head office from July 25th next.

I am grateful to you for allowing me to take up the invitation you made to me at our meeting in the Akasaka Detached Palace last year, to express my frank opinions directly to you in this way.

In closing, please permit me to wish you every continued success in the leadership of your great nation.

Respectfully yours,

Katsuji Kawamata
Katsuji Kawamata

JAPAN: Relations / Nissan
Pt 3

11 15 1
2 3
E 1 6 9 4

28 JUL 1988

File No.
Department
Drafted by
(Block Capitals)
Tel. Extn.

Bk for tel.

OUTWARD

TELEGRAM

Security Classification	
PERSONAL	
Precedence	
IMMEDIATE	<i>Japan</i>
DESKBYZ

FOR
COMMS. DEPT.
USE

Despatched (Date)
(Time)Z

POSTBYZ

PREAMBLE

(Time of Origin).....Z(G.M.T.) (Restrictive Prefix).....
(Security Class.)..... (Caveat/
(Codeword)..... Privacy marking).....
(Deskby).....Z

TO IMMEDIATE TOKYO Tel. No.of
(precedence) (post)

AND TO (precedence/post).....

AND TO SAVING.....

INFO.....

INFO SAVING.....

Distribution:-

[TEXT]

FOLLOWING FOR AMBASSADOR FROM BUTLER, 10 DOWNING STREET
YOUR TEL. NO. 379 REFERS.

18/7/83 →

Goto called on me this afternoon. He informed me that Kawamata had written to the Prime Minister. He then delivered orally additional comments from Kawamata. These were mainly to the effect that Kawamata was upset by comments in the British press that he was opposing the project. In fact, he supported the project on the lines now proposed and would do his utmost to promote it.

/I said

Copies to:-

I said that I had been informed by you that Kawamata had delivered a letter to the Prime Minister and that you were taking special steps to convey it to the Prime Minister before the DTI team set out for Tokyo. I did not reveal that you had opened the letter or that at that stage I knew its contents. I should be grateful if you would take a similar line in any contacts with the company and also keep confidential the fact of Goto's call on me.

NOTHING TO BE WRITTEN IN THIS MARGIN

SUBJECT

cc MATZM
ops

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T105A/83

DWF G 061/18

212 (093) 1003/18

DD

See Para. 4

LDX 740/18

LDW NR 479/18

MR BUTLER, No 10,
DOWNING ST

OO FCO DESKBY 181200Z

GR 570

ADVANCE COPY

CONFIDENTIAL

DESKBY 181200Z

NO DISTRIBUTION

DEDIP

FM TOKYO 180900Z JUL 83

TO IMMEDIATE F C O

IMMEDIATE

TELEGRAM NO 379 OF 18 JULY

PLEASE PASS FOLLOWING PERSONAL TO BUTLER, PRIVATE SECRETARY, NUMBER 10.

NISSAN

1. MR KAWAMATA'S OFFICE PASSED TO US THIS AFTERNOON A PERSONAL MESSAGE FROM HIM TO THE PRIME MINISTER. UNDER NORMAL CIRCUMSTANCES I WOULD HAVE FORWARDED THIS LETTER UNOPENED TO YOU BY BAG. HOWEVER, WITH THE DTI TEAM ARRIVING HERE ON 22 JULY, THE BAG SCHEDULE WOULD NOT HAVE PERMITTED THE LETTER TO REACH YOU IN TIME FOR IT TO BE CONSIDERED BEFORE THEIR DEPARTURE BY THE PRIME MINISTER AND THE MINISTERS INVOLVED. I HAVE THEREFORE TAKEN THE EXCEPTIONAL STEP OF OPENING THE LETTER MYSELF.

2. THE TEXT OF THE LETTER IS AS FOLLOWS:

DEAR MADAME PRIME MINISTER,

THANK YOU VERY MUCH FOR YOUR LETTER OF 15 JUNE , 1983. PLEASE ACCEPT ONCE AGAIN MY HEARTFELT CONGRATULATIONS ON YOUR LANDSLIDE VICTORY IN THE RECENT ELECTION.

IT HAS ALREADY BEEN THREE MONTHS SINCE I WROTE TO YOU IN APRIL TO THE EFFECT THAT OUR POLICY WAS TO ARRIVE AT A CONCLUSION AT THE EARLIEST POSSIBLE DATE, AND THAT I WOULD CONTACT YOU IMMEDIATELY UPON OUR DECISION BEING REACHED.

MEANWHILE, YOUR GOVERNMENT HAS EXPRESSED HOPE AT EVERY OPPORTUNITY THAT NISSAN WOULD PASS A FAVOURABLE DECISION ON THE U K PROJECT. I HAVE TO SAY THAT I COULD NOT HELP BECOMING IRRITATED EACH TIME I CAME TO LEARN OF YOUR GOVERNMENT'S CONTINUED EXPRESSION OF ITS WISHES IN CONNECTION WITH THE MATTER.

I LEARNED FROM NEWSPAPER REPORTS AS WELL AS FROM YOUR LETTER THAT YOU INDICATED YOUR WISHES TO OUR PRIME MINISTER MR. NAKASONE AT THE WILLIAMSBURG SUMMIT LAST MAY. UPON HIS RETURN TO TOKYO, HE NOTIFIED OUR PRESIDENT ISHIHARA OF YOUR REMARKS.

AS TIME GOES BY, I AM VERY CONCERNED THAT THIS MATTER HAS BEEN TAKING ON AN INCREASING POLITICAL TINGE. I PRESUME THAT YOU HAVE BEEN BRIEFED ON THE VISIT TO LONDON OF OUR MR. KAWAI, EXECUTIVE MANAGING DIRECTOR AND HIS TEAM AND ON THEIR MEETING WITH UNDER SECRETARY MOUNTFIELD TO SUBMIT OUR TWO PROPOSALS. WHILE I UNDERSTAND THAT THE NEXT ROUND OF THE DISCUSSIONS WILL BE HELD AT OUR HEAD OFFICE IN TOKYO FROM THE 25TH OF THIS MONTH WHEN OFFICIALS FROM YOUR GOVERNMENT ARRIVE HERE, I WOULD LIKE TO ASSURE YOU THAT THE TWO PROPOSALS SUBMITTED CAN BE CONSIDERED TO BE THE BEST CONCEIVABLE ALTERNATIVES WE HAVE BEEN ABLE TO DEVISE UNDER THE CIRCUMSTANCES PREVAILING AT THE PRESENT TIME.

I HAD THOUGHT OF MEETING WITH YOU IN PERSON TO EXPLAIN THE PURPOT BEHIND THESE PROPOSALS. HOWEVER, DUE TO THE CONSIDERABLE PUBLIC ATTENTION WHICH HAD BEEN DRAWN TO THE MATTER IN QUESTION OF LATE, I DECIDED IT MORE PRUDENT TO DISPATCH MR. KAWAI TO LONDON.

THERE IS ONE MATTER OF PARTICULAR IMPORTANCE WHICH I FEEL SHOULD BE MENTIONED TO YOU AT THIS TIME. I AM EXTREMELY CONCERNED OVER THE IMponderables SURROUNDING OUR U K PROJECT WHICH WOULD STILL CONTINUE TO PERSIST EVEN AS FAR AS TEN YEARS OR MORE INTO THE FUTURE. INDEED, THIS ISSUE IS OF SUCH CONCERN THAT I HAVE COME TO BELIEVE IT ESSENTIAL TO PROVIDE FOR A HIGH LEVEL OF SAFEGUARD FOR THE PROJECT IN THE LONGER TERM. THEREFORE, I WOULD LIKE TO ASK YOUR GOVERNMENT TO CONSIDER TAKING EVERY MEASURE POSSIBLE TO RELIEVE OUR ANXIETIES IN THIS REGARD WHEN YOU COME TO REVIEW THE TWO PROPOSALS WE HAVE MADE.

I LOOK FORWARD TO YOUR KIND PERSONAL ATTENTION TO THE ABOVE-MENTIONED ISSUE. MEANWHILE, I WILL AWAIT THE OUTCOME OF THE TECHNICAL-LEVEL DISCUSSIONS SCHEDULED TO BE HELD AT OUR HEAD OFFICE FROM JULY 25TH NEXT.

I AM GRATEFUL TO YOU FOR ALLOWING ME TO TAKE UP THE INVITATION YOU MADE TO ME AT OUR MEETING IN THE AKASAKE DETACHED PALACE LAST YEAR, TO EXPRESS MY FRANK OPINIONS DIRECTLY TO YOU IN THIS WAY.

IN CLOSING, PLEASE PERMIT ME TO WISH YOU EVERY CONTINUED SUCCESS IN THE LEADERSHIP OF YOUR GREAT NATION,

RESPECTFULLY YOURS

KATSUJI KAWAMATA

3. IN VIEW OF THE IMPORTANCE WHICH MR KAWAMATA ATTACHES TO HIS PERSONAL CORRESPONDENCE WITH THE PRIME MINISTER, WE HAVE NOT (NOT) TOLD THE COMPANY THAT WE ARE OPENING THE LETTER TO SEND IT BY TELEGRAM. IF NECESSARY, WE WILL MAINTAIN THE FICTION THAT WE WENT TO SPECIAL LENGTHS TO ENSURE THAT THE MESSAGE WAS DELIVERED TO THE PRIME MINISTER BEFORE THE DTI TEAM LEFT.

4. FCO: NO DISTRIBUTION.

CORTAZZI

NNNN



Japan

10 DOWNING STREET

Prime Minister

Nissan

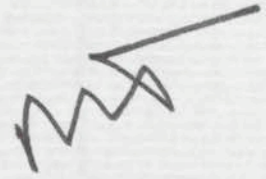
I attach a note of my conversation with Mr. Goto today and the text of a letter to you from Mr. Kawamata.

I believe that Mr. Kawamata's letter appears more brusque in translation than he intends.

According to Mr. Goto, Mr. Kawamata feels frustrated that Nissan has not been able to reach an earlier decision.

A reply is being prepared for you to send to Mr. Kawamata's letter, which I have shown to only one person.

FERS 18.7.



NOTE FOR THE RECORD

Mr. Goto, Head of the Nissan European Operations and formerly Personal Assistant to Mr. Kawamata, called on me at 3 pm today.

Mr. Goto said that Mr. Kawamata had asked him to come to London to convey a personal message to Mrs. Thatcher. Mr. Kawamata had sent a letter from Tokyo, and had asked Mr. Goto to make some supplementary comments about it.

Mr. Goto then gave me the gist of Mr. Kawamata's letter. Mr. Kawamata felt a sense of desperation that there had been such a long delay in reaching a conclusion. The points which he highlighted were that the proposals put forward by Mr. Kawai went as far as Mr. Kawamata felt was possible for Nissan at present. Taking a ten year view, Mr. Kawamata thought that there were unstable factors in the situation about which he was personally concerned, and he therefore felt a high degree of safeguard for the project was necessary.

Mr. Goto then added the additional points which Mr. Kawamata had asked him to make as background to the letter. Mr. Kawamata had been upset by suggestions in newspaper articles - he mentioned particularly the Economist - that he was the "bad guy" standing in the

-2-

way of Nissan's investment in the UK. He had always looked at the investment with a banker's eye, developed in his early years in the Industrial Bank of Japan. In fact, he was not strongly opposed to it and as an individual he would like to see Nissan undertake this project in the United Kingdom. Mr. Goto interjected at this point his own comment that this was a significant shift by Mr. Kawamata: at one time he had been opposed to the project but now thought that he should do everything within his power to promote it.

Continuing Mr. Kawamata's message, Mr. Goto said that the new proposals put forward by Mr. Kawai, while they might not be fully acceptable to the British Government as they stood, might at least provide a basis for breaking the deadlock. On the leasing arrangements, Mr. Kawamata had been grateful for the Prime Minister's good offices in arranging for discussions with the Bank of England and with specialists in leasing; but leasing had not turned out to be as advantageous as he had hoped. Mr. Kawamata's reluctance had also reflected the increasingly keen competition faced by Nissan in Japan, which had reduced Nissan's domestic profits; simultaneously, the investment in America, Italy and Spain launched by Mr. Ishihara had turned out ^{to be} more extensive than originally envisaged. Mr. Kawamata still had doubts about industrial relations in the United Kingdom, although he had taken due note of what Mrs. Thatcher had told him about the

/small

-3-

small number of days lost in the private sector. He also felt that the British Government's insistence on achieving 80 per cent local content so early in the project would cause components to become expensive and delay the date by which Nissan would recoup their investment.

Notwithstanding all this, however, Mr. Kawamata would now personally like to see Nissan undertake the United Kingdom project. At the end of Mr. Goto's last meeting with him in Detroit, Mr. Kawamata had said that his task was now to persuade Mr. Shioji, the President of the Nissan Union. As background, Mr. Goto explained that it was often said that Nissan was run by a triumvirate consisting of Mr. Kawamata, Mr. Ishihara and Mr. Shioji, who had become President of the All-Japan Auto-Workers Union. Mr. Shioji was not opposed to overseas investment - indeed he had encouraged Nissan to undertake its American investment, which was an unusual position for a union leader - but had opposed the United Kingdom investment, probably because Mr. Ishihara was in favour and Mr. Shioji was at odds with Mr. Ishihara on other matters. But Mr. Kawamata was on very good terms with Mr. Shioji and there was little doubt that Mr. Kawamata would be able to persuade Mr. Shioji.

Summing up, Mr. Goto said that the atmosphere was now more favourable to the UK project and Nissan hoped, as Mr. Ishihara had said, that a decision would be taken at the latest by the end of this year.

/I said

-4-

I said that Mrs. Thatcher would be very grateful for Mr. Kawamata's message: I would deliver it to her together with Mr. Kawamata's letter, to which the Prime Minister would be replying. I knew that she would want me to make four points straightaway. First, Mrs. Thatcher had never regarded Mr. Kawamata as the "bad guy" and knew that his attitude was determined only by consideration of what was in Nissan's best interests, an attitude which she respected. Second, it was the style of the British press to write stories in black and white terms, in which people were either heroes or villains: Mrs. Thatcher took no notice of such stories and hoped that Mr. Kawamata would not do so either. Third, Mrs. Thatcher had attached great importance to the confidentiality of her exchanges with Mr. Kawamata which she had always honoured scrupulously and would continue to do so. Fourth, the political interest in Britain in the Nissan project meant that the Prime Minister could not meet Mr. Nakasone at Williamsburg without at least saying to him that the British people hoped that there would be a favourable decision by Nissan. I then asked Mr. Goto two questions. The first was whether Mr. Kawamata was content that the British team of officials visiting Tokyo at the end of the week should be made aware of Mr. Kawamata's message: Mr. Goto said that he would take instructions on this and telephone me on the following day. Secondly, I

/noted

-5-

noted that Mr. Kawamata had said that Nissan's present proposals went as far as he felt was possible but it also recognised that they might not be acceptable to the British Government as they stood: did this mean that there was room for flexibility? Mr. Goto confirmed that the Nissan proposals could be regarded as a negotiating position, although Nissan would not be able to depart from their overall framework.

FE.R.B.

18 July 1983



NBPM

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

18 July 1983

The Rt. Hon. Cecil Parkinson MP
Secretary of State for Trade and Industry

John Galt

NISSAN

attached
You wrote to me on 15 July about the line you propose your officials should take in negotiations with Nissan in Tokyo later this month.

I am pleased to learn of the progress that has been made with Nissan and that there is now a good chance of the project coming off. However, there must be a limit to the price it is worth paying to secure the investment and in my view we have reached that point now.

While I am therefore content for our negotiators to offer Nissan the flexibility on project size and local content which you propose, I cannot agree to any further financial assistance beyond that which we have already agreed. Nissan will reap considerable benefits from the tax leasing arrangement through which the project will be financed and this increases considerably the element of public subsidy. The current offer already implies a cost per job of £29,500 and I can see no case for offering any additional selective assistance. I note that Nissan will decide in 1987 whether to proceed with Phase II and that they will be consulting us again then. I suspect they may well seek further financial assistance at that stage and I can certainly see no case for making any concessions now.

I am copying to the recipients of your letter.

NIGEL LAWSON

John Galt
Nigel Lawson

Janan: Aglo Palatin

Pt 3



2
BI

10 DOWNING STREET

From the Principal Private Secretary

18 July, 1983.

Nissan

The Prime Minister has seen the Secretary of State for Trade and Industry's minute of 15 July covering a letter which he has written to the Chancellor of the Exchequer. Mrs. Thatcher has not considered the letter in detail, and the Chancellor of the Exchequer and other Ministers to whom the letter is copied may wish to comment on the details of the negotiating tactics with Nissan. As regards the question of announcements, the Prime Minister agrees that the British negotiating position should not be weakened by pushing for an announcement before the House rises, and that, if there is a successful outcome, we should plan for a signing ceremony and joint press conference in London as early as possible in August. If this takes place before the Prime Minister leaves for her holiday on 9 August, and Mr. Kawamata attends, Mrs. Thatcher would like the opportunity to see him; but would not propose to participate directly herself in the signing ceremony.

E. E. R. BUTLER

Jonathan Spencer, Esq.,
Department of Trade and Industry.



CONFIDENTIAL
COMMERCIAL IN CONFIDENCE

Prime Minister

Yes

mt

Content with X/ if the negotiations go well? (1

imagine that you would

wish to see Mr. Kawamura if he is in London, but I think it would look gimmicky if you took part in the signing ceremony directly.

Yes

mt

JU80

PRIME MINISTER

NISSAN

FERB

15.7.

Our discussion on 8 July took place in the middle of the talks between officials and the Nissan study team. The remainder of these talks went well, and it has been arranged that a team of my officials will have what I hope will be a final round of talks with Nissan in Tokyo, beginning on 25 July. The attached letter to the Chancellor and those few other colleagues that have been involved in this issue sets out the position as I explained it to you, developments since then, and the line I propose officials should take in Tokyo.

2 On the question of announcements, I have considered whether, if the Tokyo talks go well, we could announce at least agreement in principle before the House rises; in many ways this would be the preferable course. However, the Tokyo talks do not begin until Monday 25 July (and cannot be advanced for Nissan's reasons); and to push for an announcement in London by 29 July could weaken our negotiating position on the very important "fine print". While I should not wish to rule out the possibility of an announcement before the House rises if all goes unexpectedly



X | well, I think we should make plans for a signing ceremony (if
possible involving Mr Kawamata) and a joint press conference in
London as early as possible in August. I am arranging for the
Embassy in Tokyo to explore this with Nissan, without implying
that we think an agreement is a foregone conclusion.

C.P.

C P

15 July 1983



DEPARTMENT OF TRADE AND INDUSTRY

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CONFIDENTIAL
COMMERCIAL IN CONFIDENCE

15 July 1983

JU81

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
London SW1

Dear Nigel

NISSAN

You and other colleagues will wish to be aware of talks my Department had with the Nissan feasibility study team from 6 - 8 July. The guidance I gave to my officials for these negotiations took account of a short discussion I had with the Prime Minister last week.

2 DTI officials had earlier been warned privately that the Nissan Board regarded these discussions as the final stage of negotiations which should lead - one way or the other - to a decision on the project. In the light of the Prime Minister's correspondence with Mr Kawamata; the approach to Mr Ishihara by Mr Nakasone following her talk with him at Williamsburg; and the clear result of the British General Election, the Board had concluded that an early decision was necessary if the company were to avoid becoming involved in a "political whirlpool" and to retain commercial room for manoeuvre.

3 The Nissan Board therefore decided to develop two alternative plans for presentation to HMG either of which, if accepted, would have the joint agreement of Mr Kawamata and Mr Ishihara and thus secure the consensus within the company which has so far proved elusive. Both Plans, which were presented to my officials last week, would involve investment in an 800 acre site in an Assisted Area and an ultimate planned volume of 100,000 cars, but there is a significant difference between them in concept and in the pace at which the projects would be developed:



i Plan A, which seemed to be Nissan's preferred route, involved initial commitment only to a pilot plant (kit assembly) at low output and low local content, starting in 1986. Its 24,000 unit output would however be counted as imports for the purposes of the SMMT/JAMA understandings. A decision would then be taken by 1987 whether to proceed to full-scale (100,000 unit) production, shown as reaching 70 percent local content in 1990. 10 percent Selective Financial Assistance (SFA) was requested for the pilot plant: SFA for the second phase to be negotiated at the time.

ii Plan B involved an immediate commitment to a full 100,000 unit plant, but to offset the risks seen by Nissan, SFA was requested at 25 percent. Local content would reach 70 percent by 1990, with no firm commitment to 80 percent by any particular date.

4 Both plans as submitted by Nissan would have significant shortcomings when compared with the outline project put forward by Nissan in 1981. Total planned capacity would be only half the 200,000 units then envisaged; no provision would be made for engine manufacture - only assembly; and, partly as a result of the foregoing, the maximum local content indicated would be 70% and not the 80% which formed the basis of the original announcement. Last week Nissan argued that none of these ambitions had been abandoned. If the project went ahead and was successful, output of 200,000 units would be possible in the 1990s but Nissan were unwilling to commit themselves to this now. Volumes in turn affected the economics of engine manufacture and hence local content. It was still Nissan's intention to build up the level of in-house processing and local component sourcing as soon as practicable but the company would have the greatest difficulty in committing itself to a particular time-scale.

5 It quickly became apparent that the Nissan team had been given very little room for manoeuvre on Plan B. They insisted that 25% SFA, or something very close to it, was essential to secure the endorsement of the Nissan Board; and they were equally firm that under Plan B Nissan could not commit themselves to a higher than 70% local content, although the company would offer "best endeavours" to achieve more. The company would have to be similarly non-committal on an engine-manufacturing facility. On Plan A, however, there was some sign of a Nissan willingness to compromise and officials with my agreement therefore provided the team with an outline (copy at Annex A) of the main features which would need to be incorporated to make the plan acceptable to us. It was agreed that these proposed modifications would be referred to the Nissan Board and would form the basis of resumed talks in Tokyo which begin on 25 July.



6 The indications are that Nissan will be ready to show some flexibility but that in the final bargaining the company is nevertheless likely to press hard for some softening of the terms. In that event, I intend to authorise officials to offer certain concessions if this proves absolutely necessary to secure an agreement, notably:

i Project size

The Department has proposed the presentation of the project as a 200,000 unit facility, although implementation would be in three phases with break-points for decision in 1987 and 1990. I believe on balance that announcement of the larger project would still be preferable. It would be closer in ambition to the project we originally announced and would still leave existing UK manufacturers the best part of a decade to adjust product and manufacturing plans to the prospect of a new, potentially very efficient competitor. Nevertheless, if Nissan press hard for the more modest (100,000) project, I do not believe we should resist it;

ii Pilot Plant (Kit Assembly) phase

The pilot plant in its own right is not viable and there would therefore be statutory as well as presentational difficulties in granting it financial support. I therefore propose to offer no SFA for the pilot plant (though the company's eligibility for RDGs in an Assisted Area would be unaffected). Nevertheless under Phase 1 Nissan will incur expenditure of over £50m and, on the understanding that the company decide in 1987 to go ahead with the full project, I believe it may be necessary to make some contribution towards this, by being prepared to offer up to 12% SFA on Phase 2 (equivalent to about 10% on the two phases combined). Officials will be instructed not to go beyond this in Tokyo without prior consultation with London.

iii Local Content

The 80% requirement is very important. Since the Nissan talks began it has been applied to other Japanese-linked investment in the UK motor industry including BL/Honda and the Bedford/Isuzu deal announced a week or two ago. It would be quite wrong to relax it now for Nissan. We might however agree that the 80% level should operate from 1991 and not 1990 as currently proposed. This would be defensible and comparable with the phasing we have conceded in other projects. Officials would however refer back to London if 80% even in 1991 was not achievable.

7 Finally, I should mention that the Nissan team emphasised repeatedly the importance of maintaining confidentiality about the content of the discussions in the run-up to a decision by their Board. They were genuinely concerned that premature

The Treasury are opposed to offering this further financial assistance




publicity would irritate Mr Kawamata and sour the atmosphere for the critical Board debate. It has therefore been agreed with Nissan that, in response to any Press interest, both sides should take the line that current exchanges are part of the pattern of regular, quarterly reviews established when Nissan postponed a decision on the project in the middle of last year. It is important that we hold to this.

8 I am sending copies of this letter to the Prime Minister, the Foreign and Commonwealth Secretary and the Secretary of State for Employment.

James East,
Lead

[Faint, illegible handwritten notes]

COMMERCIAL IN CONFIDENCE



PROVISIONS FOR INCLUSION IN A MEMORANDUM OF UNDERSTANDING WHICH WOULD ALSO FORM THE BASIS OF A PUBLIC ANNOUNCEMENT.

1 Subject to a satisfactory outcome of negotiations with trade unions and local authorities, Nissan will in 1983 and 1984 commence design and construction of a plant on an 800 acre greenfield site with an eventual capacity to produce 200,000 cars per annum ("the project"). The plant will eventually incorporate all the features referred to in Paragraph 3 of the draft Memorandum of Understanding.

2 Nissan intends to implement the project in three Phases:

- Phase I: Will involve the establishment of a "pilot plant" for the production of 24,000 units per annum based on the import of kits (to include body panels, engines and gear boxes) from Japan. Production under Phase I will commence in 1986 and will continue through to 1989.

In the context of the understanding between JAMA and SMMT on exports to the UK, production of cars during Phase I will be treated as though these were built-up imports. HMG's agreement to this provision will depend upon its acceptance by SMMT/JAMA.

Local content at the outset of Phase I is expected to be a minimum of 25% but, provided this is commercially feasible, Nissan intend to achieve a

steady increase in the level of local content throughout the period.

A decision on whether to proceed with Phase II will be taken by Nissan, in consultation with HMG, in 1987 in the light of the company's experience in operating the plant under Phase I.

- Phase II: Will involve the expansion of capacity and facilities at the plant to provide an annual capacity of at least 100,000 vehicles. Production under Phase II will commence in 1990 at 81,000 units and 100,000 units will be reached in 1991.

During Phase II, press shops component assembly and engine sub-assembly will be incorporated in the project so that at least 80% local content will be achieved by the end 1990. Nissan will use its best endeavours to include facilities for engine machining during Phase II.

- Phase III: Nissan in consultation with HMG will consider whether to proceed with a third Phase not later than the end of 1990. Phase III would eventually provide for a capacity of 200,000 units per annum.

3 After Phase I, Nissan will use its best endeavours to achieve a substantial level of exports.

NOTES

Subject to the appropriate criteria being met HMG will make available the following financial assistance for the project:

- (a) Phase I: RDGs only.
- Phase II: RDGs and SFA at 10% of eligible project costs.
- Phase III: To be negotiated at the time.

In addition HMG, through the Bank of England, will use its good offices to assist Nissan in the establishment of a leasing package in accordance with Nissan requirements.

The definition of local content, and other provisions included in the draft Memorandum of Understanding previously discussed with Nissan, would be included in any eventual agreement between the Department and Nissan concerning the UK project.

12 11 10 9 8 7 6 5 4 3 2 1

JUL 1983

KUNIO MORIKIYO
SPECIAL REPRESENTATIVE OF MITI
c/o JAPAN TRADE CENTRE
19 - 25 BAKER STREET, LONDON W1M 1AE, ENGLAND
Telephone: 01-486 6761 Telex: JTCLDN G 262520

*X is not quite what I
said but we must try.*

12th July 1983

Mr A J Coles
Private Secretary to the Prime Minister
10 Downing Street
LONDON
SW1

*A.J.C. 13/7
cc. Mr. Gennar D.T.I.
Mr. Holmes F.C.O.*

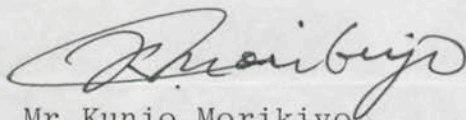
Dear Mr Coles

X I am writing to thank you for the efforts you made to make an appointment for Mr Uno to see Mrs Thatcher. Unfortunately because of Mrs Thatcher's tight schedule and the short notice given an appointment was unable to be made but on his next visit however she would be able to see him.

Mr Uno is very grateful for what was said and is most looking forward to meeting Mrs Thatcher on his next visit.

Many thanks again for your help and co-operation.

Yours sincerely



Mr Kunio Morikiyo
Special Representative
Japanese Ministry of International Trade and Industry



da

10 DOWNING STREET

From the Private Secretary

12 July 1983

Thank you for your letter of 11 July about the possibility of a call on the Prime Minister by Mr. Uno.

I spoke to Mr. Morikiyo yesterday and told him that I regretted that it was not possible to arrange a meeting with Mr. Uno on this occasion. I added that, if his Minister were able to visit the United Kingdom again and if we could be given a little more notice, I very much hoped that it might be possible then to arrange for him to call on the Prime Minister.

I am copying this letter to John Holmes (Foreign and Commonwealth Office).

A. J. COLES

Miss Ruth Thompson,
Department of Trade & Industry.

6



DEPARTMENT OF TRADE AND INDUSTRY

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PS/Secretary of State for Trade and Industry

11 July 1983

John Coles Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

Dear John,

I am sorry that you were troubled by Mr Morikiyo about the possibility of a call on the Prime Minister by Mr Uno. The Department had his request in hand and was preparing advice for Mr Parkinson.

2 The recommendation is that if the Prime Minister would find it difficult to fit in a meeting with the Miti Minister we should not hesitate to say so to the Japanese. The visit has been arranged at very short notice and we are already going to considerable lengths to ensure that Mr Uno is received in the office by the Secretary of State and given a lunch at Lancaster House by Mr Channon.

3 We have of course considered whether there would be any value in the Prime Minister using this occasion to urge further the case for investment here by Nissan, but the company's negotiating team made it very clear last week that their management had resented the pressure that Miti had recently applied over this case. Since our negotiations with Nissan are proceeding swiftly and in the right direction, this would not seem to be the moment for a further initiative from the Prime Minister.

4 I am copying this letter to John Holmes (Foreign and Commonwealth Office).

Yours sincerely,

Ruth Thompson

RUTH THOMPSON
Private Secretary



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SUBJECT

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Japan

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10 DOWNING STREET

From the Principal Private Secretary

8 July 1983

Dear Jonathan,

Nissan

The Secretary of State for Trade and Industry called on the Prime Minister this morning to discuss the latest talks with Mr. Kawai and his team about a possible Nissan investment in the UK. Mr. Parkinson said that the Nissan team had put forward two propositions. One - which was unacceptable and was probably intended to be so - was for the immediate construction of a plant to produce 100,000 cars annually, to which the British Government would contribute 15 per cent regional development grant and 25 per cent special assistance. Nissan would only undertake to achieve 70 per cent local content initially. The total cost of the project would be £300m., to which the British Government would contribute nearly half. It would offer 1,000 extra jobs in 1986 rising to 2,200 jobs subsequently.

The second proposition was for a pilot plant which would cost £5lm. initially, to which the British Government would contribute no more than regional development grant at 15 per cent. Nissan would initially produce cars from kits, with a minimum of 25 per cent British content. They would produce 12,000 cars in 1986 and 24,000 cars in each of the next 3 years. 400 jobs would be created. In 1987 Nissan would take a decision on whether to undertake Stage 2 which would be a plant capable of producing 100,000 cars. The Nissan team had suggested that, subject to the agreement of other Japanese car manufacturers they would propose that the Nissan production should be counted against the Japanese quota of cars under the voluntary restriction agreement, so that they would replace other Japanese imports and would not reduce British production. Mr. Parkinson added that he was considering whether to write into the agreement a provision for Stage 3, capable of producing 200,000 cars, but was inclined to think that this might be disadvantageous since it could

/discourage

Bre

discourage investment by other overseas car manufacturers in the meantime.

In discussion, the Prime Minister and your Secretary of State agreed that, although the pilot project was small in relation to what had been envisaged in some of the earlier discussions it provided the best value for money for the British Government. The fact that it would not replace any British production was an attractive feature. Moreover, once Nissan had invested here, there was a strong likelihood that they would expand further. There was also a possibility that, once British component manufacturers were geared up to meet Japanese specifications, Nissan might use British component manufacturers to supply their production elsewhere.

Concluding the discussion, the Prime Minister said that in the circumstances she would be in favour of concluding an agreement for the pilot project: indeed this seemed preferable at present to the larger project.

Yours sincerely,

Robin Butler

Jonathan Spencer, Esq.,
Department of Trade and Industry

RESTRICTED



10 DOWNING STREET

From the Private Secretary

8 July 1983

MINISTER OF MITI

I understand that the above is calling on your Secretary of State on 14 July.

Mr. Mori Kiyo of Miti rang here today, to ask whether his Minister could pay a courtesy call on the Prime Minister during his visit to London.

Quite apart from the curious nature of this approach, the Prime Minister's diary in the period 14 - 17 July is already very crowded. We should not wish to advise her to receive the Japanese Minister unless there was a substantial United Kingdom interest in doing so.

If you consider that there is no strong case for the call, perhaps you would so inform Mr. Kiyo who I believe has been in touch with Mr. Sunderland in your Department. If, on the other hand, you wish to recommend that the Prime Minister should receive him, I should be grateful for a reply by close of play on Monday, 11 July.

I am copying this letter to John Holmes (Foreign and Commonwealth Office).

A. J. COLES

Jonathan Spencer, Esq.,
Department of Industry

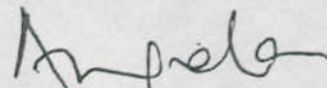
RESTRICTED

ROBIN

Mr Mori Kiyo of the Japanese Ministry of International Trade and Industry telephoned for you this morning, to ask if Mr Ouno (sp?), Minister of M I T I, could pay a courtesty call on the Prime Minister during his visit to this country from 14 to 17 July. Mr Ouno is to meet Mr Parkinson on 14 July. Mr Kiyo said that he was aware that this request is "quite extraordinary" ----.

Mr Kiyo has been dealing with Mr Sunderland in DTI.

I said someone would ring him back (486-6761).


8 July 1983

GRS 200

CONFIDENTIAL

CONFIDENTIAL

FM TOKYO 230800Z JUN 53

TO IMMEDIATE DTI LHM

TELEGRAM NUMBER INDUS 310 OF 23/6/53

YOUR TELNO 356: NISSAN

1. ISHIHARA, PRESIDENT OF NISSAN, IS WIDELY REPORTED IN TODAY'S JAPANESE PRESS AS HAVING SPOKEN ABOUT THE PROPOSED INVESTMENT IN BRITAIN AT THE LAUNCH YESTERDAY OF A NEW NISSAN MODEL. HE IS REPORTED TO HAVE SAID THAT THE COMPANY MUST MAKE A FINAL DECISION SOON. HE IS ALSO REPORTED TO HAVE SAID THAT THIS DECISION WOULD NOT BE MADE BEFORE THE SHAREHOLDERS' MEETING ON 29 JUNE BUT WOULD PROBABLY BE MADE BEFORE THE END OF THIS YEAR. COMMENTING ON ISHIHARA'S STATEMENT, SOME OF THE JAPANESE PRESS HAVE SUGGESTED THAT THIS SEEMS TO POINT TO A DECISION IN SEPTEMBER OR OCTOBER IN VIEW OF ISHIHARA'S OWN ABSENCE ABROAD IN JULY AND THE SUBSEQUENT HOLIDAY SEASON.

2. IN THE LIGHT OF THIS STATEMENT, WE PROPOSE ASKING NISSAN TO LET US HAVE THEIR VIEW ON HOW THINGS STAND IN SO DOING, WE WILL MAKE THE POINTS CONTAINED IN YOUR T U R ABOUT THE POSSIBILITY OF OFFICIALS VISITING TOKYO FOR FURTHER TALKS WITH THE COMPANY AT SOME TIME IN THE FUTURE IF THE COMPANY CONSIDER THAT TO BE DESIRABLE.

CORTAZZI

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PS/MR LUCE
MR GIFFARD
MR DONALD
MR HANNAY

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DESKBY 160900Z

FM TOKYO 160635Z JUNE 83

TO IMMEDIATE F C O

TELEGRAM NO 325 OF 16 JUNE

ms

YOUR TELNO 227: NISSAN

1. WE DELIVERED THIS MORNING THE MESSAGE CONTAINED IN YOU TUR TO YUKAWA, MR KAWAMATA'S SPECIAL ASSISTANT.

2. YUKAWA SAID THAT MR KAWAMATA WOULD BE GRATEFUL FOR THE PRIME MINISTER'S MESSAGE. BUT YUKAWA WAS NOT ANXIOUS TO BE DRAWN INTO A DISCUSSION OF THE STATE OF CONSIDERATION OF THE PROJECT WITHIN THE COMPANY. HE REMARKED, HOWEVER, ON THE RECENT PRESS SPECULATION (OUR TELNO 317) AND THE FORTHCOMING 29 JUNE SHAREHOLDERS' MEETING. HE HOPED THE UK PROJECT WOULD NOT CREATE DIFFICULTY AT THE

MEETING. YUKAWA ALSO MENTIONED THE DISCUSSION BETWEEN THE PRIME MINISTER AND MR NAKASONE AT WILLIAMSBURG. IT WAS UNUSUAL FOR A PRIVATE COMPANY TO BE MENTIONED DURING TALKS TAKING PLACE AT A SUMMIT. WE REPLIED THAT BY RAISING THIS IN HER BILATERAL WITH MR NAKASONE THE PRIME MINISTER HAD WISHED TO REEMPHASISE THE IMPORTANCE HMG ATTACHED TO THE NISSAN PROJECT IN TERMS OF OUR BILATERAL ECONOMIC RELATIONS.

3. TAKANO OF THE MFA HAS ALSO BROUGHT US UP TO DATE TODAY WITH RECENT DEVELOPMENTS. THE PROJECT IS BEING DISCUSSED TODAY BETWEEN ISHIHARA AND SHIGA, DIRECTOR-GENERAL OF THE MACHINERY AND INFORMATION INDUSTRIES BUREAU IN MITI WHICH IS RESPONSIBLE INTER ALIA FOR THE AUTOMOBILE SECTOR. TAKANO SAID THAT MITI'S INTERVENTION WITH NISSAN (BY IMPLICATION DESIGNED TO AVOID A NEGATIVE DECISION) MIGHT SLOW DOWN THE DECISION- MAKING PROCESS. HE THEREFORE SUGGESTED THAT A DECISION THIS WEEK MIGHT BE LESS LIKELY THAN HAD APPEARED TO BE THE CASE EARLIER. WE WILL BE SEEING TOMORROW THE NEW DIRECTOR-GENERAL FOR INTERNATIONAL ECONOMIC AFFAIRS IN THE TRADE POLICY BUREAU OF MITI AND WILL ASK HIM ABOUT SHIGA'S TALKS WITH ISHIHARA.

CONFIDENTIAL

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4. WE INFORMED TAKANO THAT WE HAD TRANSMITTED A MESSAGE FROM THE PRIME MINISTER TO KAWAMATA. HE SAID HE WAS VERY PLEASED WITH THE SPEED WITH WHICH WE HAD REACTED TO THIS SUGGESTION. WE EMPHASISED TO HIM, HOWEVER, THAT THE EXISTENCE OF THIS MESSAGE SHOULD REMAIN STRICTLY CONFIDENTIAL. WE WOULD NOT BE INITIATING ANY PUBLICITY.

CORTAZZI

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OO TOKYO
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 FM FCO 151315Z JUN 83
 TO IMMEDIATE TOKYO
 TELEGRAM NUMBER 227 OF 15 JUN 83
 MIPT : NISSAN

FEJ 102/1	
RECEIVED REGISTRY No. 50	
16 JUN 1983	
DESK NUMBER	REGISTRY
INDEX	Action Taken
	<i>[Signature]</i>

1. FOLLOWING IS TEXT OF PERSONAL LETTER FROM THE PRIME MINISTER.

'DEAR MR KAWAMATA
 THANK YOU SO MUCH FOR YOUR MESSAGE OF CONGRATULATIONS AND GOOD WISHES.

THE CLEAR RESULT OF OUR GENERAL ELECTION BRINGS AN ASSURANCE OF CONTINUITY IN OUR ECONOMIC POLICIES, WHICH I KNOW FROM OUR DISCUSSIONS ARE IMPORTANT TO YOUR CONSIDERATION OF THE UNITED KINGDOM PROJECT.

AS I TOLD MR NAKASONE AT WILLIAMSBURG SHORTLY BEFORE THE ELECTION, I CONTINUE TO HOPE FOR AN EARLY AND FAVOURABLE DECISION. I BELIEVE THAT THE PROJECT WOULD NOT ONLY BE A SUCCESSFUL AND PROFITABLE VENTURE FOR YOUR COMPANY BUT WOULD ALSO CREATE A SECURE BOND BETWEEN OUR TWO COUNTRIES. IT WAS VERY GOOD OF YOU TO WRITE TO ME. I SEND TO YOU AND TO THE NISSAN MOTOR COMPANY MY BEST WISHES FOR THE FUTURE.
 YOURS SINCERELY
 MARGARET THATCHER'

HOWE

NNNN

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MR COLES
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CONFIDENTIAL



10 DOWNING STREET

THE PRIME MINISTER

15 June, 1983

Personal

Dear Mr. Kawamata

Thank you so much for your message of congratulations and good wishes.

The clear result of our General Election brings an assurance of continuity in our economic policies, which I know from our discussions are important to your consideration of the United Kingdom project.

As I told Mr. Nakasone at Williamsburg shortly before the election, I continue to hope for an early and favourable decision. I believe that the project would not only be a successful and profitable venture for your company but would also create a secure bond between our two countries.

It was very good of you to write to me. I send to you and to the Nissan Motor Company my best wishes for the future.

Yours sincerely
Raymond Thatcher

Mr. Katsuji Kawamata



10 DOWNING STREET

From the Private Secretary

15 June, 1983

Nissan

Would you please refer to John Alty's letter of 14 June.

BT | The Prime Minister has agreed to send a message to Mr. Kawamata. I enclose a signed letter. I should be grateful if you could arrange for the text to be telegraphed to Tokyo for urgent delivery and for the signed version to follow as soon as possible.

The Prime Minister does not wish any publicity to be initiated about this message. She believes that that would destroy the trust that has been built up in our relations with Nissan.

I am copying this letter and enclosure to John Alty (Department of Industry).

A. J. COLES

B. Fall, Esq.,
Foreign and Commonwealth Office

SL



FILE VC
C/S 70

10 DOWNING STREET

THE PRIME MINISTER

15 June, 1983

Personal

Dear Mr. Kawamata

Thank you so much for your message of congratulations and good wishes.

The clear result of our General Election brings an assurance of continuity in our economic policies, which I know from our discussions are important to your consideration of the United Kingdom project.

As I told Mr. Nakasone at Williamsburg shortly before the election, I continue to hope for an early and favourable decision. I believe that the project would not only be a successful and profitable venture for your company but would also create a secure bond between our two countries.

It was very good of you to write to me. I send to you and to the Nissan Motor Company my best wishes for the future.

Yours sincerely
Raymond Thatcher

Mr. Katsuji Kawamata

SA

PRIME MINISTER

NISSAN

We have received a report from Tokyo (see attached telegram) that Nissan may be moving towards a very early decision on their project in the UK. One source, who is probably reliable, tells us that a decision may be taken before the end of this week and then formally endorsed at a meeting of shareholders on 29 June.

The main obstacle to a favourable decision is, apparently, Mr. Kawamata, who is said to remain opposed to the project.

The Department of Industry accept the advice of the source of this report, supported by Sir Hugh Cortazzi, that you should send a message to Mr. Kawamata. It so happens that he has just sent you a message of congratulations and you could therefore deal with the matter in your reply.

I attach a text. If you are willing to sign it I shall telegraph its contents to Tokyo. Those concerned think it desirable that the Japanese papers should be told, unattributably, that Mr. Kawamata has sent congratulations to you and that you have replied expressing your hopes for an early and favourable decision. Unless you have any objection, we shall also arrange this.

No
this
would
destroy
the trust-
we have
built.

Just objection

A.J.C.

14 June 1983

GR 270

UNCLASSIFIED
DESKBY 141100Z
FM TOKYO 140845Z JUNE 83
TO IMMEDIATE F C O
TELEGRAM NO 317 OF 14 JUNE

MIPT: NISSAN

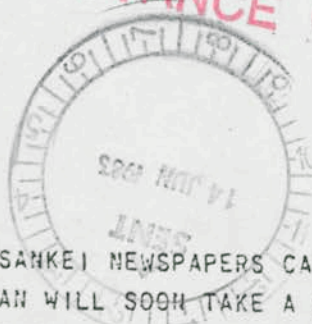
1. TODAY'S NIHON KOGYO AND SANKEI NEWSPAPERS CARRY ARTICLES REPORTING THAT NISSAN WILL SOON TAKE A DECISION IN FAVOUR OF INVESTMENT IN BRITAIN, CERTAINLY BEFORE THE SHAREHOLDERS MEETING ON 29 JUNE. QUOTING RELIABLE SENIOR SOURCES IN THE COMPANY THE NIHON KOGYO REPORTS THAT ACTION IS UNDER WAY TO RESOLVE THE DISAGREEMENT ON THE PROJECT AT SENIOR MANAGEMENT LEVEL AND THAT IN SPITE OF CONTINUING OPPOSITION FROM THOSE AGAINST THE PROJECT, THERE IS A STRONG POSSIBILITY OF THE GO-AHEAD BEING GIVEN. BOTH NEWSPAPERS ATTRIBUTE THE LIKELIHOOD OF THE BOARD'S DECISION IN FAVOUR OF THE PROJECT TO MRS THATCHER'S OVERWHELMING VICTORY IN THE GENERAL ELECTION. THIS HAS REMOVED ANY POLITICAL DOUBTS ABOUT BRITAIN AND HAS ALSO MADE IT CERTAIN THAT BRITAIN WILL REMAIN A MEMBER OF THE EUROPEAN COMMUNITY, WITH ALL THAT THAT MEANS FOR SALESPOTENTIAL FOR A NEW PLANT. FURTHERMORE, THE BRITISH AND EUROPEAN CAR MARKETS ARE SAID TO BE RECOVERING WHICH PROVIDES A FURTHER REASON FOR COMING TO AN EARLY AND FAVOURABLE DECISION. FINALLY, NOT ONLY IS HMG KNOWN TO WELCOME NISSAN'S INVESTMENT, BUT IT IS THOUGHT THAT A DECISION IN FAVOUR WOULD MAKE A MAJOR CONTRIBUTION TOWARDS RELIEVING THE BILATERAL ECONOMIC STRAINS WHICH CURRENTLY BEDEVIL ANGLO/JAPANESE RELATIONS. THE COMPANY SOURCE WAS ALSO QUOTED AS SAYING THAT "BEFORE A DECISION CAN BE TAKEN ON THE PROJECT, A NECESSARY PREREQUISITE IS THAT ALL BOARD MEMBERS SHOULD BE IN AGREEMENT". IT WAS THOUGHT SIGNIFICANT IN THIS REGARD THAT KAWAMATA'S POSITION WAS BELIEVED TO HAVE BECOME MORE FLEXIBLE RECENTLY.

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NR COLES

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D. STREET



DEPARTMENT OF TRADE AND INDUSTRY

Room 11.03 Ashdown House 123 Victoria Street SW1E 6RB

Telex 8813148
Telegrams Advantage London SW1
Telephone Direct Line 01-212 5902
Switchboard 01-212 7676

John Coles Esq
Private Secretary to the
Prime Minister
10 Downing Street
Whitehall
London SW1

14 June 1983

Dear John

As you will have seen from Tokyo telegrams No 316 and 317 of 14 June, there are signs that Nissan are moving to an early decision on the UK project, and that a further brief message to Mr Kawamata from the Prime Minister is now desirable. We agree with Sir Hugh Cortazzi's suggestion that an appropriate way of doing this would be in response to Mr Kawamata's congratulatory message, and I attach a short draft.

Should the Prime Minister agree to send a message on these lines, we suggest the text should be sent by telegram to Tokyo for delivery by hand, and that the Embassy should be encouraged to let it be known that Mr Kawamata had sent congratulations and that the Prime Minister had replied, expressing her hopes for an early and favourable decision. We think it would be best if this were allowed to emerge in the Japanese papers before it received major coverage in the UK press. We also suggest that it would be preferable for the news to be published in a single UK paper if possible.

I am sending a copy of this letter to Brian Fall at the Foreign and Commonwealth Office.

Yours,

John Alty

JOHN ALTY
Private Secretary



DRAFT LETTER FROM THE PRIME MINISTER TO MR KAWAMATA

Thank you so much for your message ^{of appreciation} and ~~for your~~ good wishes. ^{bring} The clear result of our General Election ~~gives~~ welcome assurance of continuity in our economic policies, which I know from our discussions ^{are} ~~form~~ an important factor ^{to you} ~~in your~~ considerations ^{of} ~~about~~ the UK project.

As I told Mr Nakasone at Williamsburg shortly before the Election, I continue to hope for an early and favourable decision, ^{that the visit} which I believe ~~would~~ ^{not only} be a successful and profitable venture for your Company, but would create a secure bond between our two countries.

It is my great pleasure to write. I look to you and the Asian Note being my best wish for the future.

JAPAN: Anglo/Jap Rel.

Nissan

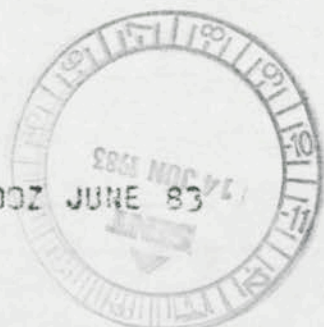
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NR MOUNTED } DTI
NR SUNDRELAND }
NR COLES NO 10

CONFIDENTIAL

DESKBY 141100Z

FM TOKYO 140945Z JUNE 83

TO IMMEDIATE F C O

TELEGRAM NO 316 OF 14 JUNE

(X4)

ADVANCE COPY

IMMEDIATE

MY TELNO 295: NISSAN

1. IN THE COURSE OF THE LAST TWO DAYS, THERE HAVE BEEN INDICATIONS THAT DEVELOPMENTS ON THIS PROJECT ARE BEGINNING TO MOVE RAPIDLY. TWO PRESS ARTICLES APPEARED TODAY IN REASONABLY WELL-INFORMED ECONOMIC DAILIES TO THE EFFECT THAT A DECISION IS ON THE POINT OF BEING TAKEN IN NISSAN TO GO AHEAD WITH THE PROJECT (A BRIEF OUTLINE IS IN MIFT). THE SUBJECT HAS ALSO BEEN RAISED WITH US BY TAKANO, THE DIRECTOR OF THE FIRST INTERNATIONAL ECONOMIC AFFAIRS DIVISION IN THE MFA (RESPONSIBLE FOR BILATERAL ECONOMIC RELATIONS WITH BRITAIN) ON TWO OCCASIONS, YESTERDAY AND TODAY.

2. TAKANO TOOK THE INITIATIVE YESTERDAY TO SAY THAT FOLLOWING PRIME MINISTER NAKASONE'S INTERVENTION WITH MR ISHIHARA (REPORTED IN MY TUR), ISHIHARA NOW NEEDED EVERY POSSIBLE ASSISTANCE IN WORKING FOR A FAVOURABLE DECISION. IT MIGHT BE TIMELY FOR MRS THATCHER TO WRITE TO KAWAMATA EMPHASISING HMG'S CONTINUING WELCOME FOR THE PROJECT AND HER HOPE THAT FOLLOWING THE ELECTION, NISSAN MIGHT SOON COME TO A FAVOURABLE DECISION.

3. TAKANO TOLD US TODAY THAT MATTERS HAD NOW BECOME EVER MORE URGENT. HE CONFIRMED THE STORY IN TODAY'S PRESS THAT A FINAL DECISION WOULD BE TAKEN BY THE 29 JUNE SHAREHOLDERS' MEETING. HE ADDED, HOWEVER, THAT THE DECISION WOULD BE LIKELY TO BE TAKEN BEFORE THE END OF THE WEEK IN ORDER TO ALLOW TIME FOR ALL THE LARGE SHARE-HOLDERS TO BE SQUARED. THE COMPANY'S DECISION REMAINED ESSENTIALLY A MATTER

~~COMPANY'S DECISION REMAINED ESSENTIALLY A MATTER~~
BETWEEN KAWAMATA AND ISHIHARA. THE MOST SIGNIFICANT
NEW CONSIDERATION, HOWEVER, WAS THAT ISHIHARA HAD MADE
IT CLEAR THAT HE WOULD STAND BY THE BOARD'S CONSENSUS. HE
WOULD NOT RESIST IT AND IF IT WENT AGAINST THE PROJECT HE
WOULD RESIGN. REGRETTABLY PRESS REPORTS OF GREATER
FLEXIBILITY ON KAWAMATA'S PART WERE INCORRECT. HE REMAINED
OPPOSED TO THE PROJECT AND FOR THIS REASON THERE WAS A GOOD
DEAL OF PESSIMISM IN THE COMPANY THAT THE FINAL DECISION
WOULD BE NEGATIVE.

4. TAKANO ATTRIBUTED THE NEW PACE OF EVENTS TO THE
INTRODUCTION OF NEW PROCEDURES THIS YEAR GIVING
AN ENHANCED ROLE TO SHAREHOLDERS AT COMPANY AGMS. THIS HAD
RESULTED IN A NUMBER OF RECENT AGMS BEING MARKED BY UNPLEASANT
SCENES BETWEEN BOARD MEMBERS AND AGITATORS AMONG
SHAREHOLDERS. THE NISSAN BOARD WERE CONSCIOUS THAT THE
CONTINUING ABSENCE OF A DECISION ON THE UK PROJECT MEANT
THAT THIS COULD BECOME AN ISSUE ON 29 JUNE. THEY WANTED TO AVOID
THIS AT ALL COSTS.

5. PRIME MINISTER NAKASONE'S OFFICE SAW NO SCOPE FOR
FURTHER ACTION WITH THE NISSAN BOARD. IT WAS THEREFORE NOW
ALL THE MORE DESIRABLE THAT HMG SHOULD DO EVERYTHING POSSIBLE
TO ASSIST ISHIHARA AND BRING PRESSURE TO BEAR ON KAWAMATA
THROUGH A MESSAGE TO HIM FROM MRS THATCHER. THE PRESSURE
WOULD BE INCREASED IF ITS EXISTENCE BECAME PUBLIC BUT TAKANO
ACCEPTED THAT IT WOULD BE RISKY TO PUBLICISE SUCH A MESSAGE
GIVEN KAWAMATA'S KNOWN SENSITIVITIES. DECISION MAKING HOWEVER
WAS AT A CRUCIAL STAGE AND EVERY MEANS HAD TO BE EMPLOYED
TO PREVENT A NEGATIVE DECISION.

6. I THINK WE SHOULD TAKE WHAT TAKANO SAID SERIOUSLY.
ALTHOUGH HE IS NOT DIRECTLY RESPONSIBLE FOR THE PROJECT IN
JAPANESE GOVERNMENT, HE IS CENTRAL TO DECISION-MAKING ON
JAPANESE ECONOMIC POLICY TOWARDS BRITAIN AND EUROPE. HE IS
WELL AWARE OF THE IMPORTANCE WE ATTACH TO THE NISSAN PROJECT
AND TO THE POLITICAL CONSEQUENCES OF A NEGATIVE DECISION
BY THE COMPANY AT A TIME WHEN OUR BILATERAL DEFICIT WITH
JAPAN IS WIDENING. HE HIMSELF SAID THAT A NEGATIVE DECISION
WOULD BE A 'A DISASTER' AND HIS INTERVENTION WITH US WAS
DESIGNED TO HELP AVOID THIS. HIS ACCOUNT OF DEVELOPMENTS
IN THE COMPANY RINGS TRUE AND IT IS SIGNIFICANT THAT HIS
INTERVENTION COINCIDED WITH PRESS REPORTS ABOUT AN

~~INTERVENTION COINCIDED WITH PRESS REPORTS ABOUT AN~~
EARLY DECISION.

7. A PRETEXT FOR A MESSAGE COULD BE EITHER THE PRESS REPORTS REFERRED TO EARLIER OR A CONGRATULATORY MESSAGE WHICH TAKANO SAID KAWAMATA HAD DESPATCHED TO THE PRIME MINISTER FOLLOWING HER ELECTION VICTORY. THE MESSAGE COULD REFER TO THE CONTINUING WELCOME FOR THE PROJECT AND THE PRIME MINISTER'S HOPE THAT WITH THE ELECTION NOW PAST, THE WAY MIGHT BE CLEAR FOR AN EARLY AND FAVOURABLE DECISION.

8. ON PUBLICITY I SUGGEST THAT UNATTRIBUTABLE BRIEFING MIGHT BE GIVEN IN LONDON (PERHAPS IN RESPONSE TO ENQUIRIES ABOUT THE PRESS ARTICLES) THAT KAWAMATA HAD BEEN IN TOUCH WITH THE PRIME MINISTER WHO HAD SENT HIM A MESSAGE IN REPLY HOPING FOR AN EARLY AND FAVOURABLE DECISION. WE COULD ALSO, IF YOU AGREE, MAKE THE EXISTENCE OF A MESSAGE KNOWN FAIRLY WIDELY WITHIN NISSAN.

PLEASE PASS ADVANCE COPIES TO GIFFARD AND ELLIOT (FED), MOUNTFIELD AND SUNDERLAND (DTI), COLES (NO 10).

CORTAZZI

NNNN

211/6

To expedite your cablegrams to
Denmark, Sweden, Finland, Poland,
U.S.S.R. and Japan please telephone:
01-588 4567 (Telex: 22931)

INCOMING TO GNT

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TOKYO 96/88 10 1528 PAGE 1/50

THE RT.HON.MRS.MARGARET THATCHER, MP,
PRIME MINISTER, FIRST LORD OF THE TREASURY
AND MINISTER FOR THE CIVIL
SERVICE 10DOWNING STREET
LONDONSW1

I WAS MOST PLEASED TO LEARN OF YOUR OUTSTANDING SUCCESS IN
YESTERDAY'S GENERAL ELECTION.
THIS VICTORY IS NOT ALONE A VICTORY FOR YOUR LEADERSHIP AND YOUR
PARTY, BUT FOR THE FREE WORLD

COL 10DOWNING LONDONSW1

LAB428 THE RT.HON.MRS.MARGARET PAGE 2/38

AS IT STRIVES TO REGAIN FULL
PROSPERITY, ON BEHALF OF NISSAN MOTOR CO.,LTD., I WOULD LIKE TO
EXTEND OUR SINCERE CONGRATULATIONS TO YOU AND YOUR PARTY.
WITH BEST WISHES FOR THE FUTURE.

KATSUJI KAWAMATA CHAIRMAN, NISSAN MOTOR CO.,LTD.TOKYO,JAPAN

NNNN

GRS 296

CONFIDENTIAL

Japan

CONFIDENTIAL

DESKBY 070900Z JUNE 83

FROM TOKYO 070720Z JUNE 83

TO IMMEDIATE F C O

TELEGRAM NUMBER 295 OF 7/6/83

NISSAN.

1. THE PRIVATE SECRETARY TO PRIME MINISTER NAKASONE HAS SPOKEN TO US ON MR NAKASONE'S INSTRUCTIONS TO INFORM US OF A CONVERSATION WHICH MR NAKASONE HAD YESTERDAY WITH ISHIHARA, OF THE NISSAN MOTOR COMPANY.

NR 9/6

2. MR NAKASONE CALLED ISHIHARA IN FOR A TALK ABOUT THE NISSAN/ UK PROJECT AS A RESULT OF THE CONVERSATION WHICH MR NAKASONE HAD ON THIS SUBJECT WITH MRS THATCHER AT WILLIAMSBURG. MR NAKASONE TOLD ISHIHARA THAT HE HOPED THAT NISSAN WOULD TAKE THE NECESSARY STEPS TO BEGIN MANUFACTURING OPERATIONS IN BRITAIN. ISHIHARA RESPONDED BY SAYING THAT HE WOULD CONSIDER WHAT MR NAKASONE HAD SAID TO HIM AND STUDY ' ' IN A FORWARD-LOOKING MANNER ' ' THE POSSIBILITY OF NISSAN TAKING A DECISION IN FAVOUR OF MANUFACTURE IN BRITAIN. TO DO THIS , HOWEVER, IT WOULD BE NECESSARY TO CREATE A CONCENSUS WITHIN THE COMPANY IN FAVOUR OF INVESTMENT. THIS WOULD TAKE TIME BUT ISHIHARA WOULD DO HIS BEST TO ACHIEVE THIS.

f.a.

3. WE THANKED THE PRIVATE SECRETARY FOR LETTING US KNOW SO PROMPTLY THE RESULTS OF THIS CONVERSATION BETWEEN PRIME MINISTER NAKASONE AND ISHIHARA. WE SAID THAT WE THOUGHT MRS THATCHER WOULD BE PLEASED THAT MR NAKASONE HAD TAKEN SUCH EARLY ACTION TO PURSUE THIS POINT AFTER WILLIAMSBURG,

4. PLEASE PASS ADVANCE COPIES TO COLES (NO 10) ELLIOT (FED), MOUNTFIELD (DOI) AND DUNNING (DOT).

(ADVANCED AS REQUESTED)

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PS/LORD BELSTEAD
PS/PUS
MR GIFFARD
MR DONALD

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MR MOUNTFIELD DOI
MR DUNNING DOT

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See highlighted passage.

A.J.C. 3/5

RECORD OF A CONVERSATION BETWEEN THE CHANCELLOR OF THE EXCHEQUER
AND THE JAPANESE FINANCE MINISTER AT NOON ON 29 APRIL

Present: Chancellor Mr N Takeshita, Finance Minister
Mr Littler Mr K Watanabe, Deputy Minister
Mr Kerr Mr T Oba, International Finance Bureau,
Finance Ministry
Mr Y Ezawa, International Finance Bureau,
Finance Ministry
Mr T Asami, Private Secretary

Mr Takeshita congratulated the Chancellor on the outcome of the Interim Committee's February meeting. He had been very sorry not to have been able to attend the meetings, but he had thought the decisions reached at it entirely right, and the outcome a tribute to skillful chairmanship. The Chancellor said that he had been very appreciative of the role played by Mr Watanabe during the crucial evening meeting.

Mr Takeshita said that he had sought the present meeting in order to consult the Chancellor about a domestic political question now under consideration in the Japanese Government. Elections to the upper house in the Diet would be held in June; and a proposal to dissolve the lower house, and hold elections to it on the same timescale, was now being considered. The question which bothered him, and on which he would like the Chancellor's advice, was whether it would effect the economic Summit, and the Japanese Prime Minister's standing at it, if an election campaign was then under way in Japan. The Japanese had not asked this question of other governments; but he thought it right to seek the advice of the Chancellor, as the senior among Summit Finance Ministers.

The Chancellor said that it was not really, of course, for any non-Japanese to advise the Japanese Government on the timing of their elections. However, his impression was that any unsettling effect on the Summit of an election in Japan would be slight. As a politician he could only admire the formidable tenacity of the Liberal Democratic Party in Japan, whose tenure of office was, he thought, matched in the western world only by the Conservative Administration in Ontario who had held power since 1942. World public opinion would probably discount any risk of an LDP defeat in June. It was hardly possible to time Summits so that none of the leaders present were under the shadow of forthcoming elections. This had not in the past proved a major constraint on the effectiveness of Summits: he saw no reason to expect this to change.

Mr Takeshita said that he was grateful for these comments, and would report them in Tokyo. He was grateful, too, that the Chancellor had not bridled at being asked for advice on a Japanese internal matter. He repeated that the matter was not being raised with any other Summit participants; and he was sure that his confidence would be respected.

The Chancellor then described UK objectives at the Williamsburg Summit. We were anxious that it should be, and be seen as, a success. This, in our view, entailed setting in advance targets which could realistically be attained, rather than allowing expectations to be raised unrealistically high. Thus, on the question of the efficacy of intervention in foreign exchange markets, it would be quite wrong to envisage a complete meeting of minds at Williamsburg between the Americans and the French. The views of the two parties were

- 2 -

diametrically opposed and strongly held. But the Jurgensen Report, to which both signed up, did indicate the beginnings of a convergence of view. It would be important to accentuate at the Summit this positive development, rather than highlighting, through acrimonious dispute, the remaining gulf. Similarly, on surveillance, the Versailles initiative for greater mutual surveillance of economic policies and performance, with a view to encouraging greater medium-term convergence, had been taken further in the last year, and this should be played up at Williamsburg. Of course, differences of emphasis on particular policies persisted among the Summit participants, but the Summit should not emphasise these differences but instead stress the progress towards convergence and the establishment of an embryonic surveillance machinery. The Chancellor added that it would in this context be possible privately to point out to the Americans the connection between high budgetary deficits and high interest rates, and the significance of ensuring lower interest rates in encouraging recovery.

Mr Takeshita said that he entirely agreed with the Chancellor's approach to the Williamsburg discussions. He had studied the press statement which the Chancellor had issued on 25 April, and warmly endorsed his rejection of the "locomotive" theory and concerted reflation. Like the UK, Japan thought it important that Summit participants reaffirm their commitment to policies which would produce sustainable non-inflationary growth.

The Chancellor then referred briefly to the issue of IMF access. In agreeing in February on the 8th quota increase, Interim Committee members had thought it right to increase quotas in order to provide, for countries in difficulty, increased access to IMF resources. It would be wrong now to reverse the effect of increasing quotas, by tightening the access rules. Mr Takeshita said that this issue would require further consideration and discussion.



J O Kerr
29 April 1983
Washington DC

cc: PS/Financial Secretary
Mr Middleton
Mr Burns
Mr Littler
Mr Lavelle
Mr Bottrill

Mr Coles (No.10)
Mr Fall (FCO)
Mr Hatfield (Cabinet Office)
Sir Hugh Cortazzi (Tokyo)
Chancery, Washington



FILE

RM
Japan

10 DOWNING STREET

From the Principal Private Secretary

14 April, 1983

I am enclosing for the information of those concerned in our Embassy in Tokyo and of the other recipients of this letter, a copy of a letter dated 4 April which the Prime Minister has received today from the Chairman of the Nissan Motor Company. I should be grateful if recipients of this letter could treat this document in the same way as previous documents in the series and in particular do not convey to Nissan they have seen this correspondence.

I am copying this letter and the enclosure to John Kew (Treasury) and Jonathan Spencer (Department of Industry).

E. R. BUTLER

John Holmes, Esq.,
Foreign and Commonwealth Office



BRITISH EMBASSY,
TOKYO.

5 April 1983

F E R Butler Esq
Principal Private Secretary to the Prime Minister
10 Downing Street
LONDON

Dear Robin,

NISSAN

We handed to Nissan on 31 March the Prime Minister's letter of 18 March to Mr Kawamata (which had reached us that morning). You may by now have seen a copy of John Whitehead's teleletter of the same date to Robin Mountfield in the Department of Industry reporting his conversation with Okuma, Vice President of Nissan at which the letter was passed on.

I now enclose a further sealed letter from Mr Kawamata replying to the Prime Minister, delivered here yesterday. We should be grateful if you could in due course give us sight of a copy which we would of course protect in accordance with the instructions in your letter of 18 March to John Holmes.

Yours ever,

David

D J Wright
Economic Counsellor

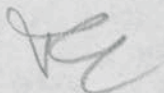
cc: M Elliott Esq, FED, FCO
R Mountfield Esq, Vehicles Division, DOI

5 April 1983

The Prime Minister has noted the contents of Lord Cockfield's minute of 31 March about the Japanese review of their standards and certification procedures.

AJC

John Rhodes, Esq.,
Department of Trade.



Box

NISSAN MOTOR CO., LTD.

17-1.6-chome, Ginza, Chuo-ku
Tokyo, Japan

Katsuji Kawamata
Chairman

April 4, 1983

Prime Minister
The tone of the
letter is a good deal
warmer and more

hopeful.

FERB

14.4.

The Rt. Hon. Margaret Thatcher, MP
Prime Minister, First Lord of
the Treasury and Minister for
the Civil Service
10 Downing Street
London SW1
U.K.

ms

Dear Mrs. Thatcher,

I have gratefully received your kind letter of 18 March. I would first like to express my deep appreciation to you for your thoughtful arrangement which had enabled our Mr. Kawaii and his team during their recent stay in London to have an opportunity to meet with your leasing experts and receive detailed explanation from them.

With the capital allowances, and also grants and financial assistance available to companies investing in the U.K., I now fully understand that the leasing route, as you indicated, contributes favourably in reducing our investment capital; and, while the arrangement remains on commercial terms, the leasing charges would also be reduced to relatively small amount.

Also, with the price of crude oil recently drifting downwards, the international economic situation, as you suggest, might perhaps recover to regain somewhat brighter prospect.

Further, I fully appreciate your statement with reference to unemployment in the U.K.; that it is the strong desire of the British people to locally produce goods sold in the U.K., thereby creating job opportunity in your country.

Personally, I do not feel it right to keep the issue open for too long a period. I would, however, be most grateful if you would kindly understand our position that we are obliged to take into our account certain points other than the leasing question as well. Please, therefore, understand that I am unable to convey to you our conclusion in this letter.

As you are well aware, this project calls for Nissan's substantial commitment long into its future, and we would therefore like to discuss this issue further internally. We would certainly inform you as soon as we decide one way or the other.

NISSAN MOTOR CO., LTD.

Mrs. Thatcher,

2.

April 4, 1983

Once again, please accept my sincere appreciation for all the courtesy and assistance you have extended our Mr. Kawaii and his team.

With my best personal wishes,

Respectfully yours,

Katsuji Kawamata
Katsuji Kawamata

KK/tfy/ki

010



Prime Minister

A.S.C. n/3

PRIME MINISTER

JAPANESE REVIEW OF THEIR STANDARDS AND CERTIFICATION PROCEDURES

When announcing the January import liberalisation measures, the Japanese Government noted that they would be carrying out a review of their standards and certification procedures. You may like to have our initial assessment of the outcome of this review, which was reported last weekend.

Seventeen Japanese laws are to be amended allowing : foreign suppliers more scope to apply directly for certification and hence to be treated more equally with domestic supplies; wider acceptance of foreign test data with simplification and speeding up of certification procedures; and the alignment of Japanese standards with international standards.

The changes should be of benefit particularly to UK exporters to Japan in sectors such as pharmaceuticals, agrochemicals, chemicals and medical equipment and cover sectors involving some £100 m of UK exports. The Commission has been pressing for changes in Japanese standards which are commonly regarded as a non tariff barrier to our exports. The Commission made a direct contribution to the review and most of the specific requests have been addressed by the Japanese - though in some cases with undertakings to examine further. The exact method of implementation will be important and we will of course be watching this closely.

Overall the changes announced represent another useful step and a definite response by the Japanese Government to representations in this area by the EC and the US following the earlier liberalisation measures. We are still awaiting an announcement by the Japanese Government on its other review of the domestic distribution system.

LORD COCKFIELD

DEPARTMENT OF TRADE
1 Victoria Street
London SW1

31 March 1983

31 MAR 1983



COPIED

CONFIDENTIAL



M.B.M.
Japan

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

23 March 1983

J P Spencer Esq
Private Secretary to the
Secretary of State for Industry
Ashdown House
123 Victoria Street
LONDON SW1E 6RB

Dear Jonathan,

NISSAN

The Chancellor has seen a copy of your letter of 16 March to Robin Butler. He agrees with your comment that if Nissan had proposed an investment of this size at the outset we would have been unlikely to have offered as much as 10 per cent selective assistance on top of RDGs. The Chancellor recognises that we cannot now withdraw this offer but at the same time feels that there can be no question of any increase in the quantum of selective assistance.

I am copying this letter to Robin Butler (No 10) and John Holmes (Foreign and Commonwealth Office).

Yours sincerely,

Margaret O'Mara

MISS M O'MARA
Private Secretary

Janan: Aglo Relations Pt 3



24 MAR 1983

CONFIDENTIAL



Lile
ces

AH
JAPAN
Tsy
5/1

10 DOWNING STREET

From the Principal Private Secretary

18 March 1983

Dear John,

I enclose in the attached sealed envelope a further personal letter from the Prime Minister in her correspondence with Mr Kawamata, Chairman of Nissan, and I should be grateful if you would arrange for the Embassy in Tokyo to deliver it to Mr Kawamata as soon as possible.

I am also enclosing for you and other recipients a copy of the Prime Minister's letter, together with the letter from Mr Kawamata to which it is a reply. The Prime Minister particularly noted the importance which Mr Kawamata attaches to the confidentiality of his talk with the Prime Minister in Tokyo and what has stemmed from it. It is clearly important to the success of the talks with Nissan that Mr Kawamata should know that this confidentiality has been maintained and I should therefore be grateful if you and other recipients would arrange to treat the letter in the same way as previous papers in the series, i.e. restricted to those who have an operational need to see it.

I am copying this letter and the enclosures to John Kerr (Treasury) and Jonathan Spencer (Department of Industry).

Yours sincerely,

Robin Butler

John Holmes Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL

AH

Prime Minister

Letter reporting on D/industry
talks with Nissan attached
below. Much more hopeful!

FERB 17.3.



20 AH

CCS HMT
FCO
D/I

10 DOWNING STREET

THE PRIME MINISTER

18 March 1983

Dear Mr Kawamata,

I was grateful for your letter of 17 February 1983; and I have now had a report of the discussions Mr Kawai has had with officials at the Department of Industry, and with leasing experts from the Bank of England and from the City of London, all of which have taken place in conditions of the strictest confidentiality. I can assure you that the knowledge that you put to me a proposition on these lines when we met in Tokyo has been restricted to a very small circle indeed.

I was naturally disappointed to hear of some of the changes in the project which Mr Kawai proposed. But those who took part in the talks on the British Government's side have tried to respond helpfully, provided that our essential requirements can be met. I am glad that Mr Kawai has been able to study the leasing route; I am confident that, despite the unprecedented size of the project, this could be available to you through the good offices of the Bank of England which I have offered, and I am confident also that in terms of net present value this facility should compare most favourably with any alternative financing route. Together with the grants and selective financial assistance we have offered, these add up to a substantial contribution to the cost of the project.

You will have noted, as I have, the welcome signs that the international recession, which I know has contributed to your caution on this project, is at last coming to an end. There have

AH

also been major movements in currencies which are in most respects significantly favourable to this project. But unemployment remains high here as elsewhere, and the pressure for British people to have the opportunity of the jobs involved in producing the goods sold in this country shows no signs of abating. For all these reasons, I warmly hope that we shall soon be able to bring this matter to a favourable conclusion, and I look forward to hearing your conclusions following Mr Kawai's report to you.

Yours sincerely,

Margaret Thatcher

Mr Katsuji Kawamata

CONFIDENTIAL



JU231
Secretary of State for Industry

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

16 March 1983

Robin Butler Esq
10 Downing Street
London SW1

Dear Robin,

NISSAN

Following the Prime Minister's letter of 6 January to Mr Kawamata and his reply of 17 February, a Nissan team visited the Department, as you know, from 3 - 10 March. Officials had three full-day and two half-day sessions with them; of these one full day and one half-day took the form of detailed discussions on the leasing arrangement proposed in the Prime Minister's letter of 9 November 1982. We were assisted in this by the Bank of England, who most helpfully arranged a team of three leasing experts (two from clearing banks' leasing subsidiaries and one from a merchant bank) who explained the leasing mechanism in considerable detail.

2 Nissan had previously given notice through our Embassy in Tokyo, and separately through Lord Marsh, that they intended the talks to be a serious attempt to bridge the gap and help them to achieve a consensus within Nissan. It was quickly apparent that Kawai, the leader of their team, was acting on the specific instructions of Kawamata to explore certain points, rather than in his normal capacity as leader of the feasibility team. Kawai had with him, as part of his team, Goto who for many years has been Kawamata's Personal Assistant. Although Goto is about to take up a new post as head of Nissan's Brussels office, he made it clear that he was on the team as a personal representative of the Chairman. Your own presence at the lunch with the Nissan team appears to have been well received by both Goto and Kawai, as a direct gesture of the Prime Minister's interest in the negotiations.

3 Kawai began by seeking our views on a major slowing down of the development plan. The proposal on which "a broad measure of agreement" was reached early last year involved a production start at end 1985, at a rate of 60,000 units a year and 60% local content, rising to full production of 200,000 units a year at 80% local content by end 1989. The new proposal floated by Kawai was to start in early 1987 (the delay being hardly more than the delay in the decision process), but to build up only to 100,000



by 1989. There would then be a review at that time to decide whether to proceed to 200,000, which might be reached by 1993 or 1994, but with no commitment as to date. The 80% local content level might be reached a couple of years sooner. The model produced might be a small car rather than the mid-sized Stanza proposed previously.

4 We responded that this was a great disappointment, and that it could not even be considered without certain essential features:

a the plant should be announced as a 200,000 unit plant, with a firm date (1987) for production start, and a firm date (1989) for reaching 100,000;

b local content should be no less than 60% in the first year (as before); and there should be a firm commitment to reach 80% by around 1989 irrespective of the level of output (previously 80% had been tied to 200,000 units). We should also need a commitment to 80% on any subsequent individual model within two years of its introduction;

c there should be a commitment to best endeavours to reach 200,000 by 1993 or 1994, though without a firm commitment; and there would also be a firm commitment to review this second stage no later than 1989.

5 Nissan went on to say that they thought the offer of 10% selective financial assistance (which is additional to Regional Development Grants of 15% or 22% depending on location) would not be enough to bring about a consensus within the company. We responded that the offer had been increased last year from 8% to 10% in recognition of the particularly beneficial nature of the project for the UK. A project consisting only of the first stage now outlined would be of more limited national benefit, and would be unlikely to attract assistance as high as even 10%.

6 Although officials had discussed this line with Mr Jenkin before responding, they made it clear to Nissan that they had no authority to make further concessions. They gave it as their personal judgement that Ministers might accept the delayed timing subject to the essential conditions in paragraph 4 above, but that Ministers would not be able to consider or confirm any concessions unless Nissan themselves were able to move quickly to a favourable decision on this basis, including the position on local content and SFA. The parts of such an arrangement could not be considered separately, and we could not be salami-sliced indefinitely.

7 On leasing, we believe Nissan now accept that this route would yield significant benefits in net present value terms. They were politely sceptical about how far this was a Government concession, on the grounds that they might have been able to secure leasing capacity without official support, and said they had been hoping for specially favourable leasing terms as a



result of Government intervention. We explained that though the actual terms would have to be negotiated normally, this would be the biggest leasing operation ever, and that the good offices of the Bank of England would greatly assist an arrangement which, by virtue of its size, might otherwise be uncertain. We also emphasised the importance of the Prime Minister's personal gesture in offering this facility and good offices to Kawamata. The Nissan team still had some residual hesitation about two aspects: the lack of a formal option to buy the assets at the end of the primary lease (which would prejudice the lessors' tax position in respect of the lease); and the possibility that Nissan equity, raised by convertible borrowing in Europe, might prove even more favourable as a financing route than sterling leasing. We are satisfied they now have sufficient detailed knowledge of the leasing route to take an informed view on these matters.

8 The talks were held in a notably cordial atmosphere. There is clearly considerable embarrassment about the continued disagreement within the company, and there were expressions of private regret that such difficulty was still being found in achieving consensus, and of gratitude that we were even willing to consider such changes constructively. The team has now returned to Tokyo to report to the Board, after which some form of response will be made.

9 Officials had the impression that these talks represented a serious attempt to find changes in the project which would be enough to swing Kawamata in its favour; and that efforts were being made to bring the issue to a final decision. On the crucial question of local content, officials were favourably surprised at the impression Nissan gave that 80% local content by 1990 (if not 1989), even at 100,000 units, was not unthinkable. This, if confirmed, represents a marked shift in their thinking, reflecting no doubt the currency changes in particular. Our view is that 80% by 1989 (or at latest 1990), irrespective of output, should be a sine qua non of any agreement; and that although a small cosmetic increase in SFA at the very last stage might be worthwhile to clinch a deal, there should be no question of any significant additional financial assistance.

10 Procedurally, it is for consideration whether the Prime Minister should reply to Kawamata, and if so whether it should be substantive or merely a courtesy reply. On balance we feel the advantage lies in not confirming any potential concessions at this stage, and I attach a draft response which is in only general terms.

11 I am sending a copy of this letter to John Kerr (MH Treasury) and John Holmes (Foreign and Commonwealth Office).

*Yours sincerely,
Jonathan Spencer*

J P SPENCER
Private Secretary

DRAFT REPLY FROM THE PRIME MINISTER TO MR KAWAMATA OF NISSAN

I received your letter of 17 February 1952.

and I have
discussed with
economic experts
and, all of
them, are con-
fident-

~~In particular~~ ^(X) I can assure you that
the knowledge that you put to me a
proposition on these lines when we met in
Tokyo has been restricted to a very
small circle indeed.

the
those who ~~had~~ took
Nevertheless
~~we had~~ have tried
to be met. I
financing route;
of the Bank

~~of England which I have offered, so that you~~ despite the
unprecedented size of the project, and I am confident also that
in terms of net present value this facility should compare most
favourably with any alternative financing route. Together with
the grants and selective financial assistance we have offered,
these add up to a substantial contribution to the cost of the
project.

You will have noted, as I have, the welcome sign that
the world changes about us. ^{But} the international recession, which I
know has contributed to your caution on this project, is at last
showing ^{coming to an end} some signs of lifting. There have ^{also} been a fundamental
realignment of currencies which ^{are} in most respects significantly
favourable to this project. ^{But unemployment remains high here as elsewhere,}
In Europe as in America, we need to
and the pressure for British people to have the opportunity of the jobs involved in
continue to fight off protectionist pressures which show no signs
of abating. ^{producing the goods sold in this country shows no signs of abating.}
For all these reasons, I warmly hope that we shall
soon be able to bring this matter to a favourable conclusion, and
I look forward to hearing further from you your conclusions following
Mr. Kawai's report to you.

DRAFT REPLY FROM THE PRIME MINISTER TO MR KAWAMATA OF NISSAN

I was grateful for your letter of 17 February 1983; and I have now had a report of the discussions Mr Kawai has had with officials at the Department of Industry, and with leasing experts from the Bank of England and from the City of London, all of which have taken place in conditions of the strictest confidentiality. (X)

I am naturally ^{was} very disappointed to hear of some of the changes in the project ^{which Mr. Kawai proposed. But those who took} you asked to be considered. Nevertheless ^{part in the talks on the British Government's side are trying to respond have tried} we shall try to take as constructive a view as possible about ^{respond helpfully,} such changes, provided ^{that} your essential requirements can be met. I am glad that Mr Kawai has been able to study the leasing route; I am confident that ^{be available to you through} this could ^{with} the good offices of the Bank of England which I have offered, be available to you despite the unprecedented size of the project, and I am confident also that in terms of net present value this facility should compare most favourably with any alternative financing route. Together with the grants and selective financial assistance we have offered, these add up to a substantial contribution to the cost of the project.

You will have noted, as I have, the welcome signs that
~~The world changes about us.~~ [The international recession, which I know has contributed to your caution on this project, is at last ^{coming to an end} showing ~~some signs of lifting.~~ There have ^{also} been a ~~fundamental~~ ^{are} realignment of currencies which in most respects significantly ^{favourable to} favours this project. ^{But unemployment remains high here as elsewhere,} In Europe as in America, we need to ^{and the pressure for British people to have the opportunity of the jobs involved in} continue to fight off protectionist pressures which show no signs ^{producing the goods sold in the country show no signs of abating.} of abating. For all these reasons, I warmly hope that we shall soon be able to bring this matter to a favourable conclusion, and I look forward to hearing ~~further from you~~ ^{your conclusions following} Mr. Kawai's report to you.

Japan

Prime Minister

You will remember
that Mr. Goto accompanied
Mr. Kawamata at your
meeting in Tokyo. He is part
of the Nissan team now in Britain
and is to take charge of European operations.
I have arranged to have lunch with him
on Monday.



NISSAN MOTOR CO., LTD.

Rubin

Friend of yours?

M

*Good
not*

H.R.S.

4.3.

February 1983

Dear Friend:

I am writing to inform you that I have just been named General Manager of Nissan's European Corporate Office in Brussels. I will assume my new position early in March and my family will join me about a month later.

In my new position I am to oversee not only our business and international ventures in Europe, but also to do a good PR job on behalf of Nissan, the Japanese industry and Japan in general in Europe, particularly in EC. We really need to establish a dialogue with Europeans on a continuing basis in an era when EC-Japan relations are somewhat strained because of the trade frictions. That is certainly going to be a big challenge for me.

In a way I am sorry to keep myself out of circulation in the U.S.-Japan relations, but I hope that I will have excuses to visit the U.S. from time to time.

I have been associated with Nissan's International Division in charge of public relations and public affairs in addition to being assistant to the Chairman for the past 14 years. I greatly appreciate all the support and encouragement you have given me. I firmly believe that international understanding and harmony is essential if Japan is to trade with the rest of the world, and that Japan must play more of a leadership role befitting its economic power. Your continued support and guidance will be greatly appreciated.

Sincerely yours,

Mitsuya Goto
General Manager-Public Affairs
International Division

My office address:

European Corporate Office-Brussels
Nissan Motor Co., Ltd.
287, avenue Louise
1050 Bruxelles
Tel. (02) 648 34 70

My home address:

27, avenue de Saturne
1180 Bruxelles
Tel. (02) 375 45 95

11 12 1
10 9 8
7 6 5
4 3 2
1

3 - MAR 1983

ADRIANO CAVALLO

~~ROBIN~~

I have spoken to Mr.
Spencer and Mr.
Mountfield. Pl. file.

You are going to "make
an arrangement".

A

CONFIDENTIAL



Jonathan
Japan

10 DOWNING STREET

From the Principal Private Secretary

28 February 1983

Dear Jonathan,

We spoke this morning about the letter of 17 February from Mr Kawamata, the Chairman of Nissan. I showed this letter to the Prime Minister over the weekend, who welcomed the fact that Nissan are sending a further team and noted the importance Mr Kawamata continues to attach to the confidentiality of what he said to the Prime Minister.

We discussed the possibility that the Prime Minister should reply immediately to Mr Kawamata confirming that she was making arrangements for the team or that I should speak on the telephone to Mr Goto. Your advice was that, since arrangements for the team were already in hand and Mr Goto was probably by now on his way to London, it would be better if the Prime Minister replied to Mr Kawamata after the visit. I am content with this, but should be grateful if all those who see the team from Nissan could be briefed to deal with the team in a way which will maintain Mr Kawamata's confidence that the confidentiality of his discussions with the Prime Minister has been observed.

It might be helpful if I were to see Mr Goto while he is over here, since he and I have been the channels of communication between Mr Kawamata and the Prime Minister. If I may, I will make an arrangement through you.

Yours sincerely,

Robin Butler

Jonathan Spencer Esq.,
Department of Industry.

AM

CONFIDENTIAL

Japan



10 DOWNING STREET

Robin

At the time of asking
S/Ind. for a copy of tel.
no. 91 Robin Mountfield
asked if I could send
him an urgent copy
of Mr Kawamura's letter
which is of immediate
interest to them. This I
have done.

Petes
25/2



British Embassy
No 1 Ichiban-Cho Chiyoda-ku Tokyo

Telex J22755 (A/B PRODROME)
Telephone 265-5511

F E R Butler Esq
Principal Private Secretary
to the Prime Minister
10 Downing Street

Your reference

Our reference

Date 18 February 1983

Dear Robin,

You will have seen our telegram INDUS No 91 addressed to Robin Mountfield in the Department of Industry about the most recent letter from Mr Kawamata to the Prime Minister. I enclose the letter, unopened. But provided you see no objection, it would be helpful for us to have sight of a copy of the letter in due course so that we are aware of its general line, in addition to the proposed talks on leasing which were mentioned in our telegram under reference.

Yours ever,

J S Whitehead

1609/17

CONFIDENTIAL

D.F.T 140/17

A
LDX 947/17.

LDW NR 658/17

PP F C O (INDUS)

GRS 170.

CONFIDENTIAL

FM TOKYO 170750Z FEB 83

TO PRIORITY DOI LDN

TELEGRAM NUMBER INDUS 91 OF 17/2/83

FOLLOWING PERSONAL FOR MOUNTFIELD, VEHICLES DIVISION

1. GOTO OF NISSAN DELIVERED TO US TODAY A FURTHER LETTER FROM KAWAMATA TO THE PRIME MINISTER. WE WILL SEND IT TO BUTLER NO 10, BY BAG LEAVING HERE TOMORROW 10 FEBRUARY.
2. ALTHOUGH WE HAVE NOT SEEN THE TEXT OF THE LETTER, GOTO SAID THAT IN ADDITION TO RECAPITULATING A NUMBER OF POINTS WHICH HAVE ALREADY BEEN RAISED IN THE CORRESPONDENCE BETWEEN THE PRIME MINISTER AND MR. KAWAMATA, THE LETTER ALSO PROPOSES THAT KAWAI, ACCOMPANIED BY A SMALL GROUP OF NISSAN OFFICIALS, SHOULD VISIT BRITAIN IN THE FIRST FEW DAYS OF MARCH TO DISCUSS IN MORE DETAIL LEASING ARRANGEMENTS. SINCE KAWAMATA'S LETTER IS UNLIKELY TO REACH YOU UNTIL THE MIDDLE OF NEXT WEEK, COULD YOU LET US KNOW BY TELEGRAM WHETHER FURTHER TALKS ON LEASING ARE LIKELY TO BE POSSIBLE ON 2 OR 3 MARCH SO THAT WE CAN INFORM GOTO THAT PREPARATIONS ARE IN HAND?

cc Duty Clerk, No 10 ✓
(Meetings of X have been arranged, for 4 March onwards.)
DOI/Vehicles Div.
25/2

- Mr Manzie
- Mr Mountfield
- Mr Boyce IDU
- Mr Cochran
- Mr Bowden
- Mr Hope MS
- Mr Johnson RS1
- Mr Bennett RPDG
- Mr Scrimgeour IDU
- Mr Halligan - HM Treasury
- Mr Jennings - Bank
- Mr Corlett - Inland Revenue

NO DISTRIBUTION

Please note possibility of meetings with Nissan on or 2 or 3 March. Bank are

arranging X, on lines agreed. N.R. Planch 18/2

X

NISSAN MOTOR CO., LTD.

17-1,6-chome, Ginza, Chuo-ku
Tokyo, Japan

Katsuji Kawamata
Chairman

17 February 1983

The Rt Hon Margaret Thatcher
The Prime Minister
10 Downing Street
London SW1

Dear Mrs Thatcher:

Thank you very much for your kind letter of 6 January 1983. I had intended to write you an immediate reply, however, knowing that Mr Jenkin, the Secretary of State for Industry, was coming here to meet with us on 21 January, I thought that perhaps I ought to wait until after that meeting with Mr Jenkin. At any rate please accept my apologies for the delay in responding to your letter.

I am sure that Mr Jenkin has reported to you what had transpired at that meeting. The conclusion was that the decision on Nissan's investment project is still pending.

In your letter of 6 January you expressed your concern that I may have simply compared "our own investment plan" with "the leasing arrangement" without taking into account the Government grants such as SFA and RDG. When I instructed Mr Kawai, our Managing Director in charge of our UK project, to study these two alternate plans, I did ask him to study them on the following three conditions which are mentioned in my letter to you dated 7 December 1982:

1. Leasing charges at 8%.
2. Reserve the option of ceasing the operation and withdrawing from the project if Nissan deemed it impossible to continue as an enterprise.
3. Reserve the option of being able to buy out the factory if it is assumed that the project can be realised as planned.

At this stage we do not know what the leasing charges will be, however, the 8% is what we expect them to be. The option of being able to buy out the asset under lease is also indicated. When the leasing arrangement was studied, we did take into consideration the availability of the Government grants. What concrete merits we can derive from the leasing arrangement depend a lot, as you said in your letter, on the negotiation with the institution which is to be formed for leasing purposes.

Prime Minister

The team from Nissan is due to arrive next week. I am getting advice on a reply to Mr. Kawamata, but arrangements for the team are being made separately.

FRB

25.2.

Now - the confidence point, very few people mentioned

NISSAN MOTOR CO., LTD.

I would like to be understood in this connection that I only privately inquired about the leasing arrangement at our meeting in Tokyo. As I had promised to you then, I have not revealed this plan to anyone but a few members of Nissan concerned. When we met with Mr Jenkin in our office here, he said that he had given you an outline of the leasing arrangement, and I have taken this to mean that only a handful of your Government officials know about it. In order to keep the confidentiality I believe that it is essential that only a very limited number of people should be allowed to further study the leasing route so that we can make more clearcut projections.

For this purpose I intend to send Mr Kawai and few others to your country so that they can hold talks in complete confidence with the people you will designate. I would like to ask you privately to arrange such meetings. If Mr Kawai and his men can have at least the framework in which to base their projections, it will be very much appreciated.

These are my thoughts at this juncture. I hope that I have not waited too long before responding to your most thoughtful letter.

Yours sincerely,

Katsuji Kawamata
Katsuji Kawamata



Joe B.
JAPAN

10 DOWNING STREET

From the Private Secretary

17 February 1983

EC/Japan Talks on Export Restraint

Thank you for your letter of 15 February, the contents of which the Prime Minister has noted.

I am copying this letter to Roger Bone (Foreign and Commonwealth Office), Jonathan Spencer (Department of Industry) and Richard Hatfield (Cabinet Office).

A. J. COLES

John Rhodes, Esq.,
Department of Trade.



cc ~~Quater~~ (2)
Prime Minister

A.T.C. 15/2

From the Secretary of State

John Coles Esq
Private Secretary
10 Downing Street
London
SW1

15 February 1983

Dear John,

EC-JAPAN TALKS ON EXPORT RESTRAINT

You asked for briefing on the announcement over the weekend on the Commission's discussions with the Japanese Government on export restraint.

The Japanese Government has agreed to export restraint on 10 items : video tape recorders (VTRs), colour tvs and tubes, machine tools, cars, light commercial vehicles, fork-lift trucks, motorcycles, quartz watches and hi-fi equipment.

The agreement is an important move by the Japanese Government in taking the Community more seriously, but we still need to clarify with the Commission some details of the outcome. The following reflects our present understanding.

General assurances of export restraint to the EC have been given in a number of sectors of interest to the UK, notably on vehicles, machine tools and fork-lift trucks. These are all sectors where our industries themselves have discussions with the Japanese.

Specific assurances have been given on the exports of colour television tubes and VTRs. Large CTV tubes are to be cut to 900,000 in 1983; only general assurances have been given on exports of medium sized (14-20 inch) CTV tubes. On VTRs, the Japanese have agreed to restrain exports to within a ceiling of 4.55 million units in 1983. This compares with the likely out-turn of 4.3 million in 1982, but on a rising market leaves room for EC manufacturers to sell at least 1.2 million units and thereby increase their overall market share. The Commission has informally told us that MITI have allowed for 600,000 VTR kits (which are essential for our new domestic production ventures with the Japanese) in the total, and that our need for such kits will thus be met. We are still clarifying this point. In addition, there have been some general assurances on export restraints in other sectors, as noted above, where European industries hard pressed.

A number of points of detail still need to be discussed with the Commission. It is an important advance that the Japanese have been prepared to deal with the Community as a single entity and indeed have been willing to come to what will be represented to be a wide ranging agreement. But in general there is no "roll back" in the agreement: for example, the number of VTRs to be imported will increase not decrease. While the agreement is worth having it does not in itself have any bearing on the major problem of better access for our own exporters to the Japanese domestic market. Whilst therefore



From the Secretary of State

the agreement will make some contribution to stopping the present situation getting worst, we shall still need to press very strongly if we are to achieve a significant improvement in our trade balance - and the EC's balance for that matter - with Japan.

The details of the agreement should become clearer over the next week, and will be considered at the Foreign Affairs Council on 21/22 February next week. The Secretary of State will be attending the Council.

I am copying this to Roger Bone (FCO) and Jonathan Spencer (DOI) and Richard Hatfield (Sir Robert Armstrong's office).

*Yours sincerely,
John Rhodes*

JOHN RHODES
Private Secretary

Japan

31 January 1983

The Prime Minister has asked me to thank you for your letter of 26 January enclosing a letter to her from Mr. Shintaro Abe, Minister for Foreign Affairs of Japan.

JOHN COLES

His Excellency Mr. Tsuyoshi Hirahara

B

31 January 1983

Japan

I enclose with this letter a copy of a letter which the Prime Minister has received from the Japanese Foreign Minister, thanking her for receiving him during his recent visit to this country. No reply is necessary.

JOHN COLES

John Holmes, Esq.,
Foreign and Commonwealth Office.

B



10 DOWNING STREET

THE PRIME MINISTER

27 January 1983

Japan B.
ADOT
fu.

Mr. Masumi Esaki

Thank you for your letter of 25 December. I was pleased to hear of the decision to lower Japanese tariffs on biscuits, chocolates and tobacco products. I was also glad to have the opportunity to discuss this and wider trade issues with the Foreign Minister Abe when he visited London earlier this month. Mr. Nakasone's statement on 13 January usefully underlines Japan's need to increase manufactured imports and to avoid the excessive concentration of exports of certain products. I also note your Government will be reviewing certification procedures and removing certain non tariff barriers to trade.

We welcome the efforts that you and your Government have made to bring about these changes since we met in September. These are useful steps and should help to encourage some of our exporters.

We look forward to seeing effective results stemming from these measures. It is essential that continuity efforts are made by Japan to bring imports of manufactures up to the level of her major trading partners. In this respect I hope there will be full consideration of the scope for possible purchase by Japan of aerospace and defence equipment.

I know that the Japanese Government is very aware of our concerns on the state of trade and I look forward to further cooperation to overcome these problems.

Yours sincerely
Ronald Reagan

Mr. Masumi Esaki

Prime Minister

A

EMBASSY OF JAPAN
UNITED KINGDOM

28/1

London, 26th January 1983

Dear Prime Minister,

ms

I am asked by Mr. Shintaro Abe,
Minister for Foreign Affairs of Japan, to trans-
mit a letter to you. of 14 Jan.

I have pleasure in enclosing this
letter herewith.

Yours sincerely,

T. Hirahara

Tsuyoshi Hirahara
Ambassador

The Rt.Hon. Margaret Thatcher, MP,
Prime Minister and First Lord of the Treasury,
10, Downing Street,
London, S.W.1.

Japan.



10 DOWNING STREET

John

John Rhodes says
re your letter of 19 Jan
on new Japanese
econ. measures.

Both DOT + FCO are
content with the
drafts.

Petis
26/11

Please then have
~~last draft typed.~~
the draft to the
P.R. typed.
1002 20/11



Foreign and Commonwealth Office

London SW1A 2AH

25 January 1983

Dear John,

New Japanese Economic Measures

Thank you for your letter of 19 January enclosing the Department of Trade's proposed draft reply for the Prime Minister to send to Mr Esaki. We are content with the draft which indeed complements the Foreign Secretary's proposed message to Mr Abe.

I am copying this letter to John Rhodes (Dept of Trade).

Yours ever

John Holmes

(J E Holmes)
Private Secretary

A J Coles Esq
10 Downing Street

Foreign and Commonwealth Office

London, SW1A 1AA



26 JAN 1983

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TO IMMEDIATE F C O

TELEGRAM NUMBER 38 OF 22/1/83

FOR BUTLER (NO 10) FROM PS/SECRETARY OF STATE FOR
INDUSTRY.

MR. JENKIN'S MEETING WITH NISSAN: 21 JANUARY.

1. MR JENKIN DISCUSSED THE PROPOSED NISSAN UK PROJECT
WITH KAWAMATA, ISHIHARA AND OKUMA . THE AMBASSADOR AND
MANZIE (DOI) WERE ALSO PRESENT.

2. KAWAMATA BEGAN THE SUBSTANTIVE DISCUSSION BY SAYING
HOW MUCH HE HAD BEEN HONOURED BY HIS PRIVATE DISCUSSION WITH THE
PRIME MINISTER IN SEPTEMBER. HE HAD SUBSEQUENTLY RECEIVED
A LETTER FROM THE PRIME MINISTER TO WHICH HE HAD REPLIED,
AND COMMENTED THAT WHILE LETTERS WERE NOT ALWAYS THE
BEST MEANS OF COMMUNICATION, HE WAS CONFIDENT THAT BOTH
LETTERS HAD CONVEYED CLEARLY THE POINTS CONTAINED IN THEM.
HE HAD RECEIVED A FURTHER LETTER FROM THE PRIME MINISTER,
TO WHICH HE WOULD BE REPLYING SHORTLY. MR JENKIN SAID
THAT THE SECOND LETTER FROM THE PRIME MINISTER HAD
BEEN DRAFTED IN CONJUNCTION WITH HIMSELF; HE HOPED
THAT THE SECOND LETTER DEMONSTRATED MORE CLEARLY THE ADVANTAGES IN
THE ALTERNATIVE PROPOSAL DESCRIBED COMPARED WITH
EARLIER PROPOSALS. KAWAMATA COMMENTED THAT HE HAD NOT
MISUNDERSTOOD THE PRIME MINISTER'S ORIGINAL LETTER.

3. KAWAMATA SAID THAT HE HAD AGREED WITH THE

Prime Minister

To Mr.

A Log

Study Club
22/1

[JAPANESE TRADE]

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ADVANCE COPY

Mr Butler, No 10 DS

[Handwritten signature]

3. KAWAMATA SAID THAT HE HAD AGREED WITH THE PRIME MINISTER THAT THEIR DISCUSSIONS IN SEPTEMBER SHOULD BE KEPT PRIVATE. THE CONTENTS OF HER LETTER TO HIM WERE THEREFORE KNOWN ONLY TO HIMSELF, ISHIHARA AND GOTO (WHO HAD TYPED HIS REPLY). HIS LETTER HAD REFERRED TO OTHER ISSUES AS WELL AS LEASING AND HE THEREFORE DID NOT WISH TO CONTINUE DISCUSSION OF THE CORRESPONDENCE WITH MR JENKIN. MR JENKIN REASSURED KAWAMATA THAT THE OTHER ISSUES HE (KAWAMATA) HAD DISCUSSED WITH THE PRIME MINISTER WERE NOT KNOWN TO HIMSELF: BECAUSE OF ITS COMPLEXITY HAD THE LEASING ISSUE ONLY HAD BEEN CONSIDERED BY HIMSELF AND MANZIE (MANZIE SUBSEQUENTLY DISCUSSED THE LEASING ISSUE IN MORE DETAIL WITH OKUMA AND KAWAI, (REPORTED SEPARATELY). IT WAS NOW CLEAR THAT BOTH

4. MR JENKIN REFERRED TO TIME OF HIS CALL ON THE PRIME MINISTER IN OCTOBER 1982 THAT NISSAN STILL HAD THE UK PROJECT UNDER ACTIVE CONSIDERATION AND CONFIRMED THAT THE GOVERNMENT UNDERSTOOD THE DIFFICULTIES FACING NISSAN IN TAKING A DECISION ON A PROJECT OF THIS SIZE IN CURRENT INTERNATIONAL CONDITIONS. ISHIHARA CONFIRMED THAT THE POSITION HAD NOT CHANGED. MR JENKIN ALSO REPEATED THE PRIME MINISTER'S ASSURANCE THAT THERE WAS NO QUESTION OF THE GOVERNMENT LAYING DOWN SPECIFIC REQUIREMENTS ON EXPORTS: LONG TERM EXPORT MARKETS WERE MUCH TOO UNPREDICTABLE.

5. ON THE QUESTION OF LOCAL CONTENT, ISHIHARA CONFIRMED THAT NISSAN HAD NOT CHANGED THEIR POSITION FROM THAT REACHED IN JULY. BUT HE WOULD LIKE SOME FLEXIBILITY IN THE DATE BY WHICH 80% LOCAL CONTENT SHOULD BE ACHIEVED. OKUMA ADDED THAT THE 60% AND 80% LEVELS SHOULD BE REGARDED AS TARGETS TO BE ACHIEVED AS FAR AS POSSIBLE, AND NOT AS BINDING REQUIREMENTS.

6. MR JENKIN EMPHASIZED THAT THE GOVERNMENT WOULD GIVE NISSAN FULL SUPPORT IN THE EUROPEAN COMMUNITY SHOULD ANY PROBLEMS ARISE THERE OVER LOCAL CONTENT, AS THEY HAD DONE SUCCESSFULLY ON THE TRIUMPH ACCLAIM.

7. KAWAMATA THEN SAID THAT SINCE HIS VISIT TO BRITAIN IN 1981 WITH THE KEIDANREN MISSION, TRADE FRICTION BETWEEN JAPAN, THE U.S.A. AND EUROPE HAD GROWN. IT WAS NOW WELL UNDERSTOOD THAT JAPAN NEEDED TO OPEN UP ITS DOMESTIC MARKET TO IMPORTS AND COOPERATE WITH INDUSTRIES OVERSEAS. BUT INDIVIDUAL COMPANIES COULD NOT ALWAYS MEET THESE OBJECTIVES SET BY GOVERNMENTS. MR JENKIN REPLIED THAT HE FULLY UNDERSTOOD

AND COOPERATE WITH INDUSTRIES OVERSEAS, BUT INDIVIDUAL COMPANIES COULD NOT ALWAYS MEET THESE OBJECTIVES SET BY GOVERNMENTS. MR JENKIN REPLIED THAT HE FULLY UNDERSTOOD KAWAMATA'S POINT, BUT ADDED THAT (AS HE HAD TOLD YAMANAKA THE PREVIOUS DAY) THE SCALE OF BRITAIN'S TRADE IMBALANCE WITH JAPAN WAS SUCH THAT IF POSITIVE MEASURES FAILED TO PROVIDE A SATISFACTORY SOLUTION, THE GOVERNMENT MIGHT HAVE TO TAKE THE MORE NEGATIVE ROUTE TO REDRESS THE BALANCE. IN THAT EVENT, HE HAD TOLD YAMANAKA THAT JAPAN COULD NOT ASSUME THAT THEIR CURRENT 11% SHARE OF THE UK CAR MARKET WOULD REMAIN INDEFINITELY: IT MIGHT HAVE TO BE REVISED DOWNWARDS. KAWAMATA AND ISHIHARA SIGNALLED FULL UNDERSTANDING.

8. KAWAMATA, AT ISHIHARA'S PROMPTING, THEN ASKED MR JENKIN TO ASSURE THE PRIME MINISTER THAT NISSAN AND HE WERE CONTINUING THEIR STUDIES ON THE PROJECT AND THAT HE LOOKED FORWARD TO OPPORTUNITIES FOR FURTHER DISCUSSIONS. MR JENKIN REPEATED THE GOVERNMENT'S WARM WELCOME FOR THE PROJECT AND CONTINUING READINESS TO HELP IN ANY WAY OVER CLARIFICATION OF THE ISSUES AND OVER DETAILED STUDIES. HOWEVER, THE WINDOW COULD NOT REMAIN OPEN FOR EVER. THERE COULD BE NO SINGLE STEP THAT WOULD DO MORE TO STRENGTHEN RELATIONS BETWEEN BRITAIN AND JAPAN THAN A POSITIVE DECISION BY NISSAN ON THE UK PROJECT.

9. KAWAMATA CLOSED BY REPEATING HIS PLEASURE AT HIS PRIVATE MEETING WITH THE PRIME MINISTER IN SEPTEMBER, AND ASKED MR JENKIN TO CONVEY HIS WARMEST GREETINGS TO HER.

10. OKUMA PROPOSED, AND MR JENKIN AND KAWAMATA AGREED THE FOLLOWING PRESS LINE: 'THE TWO SIDES HAD DISCUSSED THE TRADE IMBALANCE BETWEEN JAPAN AND BRITAIN AND AGREED ON THE NEED TO ENDEAVOUR TO FIND POSITIVE SOLUTIONS INCLUDING SUPPORT FOR THIS INVESTMENT.'

11. PRESS COMMENT WILL BE REPORTED SEPARATELY.

12. ESAKI (FORMER MITI MINISTER AND NOW CHAIRMAN OF THE LDP'S SPECIAL COMMITTEE ON INTERNATIONAL ECONOMIC RELATIONS) AND MATSUNAGA (PERMANENT SECRETARY DESIGNATE, MFA), IN SUBSEQUENT CONVERSATION WITH MR JENKIN, BOTH SAID THEY HAD DISCUSSED THE QUESTION WITH KAWAMATA: BOTH TOOK THE VIEW THAT HE WAS SLOWLY BEING WON OVER, AND THAT THE PROJECT WOULD ULTIMATELY GO AHEAD.

13. COMMENT. THERE IS NO DOUBT THAT THE NISSAN MANAGEMENT,

CONVERSATION WITH MR JENKIN, BOTH SAID THEY HAD DISCUSSED THE QUESTION WITH KAWAMATA: BOTH TOOK THE VIEW THAT HE WAS SLOWLY BEING WON OVER, AND THAT THE PROJECT WOULD ULTIMATELY GO AHEAD.

13. COMMENT . THERE IS NO DOUBT THAT THE NISSAN MANAGEMENT, -----
EVEN KAWAMATA, ARE STILL ANXIOUS TO UNDERTAKE AN INVESTMENT IN WESTERN EUROPE, AND THAT THE UK IS THE FIRST CHOICE. MR JENKIN WAS STRUCK BY THE FRIENDLY ATMOSPHERE IN WHICH THE DISCUSSIONS WERE CONDUCTED, AND MANZIE IN HIS LATER DISCUSSION WITH OKUMA SAW THAT THE NISSAN MANAGEMENT WERE GREATLY ENCOURAGED BY THE CONTINUING WELCOMING ATTITUDE OF MR JENKIN. OKUMA TOLD MANZIE THAT BOTH KAWAMATA AND SHIOJI (THE TRADE UNION LEADER) AGREED THAT IN THE LONG RUN AN INVESTMENT WOULD BE NEEDED. THE DISCUSSIONS SHOWED THAT THERE IS STILL A GREAT DEAL OF ENTHUSIASM WITHIN THE COMPANY FOR A UK INVESTMENT.

11. ADVANCE COPIES PLEASE TO PS/ FOREIGN SECRETARY, P5/ CHANCELLOR OF THE EXCHEQUER, PS/ SECRETARY OF STATE FOR INDUSTRY, MANZIE(DOI), MOUNTFIELD(DOI), PS/ SECRETARY OF STATE FOR TRADE.

CORTAZZI

JULY. BUT HE WOULD LIKE SOME FLEXIBILITY IN THE DATE BY WHICH 80% LOCAL CONTENT SHOULD BE ACHIEVED. OKUMA ADDED THAT THE 60% AND 80% LEVELS SHOULD BE REGARDED AS TARGETS TO BE ACHIEVED AS FAR AS POSSIBLE, AND NOT AS BINDING REQUIREMENTS.

6. MR JENKIN EMPHASIZED THAT THE GOVERNMENT WOULD GIVE NISSAN FULL SUPPORT IN THE EUROPEAN COMMUNITY SHOULD ANY PROBLEMS ARISE THERE OVER LOCAL CONTENT, AS THEY HAD DONE SUCCESSFULLY ON THE TRIUMPH ACCLAIM.

7. KAWAMATA THEN SAID THAT SINCE HIS VISIT TO BRITAIN IN 1981 WITH THE KEIDANREN MISSION, TRADE FRICTION BETWEEN JAPAN, THE U.S.A. AND EUROPE HAD GROWN. IT WAS NOW WELL UNDERSTOOD



JAPAN

+4

MR MOUNTFIELD, VEHICLES DIV, DOI
MR HOPE, IBS, DOI.
MR SUNDERLAND, DOT
MR ELLIOT, FED.
MR COLES, No 10. Downing ST.

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TELEGRAM NUMBER " INDUS 07 OF 20/1/83

SECRETARY OF STATE'S VISIT TO JAPAN : HONDA.

1. WE WILL REPORT SEPARATELY ON HONDA / BL ASPECTS OF THE SECRETARY OF STATE'S MEETING WITH KAWASHIMA AND OKAMURA OF HONDA ON 20 JANUARY, WHICH WENT VERY WELL.

2. AT THE END OF THE MEETING, KAWASHIMA VOLUNTEERED THAT, WHILE THE RELATIONSHIP WITH BL REMAINED THE HIGHEST PRIORITY FOR HONDA AT PRESENT, HE WAS PREPARED, IF IT WOULD BE WELCOME TO HMG, TO INITIATE A FEASIBILITY STUDY INTO POSSIBLE MOTOR CYCLE MANUFACTURING INVESTMENT IN BRITAIN. MR JENKIN WELCOMED THIS VERY POSITIVE STATEMENT AND CONFIRMED THAT HMG WOULD BE DELIGHTED TO COOPERATE AS APPROPRIATE OVER THE FEASIBILITY STUDY. BOTH KAWASHIMA AND THE SECRETARY OF STATE THEREFORE PROPOSE TO REFER TO THIS PROPOSAL AT SEPARATE PRESS CONFERENCES LATER TODAY ALONG THE GENERAL LINE THAT THERE WAS DISCUSSION OF POSSIBLE HONDA MOTOR CYCLE MANUFACTURE IN BRITAIN AND THAT THE SECRETARY OF STATE WELCOMED WARMLY HONDA'S DECISION TO CARRY OUT A FEASIBILITY STUDY.

3. WE WILL TELEGRAPH PRESS STATEMENTS AND

3. ~~WE WILL TELEGRAPH PRESS STATEMENTS AND
PRESS COMMENT AS THEY COME TO HAND.~~

4. ADVANCE COPIES TO MOUNTFIELD, VEHICLES
DIVISION, DCI, HOPE, IDB, DCI, SUNDERLAND
DOT, ELLIOTT FED F C O AND COLES NO 10.

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mt

*Mr Giffard (Hd/FED)
Mr Evans (Hd/TRE)
Mr Donald
Mr Thomas.*

T O IMMEDIATE F C O

TELEGRAM NUMBER 35 OF 20/1/83

*Mr Gill
Mr Hope IBB
Mr Woodrow/NF
Mr Gent /CA3* } *DOT*

AND REPEATED FOR INFO PRIORITY UKREP BRUSSELS

MIPT: VISIT TO JAPAN OF SECRETARY OF STATE FOR INDUSTRY:

*Mr Sunderland } OT2
Mr Dunning } DOT
Mr Coles No 1005.*

MITSUBISHI ELECTRIC.

1. AT HIS MEETING WITH THE KEIDANREN ON 20 JANUARY MR JENKIN WAS TOLD BY IMAKITA, EXECUTIVE VICE-PRESIDENT OF MITSUBISHI ELECTRIC THAT HIS COMPANY WERE ON THE POINT OF DECIDING TO BEGIN PRODUCTION OF VTRS AT THEIR COLOUR TV PLANT IN HADDINGTON, SCOTLAND THIS YEAR. AN ANNOUNCEMENT MIGHT BE MADE ON THE AFTERNOON OF MONDAY 24 JANUARY OR LATER. UNTIL THE ANNOUNCEMENT, THIS INFORMATION SHOULD BE REGARDED AS CONFIDENTIAL.

RC (+14)

2. HADDINGTON WOULD BEGIN SHIPMENTS OF VTRS FROM THE AUTUMN. THE NEXT PHASE WOULD BE TO MOVE TO FULL VTR PRODUCTION ON A SEPARATE SITE, PROBABLY IN LIVINGSTON.

mt

3. ADVANCE COPIES TO GILL: HOPE, IBB: WOODROW? INF: AND GENT, ICA3 (DOT): SUNDERLAND AND DUNNING (OT2, DOT). COLES (NO 10) AND ELLIOTT, FED.

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TO IMMEDIATE F C O

TELEGRAM NO 34 OF 20 JANUARY

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PS
 PS/Lord Belstead
 PS/Mr Riffkind
 PS/PUS
 Mr Giffard
 Mr Evans
 Mr Donald
 Mr Thomas

HA/FED
 HA/TRED

Mr Gill
 Mr Hope IBB
 Mr Woodrow INF
 Mr Gent ICA

VISIT TO JAPAN OF SECRETARY OF STATE FOR INDUSTRY:

TALKS WITH MR YAMANAKA

Mr Gunderland } OT2/ }
 Mr Dunning } DOT. }
 Mr Boles 101015

1. THE SECRETARY OF STATE FOR INDUSTRY HELD TWO AND A HALF HOURS OF TALKS ON 19 JANUARY WITH THE JAPANESE MINISTER FOR INTERNATIONAL TRADE AND INDUSTRY, MR YAMANAKA.

THESE TALKS FOLLOWED THE FIRST PLENARY SESSION OF AN INTERNATIONAL CONFERENCE ON SMALL BUSINESS POLICY, CHAIRED BY MR YAMANAKA, AT WHICH MR JENKIN DESCRIBED HMG'S SMALL BUSINESS POLICY AND THE IMPORTANCE ATTACHED TO ENCOURAGING INNOVATION AND WEALTH-CREATION BY SMALL BUSINESS.

2. MR JENKIN'S MEETING WITH MR YAMANAKA FOLLOWED ANNOUNCEMENTS ON 18 JANUARY BY SANYO AND HITACHI-MAXELL OF DECISIONS TO ESTABLISH MANUFACTURING FACILITIES IN BRITAIN FOR VTRS AND VTR TAPES. THESE ANNOUNCEMENTS HAVE CREATED MUCH PRESS INTEREST HERE BECAUSE OF THE SENSITIVITY OF VTR EXPORTS TO BRITAIN AND THE EC AS A WHOLE. THEY ARE ALSO SEEN AS A RESPONSE TO BRITISH PRESSURE FOR INCREASED JAPANESE INVESTMENT IN THE UK.

3. IN THE FIRST PART OF HIS DISCUSSION (OVER LUNCH) WITH YAMANAKA, MR JENKIN EMPHASISED THE INTEREST STIMULATED BY MR NAKASONE'S STATEMENT ON JAPANESE ECONOMIC MEASURES TO DEAL WITH JAPAN'S TRADING IMBALANCE. ALTHOUGH HE HAD NOT CONSULTED HIS CABINET COLLEAGUES ON THIS STATEMENT, MR JENKIN SAID HE CONSIDERED THAT IT REPRESENTED A SIGNIFICANT POLITICAL COMMITMENT BY THE JAPANESE GOVERNMENT. IT WAS NOW IMPORTANT TO BUILD ON THIS STATEMENT AND TO ACHIEVE

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IT WAS NOW IMPORTANT TO BUILD ON THIS STATEMENT AND TO ACHIEVE CONCRETE RESULTS.

4. MR JENKIN EXPLAINED THE GREAT CONCERN FELT IN LONDON ABOUT THE SCALE OF THE ANGLO-JAPANESE TRADE IMBALANCE, WHICH WAS GETTING WORSE. IT COULD NOT CONTINUE AT THIS LEVEL. JAPANESE PURCHASES FROM BRITAIN HAD TO INCREASE AND WE ALSO LOOKED TO FURTHER NEW JAPANESE INVESTMENT; ONLY 24 JAPANESE FIRMS HAD INVESTED IN THE UK COMPARED WITH 200 FROM GERMANY AND 1,500 FROM THE USA. BRITISH GOODS WERE NOT UNCOMPETITIVE IN WORLD MARKETS EG. AEROSPACE AND VEHICLE COMPONENT EXPORTS. BUT THE ONE MARKET WHICH IT WAS DIFFICULT TO PENETRATE WAS JAPAN. AN ILLUMINATING EXAMPLE WAS AEROSPACE EXPORTS, WHERE THE UK WAS INTERNATIONALLY COMPETITIVE. BUT UK EXPORTS TO JAPAN IN 1980 WERE ONLY £30 MILLION. THE JAPANESE GOVERNMENT IN FOLLOWING UP MR NAKASONE'S STATEMENT NEEDED TO FIND WAYS ROUND SUCH OBSTACLES AS EXISTED IF THE UNDERLYING PROBLEM WAS TO BE SOLVED.

MR JENKIN WOULD ALSO BE FOLLOWING UP THE NAKASONE STATEMENT IN HIS MEETINGS WITH THE KEIDANREN AND KANKEIREN, TO SEE HOW THEY COULD HELP TO ACHIEVE ITS OBJECTIVES.

5. IN THE CONTEXT OF INCREASING JAPANESE IMPORTS, MR JENKIN CALLED FOR:

(A) PUBLIC PURCHASING OF BRITISH EQUIPMENT EG. IN THE ENVIRONMENTAL ENGINEERING FIELD:

(B) PROCUREMENT OF BRITISH CAPITAL EQUIPMENT BY JAPANESE COMPANIES:

(C) THE PURCHASE OF BRITISH DEFENCE EQUIPMENT, EG. HARRIER, SEARCHWATER RADAR AND THE FH 70 HOWITZER.

(D) ASSISTANCE FOR TDA TO BUY THE BBA 146 (FINANCE AND THE PROVISION OF ROUTES).

6. MR YAMANAKA RESPONDED BY EMPHASISING THE ABSENCE OF A SATISFACTORY DIALOGUE BETWEEN THE EC AND JAPAN. BUT WITHIN THE EC, HE THOUGHT JAPAN'S RELATIONSHIP WITH BRITAIN TO BE AMONG THE BEST. HE NOTED THAT BRITAIN HAD

~~BRITAIN TO BE AMONG THE BEST.~~ HE NOTED THAT BRITAIN HAD NOT TAKEN 'UNFAIR' MEASURES LIKE ~~FRANCE~~ OVER VTR IMPORTS. TOOK MR JENKIN'S POINT ABOUT BRITISH COMPETITIVENESS. ON DEFENCE EQUIPMENT, HE REFERRED TO THE CONSTRAINTS IMPOSED UPON JAPAN BY ITS SPECIAL SECURITY RELATIONSHIP WITH THE US. AS FOR THE BAE146, ITS PURCHASE BY TDA WAS HINDERED BY THE COMPANY'S SERIOUS FINANCIAL DIFFICULTIES. FURTHERMORE, AGAINST THE BACKGROUND OF THE LOCKHEED SCANDAL AND FORMER PRIME MINISTER TANAKA'S CURRENT TRIAL, THE JAPANESE GOVERNMENT COULD NOT BE SEEN TO BE RECOMMENDING THE PURCHASE OF ANOTHER CIVIL AIRCRAFT TO A JAPANESE CARRIER.

7. IN THE SECOND PART OF THE DISCUSSION, AFTER LUNCH, THE FOLLOWING QUESTIONS WERE DISCUSSED.

8. JAPANESE INVESTMENT.

(A) ON VTRS, MR JENKIN SAID THAT BRITAIN WISHED TO AVOID GOING DOWN THE POITIERS ROUTE.

HE WELCOMED SANYO'S DECISION BUT HOPED THAT MITSUBISHI, TOSHIBA AND MATSUSHITA MIGHT FOLLOW THEM. MR YAMANAKA REPLIED BY SAYING THAT MITSUBISHI WERE EXPLORING SITES FOR A VTR PLANT PRODUCING 100,000 UNITS A YEAR. LIVINGSTON WAS THE LEADING CANDIDATE. THERE HAD, HOWEVER, BEEN NO PUBLICITY ABOUT THIS AND THE CONFIDENTIALITY OF THE INFORMATION SHOULD BE PROTECTED (SEE MIFT). HE ADDED THAT WE COULD NOT EXPECT ALL THE VTR COMPANIES TO INVEST IN THE UK.

(B) MR YAMANAKA SAID THAT HE HAD BEEN TOLD BY YAMAZAKI MACHINE TOOLS THAT THEY INTENDED TO INVEST IN BRITAIN.

(C) MR JENKIN SAID THAT THE NISSAN PROJECT WAS OF SYMBOLIC IMPORTANCE TO THE UK, AND HE KNEW THE UK COULD RELY ON MITI'S STRONG SUPPORT TO BRING IT TO FRUITION.

9. INDUSTRIAL COOPERATION.

MR JENKIN MENTIONED PROJECTS WHICH HE HOPED MITI WOULD ENCOURAGE: SUMITOMO-RHM, MITSUBISHI ELECTRIC-ACORN, GESTETNER-MITA, GESTETNER-MATSUSHITA, MUIRHEAD-OKI.

MR YAMANAKA REFERRED TO DIFFICULTIES OVER GETTING BATB APPROVAL FOR PRODUCTS INVOLVED IN THE PLESSEY-NEC AND ANSAPHONE-NEC COLLABORATIONS. HE ALSO SAID THAT THERE HAD STILL BEEN NO APPROACH FROM BRITISH COMPANIES TO CERTAIN POTENTIAL JAPANESE COUNTERPARTS. MR JENKIN SAID THAT IT WAS IMPORTANT TO AVOID ANY DELAYS ON THE PART OF EITHER GOVERNMENT.

10. THIRD MARKET COOPERATION.

MR JENKIN REAFFIRMED BRITISH SUPPORT FOR SUCH COOPERATION BUT CALLED FOR A BETTER EXCHANGE OF INFORMATION FROM THE JAPANESE SIDE.

11. ARTICLE XXIII

MR YAMANAKA EXPRESSED DISMAY ABOUT THE DECISION TO MOVE TO ARTICLE XXIII.2. MR JENKIN SAID JAPAN SHOULD UNDERSTAND THAT THE EC WAS UNITED ON THIS DECISION.

12. JAPANESE EXPORTS TO BRITAIN

MR JENKIN:

(A) ON MACHINE TOOLS, THANKED MR YAMANAKA FOR MITI'S COOPERATION:

(B) ON HEAVY GOODS VEHICLES, EMPHASISED THE NEED FOR JAPAN NOT (NOT) TO BEGIN SHIPMENTS:

(C) WARNED THAT IF THERE WAS NO IMPROVEMENT IN THE BILATERAL ECONOMIC CLIMATE (AN IMPLICIT REFERENCE TO NISSAN) HMG MIGHT HAVE TO PRESS FOR OVERALL REDUCTION IN SHIPMENTS OF CARS:

(D) EMPHASISED THE NEED FOR AGREEMENT BETWEEN THE FORKLIFT TRUCK INDUSTRIES. MR YAMANAKA WAS AWARE OF THE PROBLEM AND SAID IT WOULD BE RESOLVED AT INDUSTRY LEVEL.

13. MR JENKIN CONCLUDED WITH AN INVITATION TO MR YAMANAKA TO VISIT LONDON.

TO VISIT LONDON.

14. MR YAMANAKA WAS FRIENDLY AND PLACATORY THROUGHOUT. HE SEEMED RELUCTANT TO GO DEEPLY INTO THE ISSUES OF SUBSTANCE. THIS MAY BE BECAUSE HE IS STILL FINDING HIS FEET AS MITI MINISTER AND MR JENKIN WAS ONE OF HIS FIRST FOREIGN GUESTS. BUT HE HAS A REPUTATION AS AN AGGRESSIVE POLITICIAN. THIS PROBABLY REFLECTS UNCERTAINTY IN JAPAN IN THE FACE OF GROWING PRESSURE FROM THE EC, INCLUDING BRITAIN IN PARTICULAR, AS WELL AS GENUINE CONCERN ABOUT THE STRENGTH OF FEELING IN EUROPE.

15. JAPANESE PRESS REFLECTING MITI GUIDANCE SEEMS TO HAVE FOCUSED ON THE SECRETARY OF STATE'S WARNING REFERRED TO IN PARA 12 (C) ABOVE.

16. ADVANCE COPIES TO GILL: HOPE, IBB: WOODROW, INF: AND-GENT, JCA3 (DOI): SUNDERLAND AND DUNNING (OT2, DOT). COLES (NO 10) AND ELLIOTT, FED.

CORTAZZI

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Sapan

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Lol



10 DOWNING STREET

From the Private Secretary

19 January 1983

NEW JAPANESE ECONOMIC MEASURES

Your letter of today's date encloses a draft of a message which the Foreign and Commonwealth Secretary proposes to send to the Japanese Foreign Minister. John Rhodes' letter of 18 January, a copy of which I enclose, proposes a draft letter from the Prime Minister to Mr. Asaki about the same subject. I should be grateful to know whether both you and the Department of Trade find both drafts acceptable.

I am copying this letter to John Rhodes.

A. J. COLES

John Holmes, Esq.,
Foreign and Commonwealth Office

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CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

19 January, 1983

Dear John,

New Japanese Economic Measures

On 13 January the Japanese Government announced a new package of economic measures covering the tariff reductions announced just before Christmas (which the Japanese Foreign Minister discussed with the Prime Minister earlier this month), relaxation of import restrictions, improvement of testing and certification procedures, import promotion, industrial cooperation and government procurement. In addition Prime Minister Nakasone issued a strong and direct public statement (copy enclosed) calling on the Japanese to welcome foreign goods and avoid excessive exports.

The Foreign and Commonwealth Secretary thinks that it would be useful if he were to send a message to Mr Abe, on the lines of the attached draft, welcoming the measures in principle while at the same time seeking to nail the Japanese down on their future programme of work on trade problems. This would serve both to give encouragement to the Japanese to continue their efforts, and to make clear that these will be judged by results.

In view of her close interest in the subject, Mr Pym thought that the Prime Minister might like to see the draft message before it issues.

I am copying this letter to John Rhodes (Department of Trade).

Yours ever
J E Holmes

(J E Holmes)
Private Secretary

A J Coles Esq
Private Secretary
10 Downing Street

CONFIDENTIAL

STATEMENT OF PRIME MINISTER NAKASONE

ON

THE PROMOTION OF EXTERNAL ECONOMIC MEASURES

January 13, 1983

Today, the world economy is confronted with acute difficulties, with simultaneous economic stagnation worsening in many parts of the world and with increasing unemployment, there is rising protectionism. The continuation of the free trading system which has sustained the post-war economic development of the world has become endangered. If we fail to respond commensurately to these challenges, we will be faced with the danger that the very basis of the stability and prosperity of the democratic, free world economies will be undermined. In the face of these difficulties, Japan, which together with the United States and Europe carries an important responsibility in sustaining the world economy, must make an active and leading contribution befitting its international position.

Under these circumstances, Japan had taken a series of measures to accelerate the opening of her market, such as unilateral reduction of tariffs and simplification of import testing procedures. These measures have been designed with the overall aim of firmly maintaining the free trading system and contributing to the revitalization of the world economy through achieving an expansion of trade on a balanced basis. In addition to these previous measures, we have decided on a new set of actions including the substantial reduction of tariffs on items of interest to our trading partners, an across-the-board review of standards, certification systems, etc, which may lead to the amendment of laws, and the improvement and strengthening of the system for settling trade-related grievances.

/In parallel with such

In parallel with such market-opening measures, we will continue to work towards the steady recovery of our economy based primarily on the expansion of domestic private demand. At the same time, for the development of our harmonious external economic relations, it is essential that we further increase manufactured imports and avoid the excessive concentration of exports of certain products.

I underline the crucial importance of these earnest efforts on the part of both the Government and people of Japan to ensure that these measures prove truly effective and fruitful. I realize that the accelerated opening of our market entails difficulties, but I appeal anew to the broad spectrum of the Japanese people to lend their understanding and cooperation in maintaining firmly the posture of welcoming foreign manufactured goods and investment without discrimination. We need to continue to cultivate the image of a "Japan which is open to the world".

I also hope that our trading partners, on their part, fully appreciate these ongoing and continuing efforts of Japan and cooperate with us for the maintenance and strengthening of the free trading system.

We have encountered many difficulties in the past, but we have surmounted them with wisdom and determination and have built the prosperity of today. I am convinced that we can certainly overcome the current challenge if we place our faith in the vigor of the societies of the free world and join our hands together to tackle the problems before us.

Classification and Category

CONFIDENTIAL FRAME EXTERNAL
FRAME INDUSTRIAL

Priority

PRIORITY

ZCZC 1 ZCZC
 GRS 2 GRS
 CLASS 3 CONFIDENTIAL
 CAVEATS 4 FRAME EXTERNAL!INDUSTRIAL
 DESKBY 5
 FM FCO 6 FM FCO
 PRE/ADD 7 TO PRIORITY TOKYO
 TEL NO 8 TELEGRAM NUMBER
 9 INFO ROUTINE UKREP BRUSSELS, WASHINGTON
 10 INFO SAVING PARIS, BONN, COPENHAGEN, ROME, ATHENS, LUXEMBOURG,
 11 THE HAGUE, DUBLIN, BRUSSELS,
 12 YOUR TELNO 23: JAPANESE ECONOMIC MEASURES
 13 1. Please pass the following message from the Secretary of State
 14 to Mr Abe:-
 15 Begins:
 16 "When you were in London earlier this month, we had a full
 17 discussion of bilateral trading questions, in the course of which
 18 you explained your intention to take further steps to improve
 19 access to the Japanese market. I was interested, therefore, to
 20 see the details of these measures and to read Mr Nakasone's
 21 statement about them. I took particular note of the emphasis
 22 which he laid on the need further to increase manufactured imports
 23 and avoid the excessive concentration of exports on certain
 24 products. These were welcome words, particularly since they were
 25 clearly set against the background of the importance for Japan to

NNNN ends telegram	BLANK	Catchword recognise
File number	Dept ECD(E)	Distribution Frame External Frame Industrial ECD(E) FED
Drafted by (Block capitals) Ms E I Young		
Telephone number 233-3319		
Authorised for despatch		
Comcen reference	Time of despatch	

CONFIDENTIAL
FRAME INDUSTRIAL

PRIORITY

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1 <<<<
2 recognise its responsibility to sustain both the world economy and
3 the free trading system. They reflect very closely the views
4 Mrs Thatcher expressed to Mr Suzuki when she was in Japan in
5 September. We were therefore pleased to see that early in his
6 new Administration Mr Nakasone has taken the initiative in giving
7 a personal lead in these two directions. We much look forward to
8 seeing effective results stemming from these measures and from the
9 appeal which Mr Nakasone has made to the Japanese people to support
10 the government's initiative."

11 Ends

12

13 PYM

14 NNNN

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NNNN ends
telegram

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Catchword

19 JAN 1983
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8 9 10 11



DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

Secretary of State for Industry

18 January 1983

Michael Scholar Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

Prime Minister ²

*A happy end to
his story.*

Dear Michael,

*Good
mb*

MUS 18/1

HITACHI MAXWELL ANNOUNCEMENT

Following our telephone conversation I enclose a copy of the Press Release which will be issued tomorrow morning (Wednesday 19 January) by the Department to coincide with an announcement in Japan by Hitachi Maxwell that they will be coming to the UK with their project.

Yours ever,

Caroline Varley

CAROLINE VARLEY
Private Secretary

123 Victoria Street, London SW1E 6RB TEL: 01-212 5496/7 Ref: 11

19 January 1983

INWARD INVESTMENT PROJECT WELCOMED BY PATRICK JENKIN

Mr Patrick Jenkin MP, Secretary of State for Industry today welcomed the announcement by Hitachi Maxell that they will be setting up a £25 million consumer electronics project in the UK worth over £12m in the first stage.

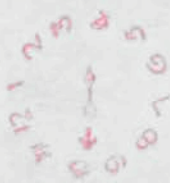
Mr Jenkin, who is currently visiting Japan, said:

"I very much welcome the announcement by Hitachi Maxell that they are to establish a plant to produce video tape cassettes in Telford New Town. This project will bring over 200 jobs to an area of high unemployment, and there are, in the long term, excellent prospects for the creation of still more jobs.

"The decision by Hitachi Maxell is the result of several years of close contact between the company, the British Government including my Department's Invest in Britain Bureau, the British Embassy in Tokyo and Telford New Town Development Corporation. These efforts have brought about the first success for Anglo-Japanese industrial collaboration in 1983.

"The Prime Minister stressed during her visit to Japan last September the great importance which the British Government attaches to industrial collaboration and to investment in Britain by Japanese companies to help alleviate our bilateral trading difficulties. I am confident that this auspicious beginning to 1983 can be built upon and that we shall see still more Japanese manufacturers deciding to set up operations in the United Kingdom during the coming year."

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V

ADVANCE COPY

IMMEDIATE

DWF G 145/18

LDX NR 282/18
OO F C O DESKBY 181300Z

GRS 270

UNCLASSIFIED
DESKBY 181300Z

Handwritten:
R
R/mc Lykind
R/Pog
Mr Giffard
Mr Donald
Mr Evans
Mr Thomas

FM TOKYO 181155Z JAN 83

Handwritten initials: MF

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TELEGRAM NUMBER 30 9 RPT TEL NO 30 OF
VIDEO TAPE RECORDERS. 18/1/83

Handwritten: 214

SANYO VTR INVESTMENT IN UK

1. AT A MEETING WITH THE SECRETARY OF STATE FOR
INDUSTRY TODAY PRESIDENT IUE OF SANYO ANNOUNCED THAT
SANYO INTENDED TO BEGIN MANUFACTURING VTRS IN BRITAIN AT
THEIR LOWESTOFT PLANT. MANUFACTURE IS TO START IN
SEPTEMBER THIS YEAR WITH AN INITIAL OUTPUT OF 5,000-10,000
UNITS. THIS WILL MEAN INITIAL EMPLOYMENT OF 100.
BOTH SIDES AGREED THAT SANYO WOULD MAKE THE MAXIMUM
EFFORT TO INCREASE THE LOCAL CONTENT OF THEIR OUTPUT AS
QUICKLY AS POSSIBLE. PRESIDENT IUE IS TO VISIT BRITAIN
FROM 3 FEBRUARY TO DISCUSS DETAILS.

2. SANYO WERE TO MAKE AN ANNOUNCEMENT TO THIS EFFECT AT
180930Z.

3. MR JENKIN HAS AGREED TO THE FOLLOWING
STATEMENT TO BE USED WITH THE PRESSOC
QUOTE GIVING A WARM WELCOME TO THE DECISION

ANNOUNCED TODAY BY THE SANYO ELECTRIC COMPANY
TO MAKE VIDEO TAPE RECORDERS AT THEIR PLANT IN
LOWESTOFT, SUFFOLK, DR PATRICK JENKIN, SECRETARY
OF STATE FOR INDUSTRY, SAID: QUOTE THIS IS VERY GOOD
NEWS. AT

ANNOUNCED TODAY BY THE SANYO ELECTRIC COMPANY
TO MAKE VIDEO TAPE RECORDERS AT THEIR PLANT IN
LOWESTOFT, SUFFOLK, DR PATRICK JENKIN, SECRETARY
OF STATE FOR INDUSTRY, SAID: QUOTE THIS IS VERY GOOD
NEWS. AT

PRESENT JAPAN EXPORTS LARGE NUMBERS ~~OF~~ OF
VTRS TO BRITAIN

WE: WE HAVE BEEN URGING JAPANESE
COMPANIES TO MANUFACTURE IN BRITAIN AND THIS IS A
VERY WELCOME FIRST STEP WHICH WILL I HOPE LEAD TO
EARLY FULL-SCALE LOCAL UK PRODUCTION.

I KNOW THAT THE ADDITIONAL 100 JOBS WITH THE
PROSPECT OF MORE TO COME WILL BE WELCOMED IN THE
AREA. SANYO'S ANNOUNCEMENT, COMING ON THE FIRST
DAY OF MY SIX DAY VISIT TO JAPAN, IS ALSO AN

EXCELLENT EXAMPLE OF THE KIND OF STEP NEEDED IF
WE ARE TO ACHIEVE A BETTER

BALANCE OF ADVANTAGE IN
OUR TRADING RELATIONSHIP WITH JAPAN. UNQUOTE.

4. ADVANCE COPIES O ELLIOTT FED, SUNDERLAND
(OT2, DOT), GILL (DOI), HOPE (IBB, DOI) AND
COLES GK NO 10).

CORTAZZI

NNNN



From the Secretary of State

Tim Flesher Esq
Private Secretary
10 Downing Street
London
SW1

18 January 1983

Dear Tim

Your letter of 30 December asked for a draft reply to the letter to the Prime Minister from Mr M Esaki (Chairman, Japanese Special Committee on International Economic Measures) about Japanese tariff reductions on biscuits, chocolate and tobacco products. This is attached.

These reductions are part of the tariff reductions announced by the Japanese Government just before Christmas covering 58 agricultural and 28 industrial items. The Prime Minister met Mr Esaki in Tokyo on 20 September, when Mr Esaki said he would invite representatives of the UK biscuit and chocolate manufacturers to visit Japan. A delegation led by Lord Mottistone subsequently made a visit. But as the Prime Minister told Mr Esaki, though measures to assist imports of biscuits and chocolates etc were important, they would not solve the problems of the trade imbalance.

The tariff reductions on chocolates (from 32% to 20%), on biscuits (from 36% to 24%) and on cigarettes (from 35% to 20%) are significant - and in the case of chocolates and biscuits a definite response to UK representation both bilaterally and through the Commission. Mr Abe - the Japanese Foreign Minister - discussed the latest Japanese measures with the Prime Minister and Ministers here, at the beginning of this month.

The Japanese Government made a further announcement on 13 January that it will carry out a review of Japan's standards and certification procedures as well as the removal of a number of non tariff barriers, including some liberalisation of the retail outlets for tobacco products. Mr Nakasone, the Japanese Prime Minister also reaffirmed Mr Suzuki's May statement recognising the need for Japan to increase its imports of manufactures.

The Prime Minister's reply allows a useful opportunity to tell the Japanese again that their latest moves are very welcome. But we should also stress that the impact on the trade deficit is likely to be negligible and to press for more capital purchases from the UK.

Yours sincerely
John Whitlock

fr JOHN RHODES
Private Secretary



DRAFT LETTER FOR THE PRIME MINISTER TO SEND TO:

Mr Masumi Esaki
Chairman
Special Committee on International
Economic Measures
c/o Liberal Democratic Party
1-11 23M, Nagata-Cho
Chiyoda-Ku
Tokyo
Japan 100

Thank you for your letter of 25 December. I was pleased to hear of the decision to lower Japanese tariffs on biscuits, chocolates and tobacco products. I was also glad to have the opportunity to discuss this and wider trade issues with the Foreign Minister Abe when he visited London earlier this month. Mr Nakasone's statement on 13 January usefully underlined Japan's need to increase manufactured imports and to avoid the excessive concentration of exports of certain products. I also note your Government will be reviewing certification procedures and removing certain non tariff barriers to trade.

We welcome the efforts that you and your Government have made to bring about these changes since we met in September. These are useful steps and should help to encourage some of our exporters.

We look forward to seeing effective results stemming from these measures. It is essential that continuity efforts are made by Japan to bring imports of manufactures up to the level of her major trading partners. In this respect I hope there will be full consideration of the scope for possible purchase by Japan of aerospace and defence equipment.

I know that the Japanese Government is very aware of our concerns on the state of trade and I look forward to further cooperation to overcome these problems.

Jurnal: Relasi PT3



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MINISTRY OF FOREIGN AFFAIRS
TOKYO, JAPAN

January 14, 1983

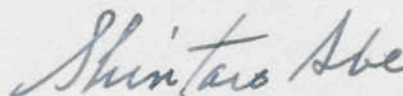
Dear Prime Minister,

I would like to express my sincere appreciation for the warm hospitality which you extended to me during my visit to your country early this month. I am particularly grateful for your kindness in receiving me in spite of your tight schedule.

It was a great pleasure for me to have had valuable talks with you on various issues of common concern. Please be assured that I shall continue to make my best efforts for the furtherance of close relations between Japan and the U.K.

Looking forward to meeting you again, I send you my best wishes for your continued health and success.

Yours sincerely,



Shintaro Abe
Minister for Foreign Affairs
of Japan

The Rt. Hon. Margaret Thatcher, M.P.
Prime Minister
of the United Kingdom
of Great Britain
and Northern Ireland

28 JAN 1983



Japan 2

PRIME MINISTER

You may like to know that Mr. Ichiro
Nakagawa, the Director-General of the Science
and Technology Agency of Japan who escorted
you on two of your out of town visits last
year, has died. Reports suggest that it was
suicide.

_____ ?
_____ .

IF

Thank you
for
info

12 January 1983

Japan



10 DOWNING STREET

NOTE FOR THE RECORD

Following the Foreign Office letter of 11 January we received the attached telegram Tokyo No.14 of 1983 which suggested that the Prime Minister need not send a message of sympathy to Mr. Nakagawa's widow. The FCO concurred with that advice and withdrew the letter.

12 January 1983

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LDW NR 224/12

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GRS 50

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FM TOKYO 120330Z JAN 83

TO IMMEDIATE F C O

TELEGRAM NUMBER 14 OF 12/1/83

NY TELNO 10: NAKAGAWA'S DEATH.

1. REPORTS NOW MAKE IT CLEAR THAT NAKAGAWA COMMITTED SUICIDE. I SHALL STILL ATTEND THE FUNERAL SERVICE BUT, IN THE CIRCUMSTANCES, SUGGEST THAT THERE IS NO NEED FOR THE PRIME MINISTER TO SEND A MESSAGE OF SYMPATHY.

CORTAZZI

NNNN

ADVANCE COPY

IMMEDIATE

PS
PS/Lord Belstead
PS/Mr Riffkind
PS/PUS
Mr Giffard
Mr Donald
VAD/FED.
No 10 G.S. (3)
RC
(10)



Foreign and Commonwealth Office

London SW1A 2AH

11 January 1983

Prime Minister:

Agree to send message? JFH/11

Dear John,

Tokyo have reported the sudden death of Mr Ichiro Nakagawa, who was Director-General of the Science and Technology Agency at the time of Mrs Thatcher's visit to Japan last September and in that capacity acted as her escort on two of the out of town visits. Mr Nakagawa was subsequently a candidate in the election for the Presidency of the LDP held in November and won by Mr Nakasone. Aged 57 (relatively young for a leading Japanese politician) he was never likely to win the position of Prime Minister at this attempt, and his factional support (he was on the right wing of the LDP) was relatively small. However he was a prominent politician and could well have advanced to greater things.

HM Ambassador in Tokyo has recommended that the Prime Minister might send a message of sympathy to Mr Nakagawa's widow. I enclose a draft telegram containing a possible form of words.

Yours ever

J E Holmes

(J E Holmes)
Private Secretary

A J Coles Esq
10 Downing Street



From the Secretary of State

A J Cole Esq
10 Downing Street
London
SW1

6 January 1982

Dear John,

VISIT OF MR ABE, JAPANESE FOREIGN MINISTER

In preparing for this call it may be helpful to have the brief note enclosed on the effects of the new tariff cuts which were announced recently by the Japanese Government.

The tariff reductions are substantial and some increase in our exports should occur. But our total sales to Japan of the items covered were only about £8 million in 1981 so that any increase will be small in relation to the £2 billion trade deficit we expect with Japan in 1982.

Nevertheless, the Japanese have clearly made an effort to meet some of the concerns we put to them and it would be right to acknowledge this.

Copies go to Roger Bone (FCO) Robert Lowson (MAFF) and Jo' nathan Spencer (DOI).

Yours sincerely,

JOHN RHODES
Private Secretary



NEW JAPANESE TARIFF CUTS

The Japanese Government announced on 25 December tariff cuts on 58 agricultural items and 28 industrial items (as well as reduction on 9 GSP items and brandy).

2 These tariff reductions (which have to be approved by the Diet so as to come into effect on 1 April 1983) cover a number of items included in the EC detailed list of requests handed to the Japanese in November.

For the UK the main reduction are:

	Present tariff %	Tariff from 1.4.83 %	UK exports £ mill
Chocolate and confectionery	32	20	1
Biscuits	36	24	0.7
Cigarettes	35	20	2
Agriculture tractors	5	0	4 (but has been falling recently)
Certain I.C. engines (I.C. -Internal Combustion)	5	0	0.7 (Japanese figure)
			<hr/> £8.4

3 But no further improvement in the distribution system for tobacco products as requested in the EC list was offered. No change in the whisky duty has been announced, but the change in the biscuits and chocolate tariff is a substantial concession to the UK - given the frequent reference by Ministers to this high tariff. The need for the removal of duty on agricultural tractors has also been stressed during recent visits by UK officials to Japan - the removal of engine tariffs will be welcome to companies such as Perkins who export diesel engines. The new tariffs on confectionery and tobacco will be lower than comparable EC tariffs.



4 These reductions are a welcome response by the Japanese to the requests made by the EC for tariff reductions and should benefit the British industries affected. By themselves, however, they will not significantly reduce the trade imbalance.

Department of Trade

Tel: (01) 215 5422

6 January 1983



File JR
SC MASTER

SUBJECT

10 DOWNING STREET

From the Private Secretary

6 January 1983

Dear John,

CALL BY THE JAPANESE FOREIGN MINISTER

Mr. Abe called on the Prime Minister at 1615 today. He was accompanied by the Japanese Ambassador to London, Mr. Matsunaga, Mr. Kato, Mr. Seo and an interpreter. Sidney Gifford and Robin Gray were also present.

The Prime Minister opened the discussion by recalling with pleasure her visit to Japan. Mr. Abe said that Mrs. Thatcher had left a very strong impression on the Japanese people. He now brought warm regards from the new Japanese Prime Minister. Mr. Nakasone believed that ties between Europe and Japan must be strengthened. Hence, Mr. Abe's first trip abroad was to Europe. He had had useful discussions with Mr. Jenkin and Lord Cockfield and a particularly productive exchange with the Foreign and Commonwealth Secretary on the subject of political co-operation between our two countries - Japan had accepted the British proposal designed to improve this.

The Prime Minister said that the first subject which she would like to discuss in some detail was that of trading relations. Our preference was to conduct our negotiations on external trade through the European Community. In the past, the differing interests of European Member States with regard to trade with Japan had made this difficult. We had now made it plain to the European Commission, in particular Commissioner Davignon who had visited London at the end of last year, that unless the Commission could negotiate effectively with Japan in the next two months, then we should have to resort to our own measures. The figures for the balance of trade between Japan and Britain demonstrated that the problem was getting bigger. Commissioner Davignon now, in effect, had his marching orders.

We did not like a situation where individual Member States imposed their own restrictions. There was reason to believe that united action was now more likely.

We were anxious to sell Japan capital goods to correct the adverse balance in our trade and we would also welcome more inward investment.

/Mr. Abe said

MA

Mr. Abe said that he understood these points. In Brussels he had reached agreement on a general framework for high-level consultations at the end of January between the European Community and Japan. He expected Commissioners Davignon and Haferkamp to visit Japan in February to discuss the major issues. Japan wanted to play its part in safeguarding free trade. It had recently made several substantial tariff reductions, some of which would have a direct effect on longstanding problems between the United Kingdom and Japan. He instanced the reductions in the case of chocolates, biscuits, cigarettes and some industrial goods such as agricultural tractors. These measures had evoked strong opposition from some circles in Japan but had been pushed through by the determination and leadership of Prime Minister Nakasone.

When in Japan, the Prime Minister had mentioned her concern about numerically controlled machine tools and fork lift trucks. Talks on these matters were now coming to a satisfactory conclusion. Japan intended to take other steps to improve access to the Japanese market and would try to encourage imports of manufactured goods. His country also sought scientific and technical collaboration and there had been promising signs of increased co-operation in this field since the Prime Minister's visit to Japan.

He had been glad to observe that the British Government was determined to uphold the principles of free trade. It was a pity that some European countries had imposed restrictive measures. Japan thought the right course was to seek more balanced trade by expansion.

The Prime Minister agreed that this was the better course. But public opinion felt quite strongly that our market was open in a way that others were not. We were glad that Japan had made some tariff reductions but these were small compared with the magnitude of the problem. Tariff changes on items such as chocolates and biscuits could not solve the fundamental problem. Only large-scale purchases of our capital goods could make a real impact.

The question of trade with Japan was a permanent item on the agenda of European Heads of Government. We were determined to try to negotiate through the Community with Japan. But if this was not successful, then the Member States were likely to resort to competitive protectionism.

The Prime Minister expressed her gratitude for the speed with which the problems of numerically controlled machine tools and fork lift trucks had been tackled. She stated that we were looking forward to participating in the Tsukuba Scientific Exhibition in 1985. Mr. Abe referred to the fact that the Japanese had just presented a revised draft of the proposed agreement on science and technology. The Prime Minister said that we would pursue this matter - she thought that outward and visible signs of co-operation between the world's democracies were helpful.

/ Looking ahead,

CONFIDENTIAL

- 3 -

Looking ahead, she believed that the Williamsburg Economic Summit was likely to be one of the most important in the series, given the depth of the world recession. Mr. Abe said that Mr. Nakasone entirely agreed. He was looking forward to frank discussions in Williamsburg.

Mr. Abe informed the Prime Minister that Prince Hiro was expected to visit the United Kingdom in the autumn. The Prime Minister said that he would be a most welcome guest.

Turning to political issues, Mrs. Thatcher said that she believed that 1983 would be an important year. Major subjects of interest would be the developing policies of the new Soviet leadership, the prospects for arms control and disarmament and the likelihood of a Soviet/Chinese rapprochement. The Russians seemed to be making a strong effort to improve their relations with China but she felt it difficult to assess what progress they were achieving. Mr. Abe said that Japan was watching closely the development of relations between Russia and China. Some signs of improvement were visible but the three conditions imposed by China would probably prevent fundamental progress. The Prime Minister said that in her view partial satisfaction of these conditions could lead to a substantially better relationship and that this could mean a fundamental disturbance of the world political balance.

The discussion ended at 1655.

I am copying this letter to John Rhodes (Department of Trade), Jonathan Spencer (Department of Industry) and Robert Lawson (MAFF).

John Rhodes

John Lawson

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



10 DOWNING STREET

From the Principal Private Secretary

6 January 1983

I enclose in the attached sealed envelope a personal letter from the Prime Minister to Mr. Kawamata, Chairman of Nissan. I should be grateful if you will arrange for the Embassy to deliver it to Mr. Kawamata as soon as possible.

I am also enclosing for you and other recipients of this letter a copy of the Prime Minister's letter. Could you please treat the letter in the same way as previous papers in this series, i.e. restrict it to those who have an operational need to see it. In particular, it should be borne in mind in any dealings with Nissan that Mr. Kawamata regards his correspondence with the Prime Minister as being strictly personal.

I am copying this letter to John Kerr (HM Treasury) and David Saunders (Department of Industry).

E. E. R. BUTLER

John Holmes, Esq.,
Foreign and Commonwealth Office.



10 DOWNING STREET

THE PRIME MINISTER

6 January 1983

Dear Mr. Kawamata,

Thank you for letting me know your conclusions on the proposal I put to you in my letter of 9 November.

I was surprised that you concluded that the leasing route did not present a bigger advantage; and just so that there should be no misunderstanding between us I should like to make sure that you are aware that the leasing route is not an alternative to the receipt of Government grants. Under a leasing arrangement the grants would continue to be available; the selective assistance under the Industry Act would be available to the lessee and the regional development grant to the lessor (though in certain circumstances to the lessee). Where the lessor was the recipient, this would be reflected in a reduction in the leasing charge. Since I was not entirely clear that you had taken this into account in your studies, I have thought it worth clarifying the point.

As you say in your letter, the terms and conditions of any leasing arrangement would have to be negotiated with the financial institutions. My point about the Bank of England was not that they could help you to secure more favourable terms, but that such a leasing arrangement would be extremely large, even by the standards of the City of London, and that the Bank of England's good offices would be helpful in enabling you to secure arrangements on this scale.

AH

c. Hunt
DI
FCO

JWP

As I said in my letter, I am very willing to arrange for experts to discuss with your people these or any other aspects of the project if it would be helpful to you. I still hope that, when you are ready to do so, you will reach a favourable decision on the project which would be to our mutual advantage.

All best wishes.

Yours sincerely,

Rangaraj Reddy

Mr Katsuji Kawamata



Foreign and Commonwealth Office

London SW1A 2AH

5 January 1983

Prime Minister

You are seeing him for 30 minutes. Will
interpretation there will be little scope for more
than a brief discussion about trade.
He wants to bring 6 people - I shall try to reduce.

Dear John,

I promised to let you have a note on the visit to
London of the Japanese Foreign Minister, Mr Abe, on
4 January by way of preparation for Mr Abe's call on the
Prime Minister at 1615 on 6 January.

A.S.C. 5/1

I enclose a summary note of the main points made
during Mr Abe's calls on the Secretaries of State for Industry
and Trade as well as on the Foreign and Commonwealth Secretary.
I also enclose a note of those who will accompany Mr Abe;
a copy of the steering brief for the talks with Mr Pym; and
a copy of a short personality note on Mr Abe. The Prime
Minister will recall that she met Mr Abe during her visit to
Japan last year, when he was Minister for International Trade
and Industry.

As you will see, Mr Abe predictably concentrated on
the recent package of additional tariff cuts announced by
the Japanese over Christmas and on the political determination
required by the present Cabinet in forcing these through.
The Prime Minister may wish to acknowledge that the cuts were
approved only at some political cost in Japan. While other
Ministers have already made it clear that we see the package
as a useful but only a small step towards meeting our
requirements of the Japanese on the trade imbalance, it is
important that the Prime Minister repeats this message. The
Japanese are adept (and have in the past had considerable
success) in using splitting tactics against the Community,
and would make the most in other Community capitals of anything
they could represent as evidence of a relaxation of British
pressure on this front.

The Prime Minister might also like to press Mr Abe
for further clarification of the measures which the Japanese
Government are to finalise on 13 January on the non-tariff
side. Thereafter the most useful opening could be Mr Abe's
reference to the importance of macro-economic measures (during
his conversation with the Secretary of State for Trade).

/The Prime

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The Prime Minister could develop the theme that expansion of domestic demand in Japan and strengthening of the yen could together have a significant effect if the Japanese Government pursued this course with determination. It would also be worth repeating to Mr Abe that measures of real value would be a major investment project in the UK and significant capital goods purchases in Japan.

On the political side, Mr Abe showed most interest in East/West relations and the Prime Minister might like to ask him for his view of the ways in which Japan could contribute to Western discussion of policy towards the Soviet Union.

I am copying this letter to John Rhodes (DOT) and Jonathan Spencer (DOI).

Your ever

(J E Holmes)
Private Secretary

J E Holmes

A J Coles Esq
10 Downing Street

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SUMMARY NOTE OF CALLS BY THE JAPANESE FOREIGN MINISTER ON
THE SECRETARIES OF STATE FOR INDUSTRY, FOREIGN AND
COMMONWEALTH AFFAIRS AND TRADE: 4 JANUARY 1983

Call on the Secretary of State for Industry

1. The Japanese Foreign Minister, Mr Abe, called on Mr Jenkin at 11.00 am on 4 January. He spoke of his personal desire to strengthen ties between Japan and the countries of Western Europe. The current world economic situation required that we all make maximum efforts to avoid a slide into protectionism. To this end the new Japanese Cabinet had during Christmas announced a range of unilateral tariff cuts of which some were specifically designed to appeal to the countries of the EC: the UK would be particularly interested in the 15% cut on tobacco, the cut of more than 10% on chocolate and biscuits and the zero tariff on agricultural tractors. Bilateral industrial cooperation was also progressing well and nearly half of all Japanese plant investment in the EC was in the UK. Inter-industry talks on machine tools and fork-lift trucks had also gone well. In Japan there was a strong mood in favour of cooperation with the UK. Mr Abe recognised the importance of the Nissan project and had himself before leaving spoken to the President of Nissan and has asked him to decide in favour of an investment in the UK if possible; the answer had been that Nissan were still considering the possibility. Defending the Japanese distribution system as a barrier to trade, Mr Abe said that the Fair Trade Commission exercised strict control and that the system was gradually improving; many European products had done well in the Japanese market. Japan was keen on concluding a science and technology agreement and had in recent days sent a counterdraft for consideration in London.
2. In reply the Secretary of State for Industry expressed appreciation for Japan's recent tariff reductions as a gesture in recognition of the serious imbalance in trade. However much more radical measures were needed. We were glad to see Japanese investment in the UK although the total employed in Japanese firms here was still only 6,000. Successful projects in industrial cooperation would also help to alleviate friction. However the future of cooperation had to be seen against the background of the trade imbalance, and unless this were substantially reduced, the British Government might not be able to resist the pressures to protect British industries from a rising tide of imports, despite the Government's passionate belief in the open world trading system.

Call on the Foreign and Commonwealth Secretary

3. Mr Abe called on the Foreign and Commonwealth Secretary at noon and stayed for a working lunch. He spoke in familiar terms about the new Japanese package of tariff cuts, emphasising the considerable effort of will on the part of the Japanese Cabinet to take this decision in the face of domestic and parliamentary pressures. Japan would contribute to the fight against protectionism because a breakdown of the free trade system would be a disaster not only for Japan and the UK but for the world. However, Japan's tariffs were now among the lowest in the world and Japan could make no more unilateral cuts. The EC decision to raise Japan's industrial structure and distribution system under Article XXIII(ii) of the GATT was unfortunate and inappropriate, but Japan would be prepared to make her position clear in that forum. Cooperation between Japan and the UK in the industrial and other fields was of vital importance.

4. The Foreign and Commonwealth Secretary emphasised that the ten countries of the EC were united in seeking a real move by Japan on trade. The decision on tariff cuts and the success of recent inter-industry talks were useful steps but small ones, and all EC countries would express the same view. European countries wanted better access to the Japanese market, building up to a better balance of trade, and considered the distribution system to be particularly difficult. We hoped for a more positive approach in 1983. On a wider plane, the free trade system was indispensable for the world economy and the pressures towards protectionism must be resisted. We must all coordinate our approach in the run-up to the next 7-Power summit.

5. Conversation in the latter part of the formal meeting and over lunch ranged widely over political issues. There was a lengthy discussion of East/West relations in the course of which Mr Abe expressed the strong desire that Japan should be involved with the other Western powers in the decision-making process from the start, rather than being presented with cut and dried decisions taken by the US and Europe. Japan could not be directly involved with NATO consultation but the preparatory meetings for the 7-Power economic summit might provide a suitable forum. Both Ministers agreed on the importance of thinking globally on East/West questions, including arms control, and not confining the discussion to the North Atlantic theatre. On Sino/Soviet relations, Mr Abe did not foresee any early development, and expressed the hope that the West would continue to work to maintain China's present favourable alignment. There were brief exchanges on Poland and Yugoslavia (where the Japanese are contemplating a contribution of \$35 million plus syndicate loans from commercial banks totalling \$25 million). On Cambodia, the Japanese see no sign of a Vietnamese withdrawal but believe that the Vietnamese will not seek to invade Thailand. On the Middle East, the Japanese agree with the importance of pursuing the proposals made by President Reagan, and

Mr Nakasone spoke to the King of Jordan on his recent visit to Japan about early Arab action to acknowledge explicitly the right of Israel to exist and put pressure on the Israelis to stop the settlements.

6. The Foreign and Commonwealth Secretary spoke briefly of our discussions with China about Hong Kong and expressed the hope that the Japanese Government and business community would keep up business as usual in Hong Kong as a contribution to confidence. Mr Abe gave it as his personal view that the Chinese people were pragmatic and would not, in the last resort, exert excessive pressure for change in the existing situation of Hong Kong, because it had brought them advantage. They attached great importance to principle but within the general framework of principle would try to find a realistic solution.

Call on Secretary of State for Trade

7. Mr Abe called on the Secretary of State for Trade at 3.00 pm. He repeated his statement on the recent Japanese tariff measures and on the determination shown by the Japanese Government. In answer to questions from the Secretary of State for Trade, Mr Abe spoke of the financial difficulties which the Japanese airline concerned were experiencing and which made an early purchase of the BAE 146 unlikely; he avoided giving a direct answer on what measures might be agreed on 13 January to lift non-tariff barriers. Mr Abe said that macro-economic factors were in his view of most importance, and the Japanese budget for 1983, which foresaw growth of 3.4%, contained a significant emphasis on expansion of domestic demand which should help boost imports. The strengthening Japanese yen would also help. Mr Abe repeated his earlier comment about the action under Article XXIII(-i) of the GATT. Some European countries (not the UK) imposed discriminatory import restrictions on Japanese products; the imposition of further such restrictions would destroy hopes of any further liberalisation by Japan.

8. The Secretary of State for Trade described the tariff cuts as a small step and spoke of the rapidly increasing deficit on bilateral trade. An increase of exports from Europe would be better than the restriction of Japanese imports, although some restriction (in the form of voluntary restraints) was unavoidable. There were pressures on the British Government to impose restrictions and it would be necessary to show progress in other fields such as industrial collaboration and inward investment, as well as progress on trade questions, in order to resist these pressures. The whole purpose of the recourse to GATT was to achieve a better balance within the system and thereby to strengthen the system itself, whereas the imposition of restrictions outside the system could be more damaging. It was necessary for all concerned to get together to solve the difficulties in a structured way.

*This is far too many.
I shall cut it down.*

A. J. C. 1/6

JAPANESE FOREIGN MINISTER'S CALL ON MRS THATCHER:
6 JANUARY 1983, 1615 - 1645 HOURS

List of Japanese participants

Mr Shintaro Abe	Foreign Minister
Mr Tsuyoshi Hirahara	Ambassador to London
Mr Nobuo Matsunaga	Deputy Foreign Minister (and 'Sherpa')
Mr Yoshiya Kato	Director-General, European and Oceanic Affairs Bureau, MFA
Mr Masaki Seo	Deputy Director-General, Economic Affairs Bureau, MFA
Mr Kazuo Asakai	Private Secretary to Mr Abe
Mr Bessho	Interpreter

ABE, SHINTARO (pron: ar-bay)

Japanese Minister for Foreign Affairs (since November 1982).

Born 1924. After graduating in politics from Tokyo University, he was a correspondent 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. Chairman of the Liberal Democratic Party Policy Affairs Research Council 1979-81. Through his experience as a correspondent and later as Parliamentary Vice Minister of Agriculture, he built up experience in agricultural affairs, and became Minister of Agriculture in 1974. However he is equally known as a master of negotiation within the Diet. Chief Cabinet Secretary 1977-78 and as Minister for International Trade and Industry 1981-2, he made several overseas visits and accompanied Suzuki to the Versailles Summit. He ran for leadership of the party against Mr Nakasone in the elections last November and got only 8% of the vote - less than he had hoped, but he is nevertheless considered one of the future leaders of the LDP and is heir apparent of the Fukuda faction (the third largest).

Married in 1951. Two sons. Understands some English but prefers to speak through interpreter.

FOREIGN & COMMONWEALTH OFFICE

30 DECEMBER 1982

VISIT OF JAPANESE FOREIGN MINISTER : JANUARY 1983

STEERING BRIEF

1. The new Japanese Foreign Minister, Mr Shintaro Abe, is visiting London on 3-4 January and also 6 January. His visit to London does not formally constitute the next round of the regular Anglo/Japanese political consultations, which would normally be held in Tokyo during 1983 (the last round was in London on 3 September): rather it forms part of an introductory tour by Mr Abe of several European capitals. On 4 January Mr Abe's programme includes a call on Mr Jenkin; a one-hour discussion followed by a working lunch with Mr Pym; and a meeting with Lord Cockfield. On 6 January Mr Abe returns to London (from Paris) in order to pay a short call on the Prime Minister.
2. HM Ambassador's recommendations, which are reflected in this brief, were contained in his telegram No.753 (attached).

UK OBJECTIVES

3. We should aim to use Mr Abe's visit for the following purposes:
 - a. economic: while welcoming some positive developments recently, to ensure that the new Japanese Government is left in no doubt about HMG's support for European Community policies aimed at securing changes in Japan's trading and macro-economic policies; and
 - b. political: to encourage the Japanese to consult with us openly and regularly on international affairs, and as far as possible, to co-ordinate their policies with those of the UK and other Western industrialised countries.

JAPANESE OBJECTIVES

4. The Japanese will be seeking:
 - a. to establish personal contact between Mr Abe and his European counterparts, and to stress the new Japanese Govern-

ment's interest in relations with Europe;

b. to develop political consultations with HMG, both for its own sake and in order to defuse the difficult problems in our trade and economic relationship;

c. to emphasise the significance of recent Japanese trade liberalisation measures, culminating in the Christmas package of tariff cuts; and

d. in general, to discourage European tendencies towards protectionism.

SUMMARY OF BRIEFS

5. East/West issues (Brief No.2)

Mr Pym could speak about our approach to East/West relations following Andropov's accession to power. He may wish to emphasise the need to resolve Western differences on East/West economic relations as well as maintaining and deepening a broadly common approach to political relations. Work on the studies outlined in the Summary of Conclusions (the 'Shultz paper') will contribute to this. On the military balance, the Japanese have a special interest in ensuring that any limits agreed in the INF talks should be global ones; it would be useful for Mr Pym to discuss our own approach to the INF talks.

6. Japan/China and Korea (Brief No.3)

The Japanese will be able to tell us about the current developments in their relationship with China and also Korea. They may ask about our discussions with the Chinese on Hong Kong; Mr Pym could suggest that the most helpful service the Japanese could perform at the moment would be to continue trading and investing normally in Hong Kong, and to demonstrate their belief in the value of the present system of administration there.

7. Japan/South East Asia (Brief No.4)

The Japanese will be able to offer a current assessment of ASEAN states and Indo-China, particularly continued ASEAN solidarity over Cambodia and prospects for a shift in Vietnamese policy. The Japanese will be interested in the forthcoming EC/ASEAN Foreign Ministers' meeting which may now be postponed to March.

8. Middle East (Brief No.5)

Mr Pym may wish to give our view of the opportunities for progress towards peace negotiations on Arab/Israel and towards a withdrawal of foreign forces from Lebanon. The Japanese will be interested in our reasons for deciding to participate in the Lebanon multi-national force. On Iran/Iraq, he could say that the Islamic states in the region are best placed to influence the belligerents.

9. International economy (Brief No.6)

Mr Pym could give our view on the prospects for the world economy, and seek Mr Abe's own views on preparations for the next economic Summit.

10. Aid (Brief No.7)

Mr Pym could ask about the new Japanese administration's aid priorities including its emphasis on aid to countries bordering on conflict areas. He could add that he would like to see more Japanese aid to major Commonwealth recipients of our own aid.

11. Political co-operation (Brief No.8)

The Japanese owe us a response to our proposal in October for regular bilateral consultations between Ambassadors in London and Tokyo and Foreign/Prime Ministers of the Governments to which they are accredited. In the light of the disappointing Japanese failure to respond to our representations at the UNGA Falklands vote on 4 November, Mr Pym may not wish to press for the immediate implementa-
/tion

tion, of this arrangement. But he could stress that we see it as a mutual interest that political cooperation between us should develop further.

12. EC/Japan (Brief No.9)

Mr Abe will be expecting to discuss economic relations in his separate talks with Mr Jenkin and Lord Cockfield, and also the Prime Minister on 6 January, and may hope to avoid doing so with Mr Pym. But it is important that Mr Abe is given the same message from Mr Pym as from other Ministers about the gravity of the economic situation. He must be given no excuse, such as silence on the part of the British Foreign Secretary might inadvertently suggest, to conclude that the Japanese Christmas package of tariff reductions (which may benefit British exporters more than others in the EC), combined with the recent inter-industry understanding on machine tools, has satisfied British requirements; nor opportunity to delay such a message to other Community capitals in an effort to break the Community's solid front. Helpful and important as these developments are, they will not make much of a dent on the overall imbalance, and we shall still need results from the wider Community approach. Mr Pym will wish to stress that the Community is united in seeking real movement by the Japanese over the trading and macro-economic policy issues (essentially greatly improved Japanese import performance) which the EC has now decided to raise under Article XXIII.2 of the GATT; pressing for Community-wide restraint arrangements on certain Japanese exports to the EC. He will also wish to press the Japanese to encourage industrial co-operation with, and investment in, the UK. (Our particular target is a substantial Japanese investment in video taperecorder manufacturing here).

/13.

13. Proposed bilateral technology agreement (Brief No.10)

Mr Pym will probably not wish to raise this unless Mr Abe himself does so. In the latter case he could say that we hope it will be possible to agree on a text in fulfilment of the two Prime Ministers' joint statement in Tokyo in September; but that the latest Japanese draft does not appear to meet some of our essential requirements.

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TOP COPY

DESKBY F C O 291000Z DEC

FM TOKYO 290145Z DEC

TO IMMEDIATE F C O

TELEGRAM NUMBER 753 OF 29/12/82

AND INFO ROUTINE WASHINGTON, UKREP BRUSSELS, PARIS, AND BONN.

MR ABE'S VISIT TO EUROPE.

1. THE NAKASONE CABINET IS BEGINNING TO SHAKE DOWN AND GIVES THE IMPRESSION OF A TEAM WITH A FIRM LEADER WHO IS DETERMINED TO PAY ATTENTION TO JAPAN'S INTERNATIONAL POSITION. HIS PUBLIC STATEMENTS HAVE BEEN MEASURED AND THE CRITICISM WHICH GREETED HIS ELECTION IS BEGINNING TO WITHER. STATEMENTS BY OTHER MINISTERS HAVE GIVEN THE IMPRESSION OF A MORE PURPOSEFUL BUT POISED STYLE. THE MAIN CONCERNS AT THE MOMENT ARE THE DRAFT BUDGET AND PREPARATIONS FOR NAKASONE'S VISIT TO THE US ON 17 JANUARY.

2. TRADE FRICTION WITH THE US AND EUROPE ARE ALSO WELL TO THE FORE. THE GOVERNMENT FACES INCREASINGLY STRIDENT DEMANDS FROM JAPAN'S TRADING PARTNERS BUT HAS TO TAKE ACCOUNT OF SIGNIFICANT RESISTANCE FROM ENTRENCHED DOMESTIC INTERESTS. NAKASONE SEEMS, HOWEVER, TO HAVE DECIDED THAT MORE POSITIVE STEPS HAVE TO BE TAKEN TO TRY TO DEFUSE THE SITUATION. THE TARIFF CUTS ANNOUNCED OVER CHRISTMAS REFLECT THIS INITIATIVE AND THE PROCESS OF REACHING AGREEMENT BETWEEN THE GOVERNMENT DEPARTMENTS CONCERNED AND THE AGRICULTURAL LOBBIES OWED MUCH TO HIS OWN PERSONAL INTERVENTION.

3. THE PRINCIPAL FOCUS OF NAKASONE'S FOREIGN POLICY DURING HIS FIRST MONTH IN OFFICE HAS BEEN JAPAN'S RELATIONS WITH THE US. ABE WILL ACCOMPANY HIM TO WASHINGTON BUT SEEMS TO HAVE DECIDED PERSONALLY THAT A VISIT TO SOME OF THE PRINCIPAL EUROPEAN CAPITALS WAS ALSO NECESSARY. THIS DECISION, TOGETHER WITH HIS HANDLING OF THE EUROPEAN ANGLE OF THE NEW GOVERNMENT'S TARIFF CUTS PACKAGE, SUGGESTS THAT HE IS MORE CONSCIOUS THAN WE HAD AT FIRST FEARED OF THE IMPORTANCE OF PAYING ATTENTION TO JAPAN'S RELATIONS WITH THE EUROPEAN COMMUNITY. HOWEVER, THE PERCEPTION OF WESTERN EUROPE'S IMPORTANCE ON THE PART OF THE REMAINDER OF THE

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CABINET IS LOW, AND EVEN ABE, ACCORDING TO THE OUT-GOING FOREIGN MINISTER, SAKURAUCHI, HAD SAID THAT HIS MAIN PURPOSE IN VISITING EUROPE NOW WAS TO SEE FOR HIMSELF HOW "UNSTABLE" GOVERNMENTS IN EUROPE REALLY ARE.

4. ALTHOUGH IT IS STILL NOT EXACTLY CLEAR HOW HE PROPOSES TO PLAY HIS HAND, WE HAVE HEARD FROM THE MFA THAT HE WILL TRY TO LIMIT DISCUSSION OF ECONOMIC QUESTIONS TO HIS MEETINGS WITH LORD COCKFIELD AND MR JENKIN AND WOULD PREFER TO DISCUSS SUCH SUBJECTS AS EAST-WEST RELATIONS, ASIA AND POLITICAL COOPERATION WITH YOU.

I RECOMMEND HOWEVER, THAT THE MAIN FOCUS OF YOUR MEETING AND THAT OF THE PRIME MINISTER SHOULD ALSO BE ON ECONOMIC ISSUES. OUR AIM SHOULD BE TO ENSURE THAT MR ABE LEAVES LONDON WITH THE CLEAR IMPRESSION THAT HE HAS HEARD THE SAME MESSAGE FROM ALL MINISTERS HE MEETS ABOUT THE GRAVITY OF THE SITUATION ON THE TRADING FRONT.

5. I SUGGEST THAT YOU MIGHT ACKNOWLEDGE THE STEPS WHICH THE JAPANESE HAVE TAKEN OVER THE PAST YEAR TO IMPROVE ACCESS FOR FOREIGN GOODS AND, THAT THE NEW NAKASONE GOVERNMENT HAS DEMONSTRATED ITS RECOGNITION THAT EUROPE TOO HAD A PROBLEM (SOME OF THE LATEST TARIFF CUTS ARE SPECIFICALLY DESIGNED TO MEET EUROPEAN COMMUNITY AND BRITISH REQUESTS). BUT REGRETTABLE THESE MOVES WILL NOT IN THEMSELVES ALTER THE OVERALL IMBALANCE IN OUR BILATERAL RELATIONS. FURTHER ACTION IS NEEDED TO STEP UP JAPAN'S IMPORTS OF MANUFACTURES. THE GOVERNMENT ITSELF CAN TAKE ACTION TO ACHIEVE THIS THROUGH SPEAKING REGULARLY ABOUT THE NEED TO INCREASE IMPORTS: BY SETTING TARGETS FOR INCREASED LEVELS OF IMPORTS OF MANUFACTURED GOODS; AND BY RECOGNISING HOW JAPAN'S COMMERCIAL AND DISTRIBUTION STRUCTURES WORK AGAINST THE INTEREST OF FOREIGN MANUFACTURERS AND STAND IN THE WAY OF ENSURING SUCCESS IN THE JAPANESE MARKET FOR GOODS WHICH HAVE DEMONSTRATED THEIR COMPETITIVENESS ELSEWHERE IN THE INDUSTRIALISED WORLD. THE JAPANESE GOVERNMENT ALSO NEEDS ACTIVELY TO ENCOURAGE INDUSTRIAL COOPERATION AND FURTHER INVESTMENT BY JAPANESE COMPANIES IN BRITAIN E G IN VTR MANUFACTURE. IN THE CONTEXT OF JAPANESE EXPORTS TO THE UK, A WELCOME COULD BE GIVEN TO THE CONSTRUCTIVE OUTCOME OF TALKS BETWEEN THE TWO MACHINE TOOL INDUSTRIES WHILE POINTING OUT THAT WE STILL AWAIT PROOF OF PROMISED ACTION TO DEAL WITH FORKLIFT TRUCK EXPORTS.

6. ON THE FALKLANDS, ALTHOUGH THERE MAY BE NO IMMEDIATE ASPECTS OF THE PROBLEM TO RAISE WITH ABE, IT WOULD BE A MISTAKE TO LEAVE HIM WITH THE IMPRESSION THAT WE HAVE FORGOTTEN OR ARE READY TO OVERLOOK THEIR FAILURE TO ABSTAIN AT THE UN GENERAL ASSEMBLY. WE SHOULD TRY TO MAKE THEM FACE UP TO THE FACT THAT POLITICAL COOPERATION AND FRIENDSHIP MEAN, SOLIDARITY

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/ ON

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ON ISSUES OF PRINCIPLE AND OF MAJOR IMPORTANCE TO A PARTNER. WE DEMONSTRATED THIS TO JAPAN'S ADVANTAGE OVER THE NORTHERN ISLANDS AND WERE SHOCKED BY JAPAN'S FAILURE TO SUPPORT US OVER THE FALKLANDS.

CORTAZZI

LIMITED)
FEI)
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WEI)
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NEWSI)
PS
PS | LORD BELSTEAD)
PS | MR RIFKIND)
MR BIFFARD)
MR DONAH)

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D.O.T.



DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB
TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

JU639
Secretary of State for Industry

4 January 1983

CONFIDENTIAL

Robin Butler Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

Prime Minister
Letter to Mr. Kawamata
attached for your signature.

Dear Robin

FEB

S.I.

NISSAN

... I attach a draft reply to Mr Kawamata's letter of 7 December. The tone of his letter is certainly rather negative.

2 Generally we do not think it would be advantageous at this stage to appear over-anxious to make further offers to attract Nissan, which might have an effect opposite to the one intended.

3 However, Mr Kawamata's letter, on one interpretation, may be based on a misunderstanding. He presents the problem as a choice between alternatives - leasing at 8%, or receipt of Government grants. In fact of course the grants would also be payable in the leasing case - part to the lessee, part normally to the lessor. In present conditions the leasing charge taking account of such grants should be less than the 8% Mr Kawamata cites. We think it is worth making this point, and also one other point to do with the likely effect of the Bank of England's good offices.

4 We considered including, at the suggestion of the Bank of England, a separate point dealing with exchange risk. This would have been intended to answer one other possible interpretation of Mr Kawamata's letter - that he is comparing leasing finance at 8% with normal financing through parent company loans, in non-sterling currency, at 8%, which some of their calculations have assumed. If this is indeed the comparison he is making, it ignores the fact that the non-sterling interest rate does not include the exchange risk, which is, however, effectively taken into account in the leasing charge. We felt, however, that this was too technical a point to make in such a letter, though it is certainly an important one, and was unlikely to be the source of Mr Kawamata's concern.



5 We feel that a letter on these lines would give Mr Kawamata an opportunity of coming back if he has indeed misunderstood our proposition, but without reinforcing his obdurate position if he has not.

6 I am sending copies of this letter and attachment to John Kerr (Treasury) and John Holmes (Foreign and Commonwealth Office).

Yours sincerely
David Saunders

DAVID SAUNDERS
Private Secretary

DRAFT LETTER FOR THE PRIME MINISTER TO SEND TO MR KAWAMATA

Thank you for letting me know your conclusions on the proposal I put to you in my letter of 9 November. ~~I am sorry that your studies do not suggest there is much advantage in it; but of course this is very much a matter for you to consider.~~

I was ~~nevertheless~~ surprised that ^{your calculation that} the leasing route did not present a bigger advantage; and just so that there should be no misunderstanding between us I should like to ^{make sure that you are aware} ~~emphasise~~ that the leasing route is not an alternative to the receipt of Government grants. ^{Under a leasing arrangement} ~~In such a case~~ the grants would ^{continue to} be available; the selective assistance under the Industry Act would be available to the lessee ^{and} the regional development grant to the lessor (though in certain circumstances to the lessee). Where the lessor was the recipient, this would be reflected in a reduction in the leasing charge. ^{Since I was not entirely clear that you had} ~~It may be that you have~~ taken this into account in your studies; ~~but I was not entirely clear about this from your letter, and~~ ^{I have} thought it worth clarifying the point.

^{As you say in your letter,} ~~You are right to say, as you do in your letter,~~ that the terms and conditions of any leasing arrangement would have to be negotiated with the financial institutions. My point about the Bank of England was not that they could help you to secure more favourable terms, but that such a leasing arrangement would be extremely large, even by the standards of the City of London, and that ~~without~~ the Bank of England's good offices ^{would be} ~~it might not~~ necessarily be possible ^{helpful in enabling} for you to secure arrangements on this scale.

~~As I said in my letter, I am very willing to arrange for experts to discuss with your people these or any other aspects of the proposal if it would be helpful to you. I still hope that, when you are ready to do so, you will reach a favourable decision, which would be to our mutual advantage.~~

on the project



Hll
Masumi ESAKI
14/1

10 DOWNING STREET

From the Private Secretary

30 December 1982

The Prime Minister has received the attached letter from Mr. Masumi Esaki whom she met on her recent visit to Japan about tariffs on biscuits, sweets and tobacco. I should be grateful for your advice on the form and content of any reply and if appropriate for a draft. It would be helpful to have this by Friday 14 January.

Tim Flesher

John Whitlock, Esq.,
Department of Trade.

CF

December 25, 1982

The Right Honorable Mrs. Margaret Thatcher, MP
Prime Minister
United Kingdom of Great Britain
and Northern Ireland
10, Downing Street
London

(30)

Dear Prime Minister:

Since we discussed in September on the occasion of your visit to our country, I have been working diligently, in cooperation with our Prime Minister and LDP leaders, on the issue of lowering the tariffs on biscuits, chocolate and manufactured tobacco products.

Now I have the pleasure of writing you that we have taken an aggressive position in pushing these measures in an effort to ease and aid in resolving the present tense situation in our trading relationship. I must say that opposition to these measures has been among the severest that I have ever experienced in my long political career.

Effective April 1st, 1983, tariffs on sugared biscuits will be lowered from 34% to 24%; sugarless biscuits from 31% to 21%; chocolate from 30% to 20%; tobacco from 35% to 20%. Official announcement of these measures will be made today after the final debate. We do hope we can probably start the new year on fresh and better footing.

I would like to take this opportunity to send you and your family a Seasons's Greetings.

With best wishes,

Respectfully,

Masumi Esaki ^{1/2/83}

Masumi Esaki
Chairman
Special Committee on
International Economic
Measures

(JAPAN)

B/S 5/1/82

24 December 1982

This is to confirm that the Prime Minister will be seeing the Japanese Foreign Minister at 1815 on Thursday 6 January. Could we please have a brief by Wednesday 5 January.

CAROLINE STEPHENS

John Holmes, Esq.,
Foreign and Commonwealth Office.

HL

Japan

c. FCO
HMT
LPSO
MAFF
LOD
CO

10 DOWNING STREET

From the Private Secretary

24 December 1982

JAPANESE MACHINE TOOLS

The Prime Minister was grateful for your Secretary of State's minute of 23 December, which she has read without comment.

I am sending copies of this letter to the Private Secretaries to the Members of OD(E).

M. C. SCHOLAR

John Whitlock, Esq.,
Department of Trade.

B

010
Prime Minister (2)



Ms 23/12

PRIME MINISTER

JAPANESE MACHINE TOOLS

There has now been a further round of talks between the Machine Tool Trades Association (MTTA) and their Japanese counterparts on the level of Japan's exports of numerically controlled (nc) machine tools to this country - a problem which you highlighted while in Tokyo.

I am pleased to say that the talks have led to a confidential understanding which is acceptable to our industry. The Japanese side have agreed to a volume reduction in their imports next year of nc machining centres and lathes. The reduction represents a 25% cutback on present levels in the case of machining centres and 20% in the case of lathes. In addition, the MTTA were informed that the Japanese Government are to increase the floor price fixed by the Japanese machine tool exporters' cartel. This will also have an effect on Japanese exports worldwide though less significant for the UK than their decision specifically to restrain exports to this country.

The raising of the cartel's floor price has advantages for the Japanese in terms of public presentation. Their officials have stressed that the agreement on volume restraint, which is strictly confidential to the actual negotiating team, and to HMG and MITI, would be jeopardised if even its existence became known more widely. They claim that leakage of any information about it could attract the attention of the Japanese Fair Trade Commission and, more importantly, could lead to requests for similar treatment from other countries (in particular the United States). They have therefore strongly requested that details of the agreement should be confined to those directly involved in the talks. I believe it is in our interest to go along with the Japanese in this and that we should say no more publicly than that we expect that imports of these kinds of machine tools will moderate, given the Japanese side's intention to adopt prudent export policies.



CONFIDENTIAL

This success owes a great deal to the pressures exerted on both sides by their respective Governments. It is a clear response by MITI to our expressions of concern about our bilateral trading relationship generally and in the machine tools sector particularly. They will have the none-too-easy task of ensuring that their diverse industry toes the line. To encourage them in it, I shall be writing to the new MITI Minister, Mr Yamanaka, to thank him for his help.

You may wish to note that there have been developments in a further problem area - fork lift trucks. The Japanese industry, when they met their British counterparts, offered to reduce exports of counterbalanced fork lift trucks to the UK to the average market share for 1979-82 (about 20% compared to the current 25%) even though the UK market is decreasing. This was in response to the British industry's request for a reduction of the Japanese share to 12%. Although disappointingly the British industry received no written commitment, they are reported to be reasonably content with the outcome. They expect the Japanese industry will be undertaking a measure of voluntary restraint on the lines offered. The two sides will meet again next June to review the position.

We are now faced with the problem of protecting these bilateral understandings while giving continued support to the Commission in its efforts to get the Japanese to moderate their exports to the Community. They have at last shown themselves willing to negotiate on products which have been causing us difficulty and we must follow up your letter to M. Thorn by giving them full support. Nevertheless, I am sure we have done better by going down the inter-industry route, at least on machine tools, than by relying solely on the Commission. There is a delicate balancing act to be performed.

I am copying this to members of OD(E) Committee.

DEPARTMENT OF TRADE

1 Victoria Street

London SW1

23 December 1982

John Cockfield

for LORD COCKFIELD

[Approved by the Secretary of State and signed in his absence]

CONFIDENTIAL



ccs Tsy
Pro

2. Leah

10 DOWNING STREET

From the Principal Private Secretary

17 December 1982

Dear Jonathan,

✓
✓
I enclose a copy of a letter from Mr Kawamata, President of Nissan, with a covering letter from the Embassy explaining the circumstances in which it was prepared and sent. In view of this, it would be better if you and other recipients of this letter did not betray knowledge of its contents in any discussions you have with Nissan.

S/R |
The tone of the letter is disappointingly negative. The Prime Minister should no doubt send a brief acknowledgment and, if there are any further suggestions which she can make with the aim of improving the prospects for Nissan's investment in the United Kingdom, she will want to do so. But otherwise the right course may be for her to send a brief but friendly acknowledgment, and leave the further negotiations to be carried on through your department. I should be grateful for your advice.

I am copying this letter and the enclosure to John Kerr (Treasury) and John Holmes (Foreign and Commonwealth Office) with the request that a copy should be transmitted to HM Ambassador in Tokyo.

Yours sincerely,

Robin Butler

Jonathan Spencer Esq.,
Department of Industry.

CONFIDENTIAL

AA.

RESTRICTED



10 DOWNING STREET

From the Private Secretary

15 December, 1982.

Visit of Japanese Foreign Minister

Thank you for your letter of 14 December suggesting that the Prime Minister should receive the Japanese Foreign Minister on 4 January.

Mrs. Thatcher will not be in London on that day, and will therefore not be able to see Mr. Abe. She would be grateful if you would convey her regrets to him, and say that she will hope to see him on a further occasion.

I am sending a copy of this letter to Richard Hatfield (Cabinet Office).

A. J. COLES

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

RESTRICTED



Prime Minister

4 January will be a safe
day off for you at Cheyres.

I do not think you should
interrupt it for Mr. Abe.

May I convey your regret
repeats because you will be
out of London?

Foreign and Commonwealth Office

London SW1A 2AH

14 December 1982

A.S.C. 14/12

Yes mb.

Dear John,

Visit of Japanese Foreign Minister

We have been approached by the Japanese with a proposal that the newly appointed Foreign Minister, Mr Abe, should visit London in the course of a European tour in the first week of January. Mr Abe, who until last month was the Japanese Minister for International Trade and Industry, will arrive in London during the morning of 4 ~~December~~ ^{January} (or just conceivably the previous evening), and is calling on the Foreign and Commonwealth Secretary at noon. Mr Pym will be hosting a lunch for him.

Mr Abe has asked specifically for an appointment with Mrs Thatcher, whom he saw in his previous capacity when the Prime Minister visited Japan last September. Mr Abe speaks quite reasonable English, although he prefers to use an interpreter for formal conversations of this nature. If it is possible for the Prime Minister to fit in a brief call during the afternoon of 4 January, I know that the Japanese would be very pleased; more particularly, it would provide a useful opportunity for the Prime Minister to speak on the wider range of economic questions where we are at issue with the Japanese and with which Mr Abe will be familiar.

I should be grateful if you would let me know whether Mrs Thatcher would be able to see Mr Abe during the afternoon of 4 January, and if so, what time she would prefer.

Yours ever

for Holmes

(J E Holmes)
Private Secretary

A J Coles Esq
10 Downing Street

Faint, illegible text at the top of the page, possibly bleed-through from the reverse side.

14 DEC 1982



Japan**British Embassy**
No 1 Ichiban-Cho Chiyoda-ku TokyoTelex J22755 (A/B PRODROME)
Telephone 265-5511F E R Butler Esq
10 Downing Street
London SW1

Your reference

Our reference

Date 9 December 1982

Pl. fia
Dear Robin,

NISSAN

1. This is just to let you know that we have received in the Embassy from Goto of Nissan a letter in a sealed envelope addressed to the Prime Minister from Kawamata, the Chairman of Nissan. This is clearly a response to the Prime Minister's recent letter to Kawamata; Goto said that he had typed it at home and that apart from himself only Kawamata and Ishihara in Nissan were aware of its contents. You may, however, agree that it could be useful for us to be sent a copy of the letter in due course which would be treated here on the same highly restricted basis as the previous correspondence.

2. The other purpose of this letter is to let you know that we are sending Kawamata's letter in a covering envelope addressed to you by the confidential bag which leaves here on Monday 13 December; you should therefore receive it at the end of that week. We do not think that we could entrust it to the vagaries of the non-confidential bag service from here nor of course to the open post. We have checked with Goto that no problems will arise as a result of Kawamata's letter taking something like 10 days to reach the Prime Minister.

*Yours ew,**J S Whitehead*

J S Whitehead

P. 102

Cable : NISMO TOKYO
Telex : J 22503; J 24474
Phone: Tokyo 543-5523

Japan

NISSAN MOTOR CO., LTD.

Prime Minister

17-1,6-chome, Ginza, Chuo-ku
Tokyo, Japan

Katsuji Kawamata
Chairman

*Not unexpected -
we can now put real
pressure on the B.L.
in their meetings*

*Depressing. I
am getting D/Industry's
Comments, but probably the
best course now is a friendly
acknowledgement and leave
D/Industry to pursue
negotiations with Nissan.*

7 December 1982

The Rt Hon Margaret Thatcher
The Prime Minister
10 Downing Street
London

*Japan
not*

*Please
remember the
CONFIDENTIALITY
17.12.
not*

Dear Mrs Thatcher:

At our meeting last September at the Government Guest House in Tokyo, I privately raised a question in regard to Nissan's U K project, i.e. whether we can lease from your Government a fully equipped factory. You have kindly responded to my query in your letter of 9 November 1982, and knowing only too well how busy you must have been, I very much appreciated it.

Soon after we met, I told Mr Ishihara, our President, that in the course of our discussions I inquired about the above possibility. I have also in the meantime instructed Mr Kawai, our Managing Director in charge of our U K project, and his staff to examine the following two alternatives and their advantages and disadvantages:

1. With the 30% subsidy
2. Leasing the fully equipped factory

For the second alternative of leasing the fully equipped factory, I have asked Mr Kawai and his group to examine on the basis of the following three conditions:

- a. Leasing charges at 8%
- b. Reserve the option of ceasing the operation and withdrawing from the project if Nissan deemed it impossible to continue as an enterprise
- c. Reserve the option of being able to buy out the factory if it is assumed that the profit can be realised as planned

About the time your letter reached me via the British Embassy here, the results of this examination were presented to me. Unfortunately, the examination revealed that the leasing

NISSAN MOTOR CO., LTD.

arrangement was not much different from the 30% subsidy arrangement. The leasing arrangement, of course, will not require as much investment capital, however, there were no other factors of improvement.

In your letter there was no mention of concrete terms and conditions of leasing, but if a consortium of financial institutions was to be organised on a commercial basis through the good offices of the Bank of England with a sizable capacity for leasing finance, I must assume that we will not be able to get favourable terms and conditions. I can not expect, therefore, that we will be able to obtain terms and conditions that are better than those being worked out by our people.

I regret to inform you that the result of our close examination of these three alternatives has been such that my inquiry did not produce any tangible effect in changing the situation.

I thought that perhaps I should go to London to inform you in person, rather than in writing, of the result of our careful examination. But if I did wait for such an opportunity there might be some delays, and I felt it best to write you immediately.

With my appreciation for your kind letter and with my best wishes.

Sincerely yours,

Katsuji Kawamata
Katsuji Kawamata
Chairman

loans may have to be used. ICL reported that at 31 March and 30 September 1982 there was no recourse to the guarantee other than in respect of preference shares; ICL has made use of the loan guarantee at some times in its past financial year, but to a relatively small extent.

Japan (Direct Investment)

Mr. Teddy Taylor asked the Secretary of State for Industry (1) if he will initiate an inquiry into the reasons why the percentage investment from Japan to the European Economic Community which came to the United Kingdom has fallen since 1 January 1973;

(2) what was the percentage of Japanese direct investment in the European Economic Community which took place in the United Kingdom in 1981; and when the percentage of European Economic Community direct investment by Japan in the United Kingdom was last at its current percentage level.

Mr. MacGregor [pursuant to his reply, 2 December 1982, c. 244.]: The total number of manufacturing projects undertaken by Japanese companies anywhere in Europe in any one year is small, and any change in the number of these projects can cause large changes in the percentage received by the United Kingdom, as the following table shows. Overall, Britain has done better than any other EC member State in attracting Japanese investment of all kinds. In 1981 the United Kingdom received 12 per cent. of Japanese direct investment in the European Community. The invest in Britain bureau and inward investment staff in our diplomatic service posts in Japan are always in close touch with a number of Japanese companies about locating their manufacturing projects in the United Kingdom.

Japanese direct investment overseas*

Year	United States \$ million			United Kingdom as per cent of:	
	United Kingdom	EC†	World	EC	World
1973	352	438	1,904	80.4	18.5
1974	382	483	2,012	79.1	19.0
1975	42	140	1,763	30.0	2.4
1976	29	203	1,991	14.3	1.5
1977	42	200	1,645	21.0	2.6
1978	25	149	2,371	16.8	1.1
1979	38	271	2,898	14.0	1.3
1980	111	262	2,385	42.4	4.7
1981	68	568	4,894	12.0	1.4
Total					
1975-81	355	1,793	17,947	19.8	2.0
1973-81	1,089	2,714	21,863	40.1	5.0

* Direct investment covers only purchases net of disposals of share capital and long term loans by Japanese concerns in their overseas subsidiaries, associates and branches. The figures do not include unremitted profits, short-term loans or trade credit.

† United Kingdom and eight Continental members up to 1980. Greece included from 1981 onwards.

Source: Japan Balance of Payments Monthly.

Mr. Teddy Taylor asked the Secretary of State for Industry what is the latest total of people employed by Japanese controlled manufacturing enterprises in the United Kingdom; and what percentage of the United Kingdom employment in manufacturing industry this total represents.

Mr. MacGregor [pursuant to his reply, 2 December 1982, c. 244]: The latest published figures available are

for 1979, when Japanese controlled manufacturing enterprises in the United Kingdom employed 1,700 people, 0.025 per cent. of all private and public sector employees in United Kingdom manufacturing industry. Currently, Japanese controlled manufacturing companies employ about 3,300 people; in addition about 1,600 people are employed in manufacturing enterprises in which Japanese companies have a 50 per cent. or substantial minority interest.

ENVIRONMENT

Liverpool (Housing Allocation)

Mr. Alton asked the Secretary of State for the Environment if he will make a statement on the reduction of housing allocation in the city of Liverpool for 1983-84.

Mr. Heseltine: I am satisfied that the resources available to the city of Liverpool next year should allow that authority to increase its housing investment above the level likely to be achieved this year.

Right-to-Buy (Applications)

Mr. Cartwright asked the Secretary of State for the Environment if he will set out the number of right-to-buy applications submitted by council tenants during the third quarter of 1982 together with the figures for each quarter since the relevant legislation came into force.

Mr. Stanley: The numbers of right-to-buy claims received by English local authorities are as follows:

Year	Quarter	Applications
1980	Fourth Quarter	130,400
1981	First Quarter	141,200
	Second Quarter	54,700
	Third Quarter	36,900
	Fourth Quarter	20,400
1982	First Quarter	47,700
	Second Quarter	39,200
	Third Quarter	36,500*

* Provisional.

Leasehold Reform Act 1967

Mr. Wigley asked the Secretary of State for the Environment if he will seek to amend the Leasehold Reform Act 1967 in order to prevent ground landlords obstructing the completion of the freehold purchase.

Sir George Young: The Leasehold Reform Act 1967 and the Leasehold Reform (Enfranchisement and Extension) Regulations 1967 already contain provisions to prevent either party to enfranchisement proceedings from delaying matters unduly.

Falmouth Container Terminal

Mr. Parry asked the Secretary of State for the Environment if he has received any representations against planning permission being given for the proposed development of the Falmouth container terminal; and if he will make a statement.

Mr. Giles Shaw: Representations against the grant of planning permission for the Falmouth container terminal



hLE

RM

10 DOWNING STREET

From the Private Secretary

1 December, 1982

The Prime Minister has asked me to thank you for your kind letter of 30 November about the incident yesterday resulting in slight injuries to a member of her staff. It was very good of you to write.

A. J. COLES

His Excellency Mr Tsuyoshi Hirahara

RM

010
01-493 6030

EMBASSY OF JAPAN
46 GROSVENOR STREET
LONDON W1X 0BA

30th November 1982

Dear Prime Minister,

I was concerned to hear of the incident which resulted in slight injuries to a member of your staff this morning.

I am relieved that it was nothing more serious and that you personally were not present at the time.

Yours sincerely,

Tsuyoshi Hirahara

Tsuyoshi Hirahara
Ambassador

The Right Honourable Margaret Thatcher, MP,
Prime Minister and First Lord of the Treasury,
10, Downing Street,
London, S.W.1.

Japan

SUBJECT

Master set
js

TOP COPY

UNCLASSIFIED

39215 - 1

PP TOKYO
GRS 116
UNCLASSIFIED
FM FCO 301445Z NOV 82
TO PRIORITY TOKYO
TELEGRAM NUMBER 565 OF 30 NOVEMBER.

FEJ 020/5
PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T228A/82

FCO TELNO 558: PRIME MINISTER'S MESSAGE TO MR NAKASONE

1. PLEASE NOW DELIVER THE FOLLOWING MESSAGE FROM THE PRIME MINISTER TO MR NAKASONE.

BEGINS: I SEND YOU MY WARMEST CONGRATULATIONS ON YOUR ASSUMPTION OF THE HIGH OFFICE OF PRIME MINISTER OF JAPAN.

I ATTACH GREAT IMPORTANCE TO CLOSE AND FRIENDLY RELATIONS BETWEEN OUR TWO COUNTRIES AND WAS GLAD OF THE OPPORTUNITY TO VISIT JAPAN IN SEPTEMBER AS A DEMONSTRATION OF THIS RELATIONSHIP. I AM SURE THAT WE SHALL HAVE MANY OPPORTUNITIES TO MEET, AND I LOOK FORWARD TO CONTINUING AND INCREASING CO-OPERATION WITH THE JAPANESE GOVERNMENT UNDER YOUR LEADERSHIP. ENDS

PYM

NNNN

DIST

LIMITED

FED

PCD

PS

PS/LORD BELSTEAD

PS/PUS

MR GIFFARD

MR DONALD

1
UNCLASSIFIED



Japan
fleke

10 DOWNING STREET

From the Private Secretary

30 November 1982.

MESSAGE TO MR. NAKASONE

Thank you for your letter of 29 November. The Prime Minister agrees that the proposed message of congratulation from herself to Mr. Nakasone should be despatched, but would like the second paragraph to begin with the words "I attach great importance".

A. J. COLES

John Holmes, Esq.,
Foreign and Commonwealth Office.

fy



Foreign and Commonwealth Office

London SW1A 2AH

29 November 1982

Prime Minister

Yes
not
Agree message to
Mr. Nakasone?

A.S.C. 29/11.

Dear John,

Message to Mr Nakasone

Your letter of 25 November recorded the Prime Minister's agreement to the terms of a message to the Japanese Prime Minister, Mr Suzuki, on his retirement.

The Japanese Diet have now confirmed the appointment of Mr Yasuhiro Nakasone as Mr Suzuki's successor, following Mr Nakasone's overwhelming success in the intra-party elections held by the Liberal Democratic Party. Tokyo telegrams Nos 711 and 712, which you have seen, give HM Ambassador's assessment of Mr Nakasone's position. Sir H Cortazzi concludes that he should be a marked improvement on Mr Suzuki, but strikes a warning note about his consistency and the extent of opposition to him within the LDP. In practice it is unlikely that Japanese policy will change very markedly under Mr Nakasone's guidance, given the need for him to balance the views of the various factions within the ruling party.

I enclose a draft telegram containing the text of a message of congratulation to Mr Nakasone from the Prime Minister and should be grateful to know if this meets with Mrs Thatcher's approval.

Yours ever
John Holmes

(J E Holmes)
Private Secretary

A J Coles Esq
10 Downing Street

Posten und Fernverkehr

LONDON SW1A 2AA

29 NOV 1982



OUT TELEGRAM

Classification and Caveats

Precedence/Deskby

PRIORITY

UNCLASSIFIED

1 ZCZC

2 GRS

3 PRIORITY

4

5

6 FM FCO

7 TO PRIORITY TOKYO

8 TELEGRAM NUMBER

9 FCO TELNO 558: PRIME MINISTER'S MESSAGE TO MR NAKASONE

10 1. Please now deliver the following message from the Prime
11 Minister to Mr Nakasone.

12 BEGINS: I send you my warmest congratulations on your assumption
13 of the high office of Prime Minister of Japan.

14 I attach ~~the highest~~ ^{great} importance to close and friendly
15 relations between our two countries and was glad of the
16 opportunity to visit Japan in September as a demonstration of
17 this relationship. I am sure that we shall have many
18 opportunities to meet, and I look forward to continuing and
19 increasing co-operation with the Japanese Government under your
20 leadership. ENDS

21

22 PYM

23 NNNN

24

25

NNNN ends
telegram

BLANK

Catchword

File number

Dept

Distribution

Drafted by (Block capitals)

PRIVATE SECRETARY

Telephone number

233 4641

Authorised for despatch

Comcen reference

Time of despatch

SUBJECT

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T 226 A8/82

UNCLASSIFIED

38387 - 1

PP TOKYO
GRS 303
UNCLASSIFIED
FM F C O 251613Z NOV 82
TO PRIORITY TOKYO
TELEGRAM NUMBER 558 OF 25 NOVEMBER
AND SAVING TO UKMIS NEW YORK, WASHINGTON, UKREP BRUSSELS

*let master set
ops*

PRIME MINISTER'S MESSAGE TO MR SUZUKI

1. THE PRIME MINISTER HAS RECEIVED THE FOLLOWING MESSAGE FROM
MR SUZUKI. BEGINS

DEAR PRIME MINISTER,

AS I PREPARE MYSELF FOR RESIGNATION FROM THE POST OF
PRIME MINISTER, I WOULD LIKE TO EXPRESS TO YOU MY HEARTFELT
GRATITUDE FOR THE FRIENDSHIP AND CO-OPERATION YOU HAVE SHOWN
TO ME EVER SINCE I BECAME PRIME MINISTER IN 1980.

IT WAS MY PARTICULAR PLEASURE TO HAVE HAD SUCH INVALUABLE
OPPORTUNITIES OF MEETING YOU WHEN I VISITED LONDON IN JUNE OF
LAST YEAR AND WELCOMED YOU HERE IN TOKYO THIS SEPTEMBER, AS
WELL AS AT THE SUMMIT MEETINGS IN OTTAWA AND VERSAILLES.

THROUGH OUR COMMON ENDEAVOURS, I AM PLEASED TO SAY, THE
CLOSE RELATIONS BETWEEN JAPAN AND THE UNITED KINGDOM HAVE BEEN
FURTHER STRENGTHENED FOR THE PAST YEARS AND THE HUMAN CONTACTS
AT ALL LEVELS HAVE BEEN REMARKABLY PROMOTED. IN WHATEVER
CAPACITY, I SHALL CONTINUE TO MAKE CONTRIBUTIONS, THOUGH MODEST
THEY MAY BE, TO THE FURTHERANCE OF FRIENDSHIP BETWEEN OUR TWO
COUNTRIES.

THANKING YOU ONCE AGAIN FOR YOUR KIND CO-OPERATION AND
ASSISTANCE EXTENDED TO ME DURING MY TENURE OF OFFICE, I SEND
YOU MY BEST WISHES FOR THE FUTURE.

YOURS SINCERELY, ZENKO SUZUKI. ENDS

2. PLEASE DELIVER THE FOLLOWING REPLY FROM THE PRIME MINISTER.
BEGINS:

MANY THANKS FOR YOUR MESSAGE, DELIVERED TO ME BY YOUR SSY.

I TOO ENJOYED THE OPPORTUNITIES WE HAD FOR DISCUSSION IN
LONDON AND IN TOKYO, WHERE YOU TOOK SO MUCH TROUBLE TO MAKE ME

1

UNCLASSIFIED

UNCLASSIFIED

38387 - 1

WELCOME, AND AT THE TWO SUMMIT MEETINGS. I BELIEVE THAT
RELATIONS BETWEEN JAPAN AND THE UNITED KINGDOM HAVE INDEED BEEN
FURTHER STRENGTHENED OVER THE LAST FEW YEARS. THIS WAS DUE IN
NO SMALL MEASURE TO YOUR EFFORTS.
I SEND YOU MY BEST WISHES FOR THE FUTURE.
ENDS.

PYM

NNNN
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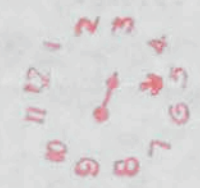
2

UNCLASSIFIED

UNCLASSIFIED

RECORDS OF THE TWO GREAT NATIONS...
...ATTORNEY GENERAL...
...POSTER...
...WILL...
...MIND...
...MIND...

30 NOV 1982



UNCLASSIFIED

UNCLASSIFIED

*Jagan**B/E**Jagan to J*

25 November 1982

Message to Mr. Suzuki

Thank you for your letter of 24 November.

The Prime Minister considers that it would be better not to raise the question of the Japanese vote on the United Nations Falklands Resolution in her message to Mr. Suzuki.

I therefore suggest that the final paragraph of the draft is deleted and that you substitute:

"I send you my best wishes for the future".

JOHN COLES

John Holmes, Esq.,
Foreign and Commonwealth Office.

A



Prime Minister

Foreign and Commonwealth Office

London SW1A 2AH

Agree to message to
Mr. Suzuki?

24 November 1982

See comment below. I think it would be easy to refer to that point at this time.

Dear John,

Message to Mr Suzuki

I enclose the original of a message dated 22 November from Mr Suzuki to the Prime Minister, which the Japanese Embassy have asked us to forward to you.

The Prime Minister will no doubt wish to congratulate the new Japanese Prime Minister when his appointment is confirmed later this week (probably on 25 November). But there seems no reason to delay a response to Mr Suzuki's present message.

Such a response offers an opportunity to convey our disappointment that the Japanese did not respond to our representations over the UN Falklands Vote earlier this month. We can be certain that a reference to this event will have its impact with the new Japanese political leadership, even though Mr Suzuki will no longer be in power.

I enclose a draft telegram instructing HM Ambassador in Tokyo to deliver a reply from the Prime Minister, and should be grateful to know if this meets with Mrs Thatcher's approval.

Yours ever
J E Holmes

(J E Holmes)
Private Secretary

A J Coles Esq
10 Downing Street

I don't think this is the answer to refer to that vote.

OUT TELEGRAM

		Classification and Caveats	Precedence/Deskby
		UNCLASSIFIED	PRIORITY

ZCZC	1	ZCZC
GRS	2	GRS
CLASS	3	UNCLASSIFIED
CAVEATS	4	
DESKBY	5	
FM FCO	6	FM FCO
PRE/ADD	7	TO PRIORITY TOKYO
TEL NO	8	TELEGRAM NUMBER
	9	AND SAVING TO UKMIS NEW YORK, WASHINGTON, UKREP BRUSSELS
	10	PRIME MINISTER'S MESSAGE TO MR SUZUKI
	11	1. The Prime Minister has received the following message from
	12	Mr Suzuki. BEGINS
	13	Dear Prime Minister,
	14	As I prepare myself for resignation from the post of
	15	Prime Minister, I would like to express to you my heartfelt
	16	gratitude for the friendship and co-operation you have shown
	17	to me ever since I became Prime Minister in 1980.
	18	It was my particular pleasure to have had such invaluable
	19	opportunities of meeting you when I visited London in June of
	20	last year and welcomed you here in Tokyo this September, as
	21	well as at the Summit Meetings in Ottawa and Versailles.
///	22	Through our common endeavours, I am pleased to say, the
//	23	close relations between Japan and the United Kingdom have been
/	24	further strengthened for the past years and the human contacts
	25	at all levels have been remarkably promoted. In whatever

NNNN ends telegram	BLANK	Catchword capacity
File number	Dept	Distribution Minimal FED UND FID
Drafted by (Block capitals) PRIVATE SECRETARY		
Telephone number 233 4641		
Authorised for despatch		
Comcen reference	Time of despatch	

OUT TELEGRAM (CONT)

Classification and Caveats

UNCLASSIFIED

Page

2

1 <<<<

2 capacity, I shall continue to make contributions, though modest
3 they may be, to the furtherance of friendship between our two
4 countries.

5 Thanking you once again for your kind co-operation and
6 assistance extended to me during my tenure of office, I send
7 you my best wishes for the future.

8 Yours sincerely, Zenko Suzuki. ENDS

9 2. Please deliver the following reply from the Prime Minister.

10 BEGINS:

11 Many thanks for your message, delivered to me by your Embassy.

12 I too enjoyed the opportunities we had for discussion in
13 London and in Tokyo, where you took so much trouble to make me
14 welcome, and at the two Summit meetings. I believe that
15 relations between Japan and the United Kingdom have indeed been
16 further strengthened over the last few years. This was due in
17 no small measure to your efforts.

18 It was naturally the more disappointing to us that, despite
19 our representations, Japan voted in an opposite way to Britain
20 in the United Nations General Assembly Vote on the Falklands
21 on 4 November. If our two countries are to develop the closer
22 political relations to which we both aspire, we shall need to
23 achieve a better mutual understanding of matters such as this.
24 I am encouraged to learn that after leaving the post of Prime
25 Minister you will continue to work for the cause of friendship
26 between Japan and Britain. ENDS

27
28 PYM

29 NNNN

30

/// 31

// 32

/ 33

34

NNNN ends
telegram

BLANK

Catchword



EMBASSY OF JAPAN
UNITED KINGDOM

London, 22nd November 1982

Dear Prime Minister,

I have been asked by Prime Minister Suzuki to forward the text of a message he has sent to you.

I have much pleasure in enclosing this text herewith.

Yours sincerely,

Tsuyoshi Hirahara

Tsuyoshi Hirahara
Ambassador

The Rt.Hon. Margaret Thatcher, MP,
Prime Minister and First Lord of the Treasury,
10, Downing Street,
London, S.W.1.

SUBJECT.

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T 225/82.

T E X T

✓. Master set
up

Dear Prime Minister,

As I prepare myself for resignation from the post of Prime Minister, I would like to express to you my heartfelt gratitude for the friendship and co-operation you have shown to me ever since I became Prime Minister in 1980.

It was my particular pleasure to have had such invaluable opportunities of meeting you when I visited London in June of last year and welcomed you here in Tokyo this September, as well as at the Summit Meetings in Ottawa and Versailles.

Through our common endeavours, I am pleased to say, the close relations between Japan and the United Kingdom have been further strengthened for the past years and the human contacts at all levels have been remarkably promoted. In whatever capacity, I shall continue to make contributions, though modest they may be, to the furtherance of friendship between our two countries.

Thanking you once again for your kind co-operation and assistance extended to me during my tenure of office, I send you my best wishes for the future.

Yours sincerely,

ZENKO SUZUKI



PART 2 ends:-

17-11-82

PART 3 begins:-

22-11-82

