

PREM 19/1555

CONFIDENTIAL FILING

Anglo - Japanese Relations

JAPAN

Effects of Japanese Imports on the European Car Industry

Nissan

PE 1: MAY 1979

PE 4: NOVEMBER 1983

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
<del>4.11.83</del>		<del>27.8.84</del>		<del>15.5.85</del>			
<del>21.11.83</del>		<del>14.6.84</del>		<del>7.6.85</del>			
<del>7.12.83</del>		<del>25.6.84</del>		<del>15.3.85</del>			
<del>12.12.83</del>		<del>12.9.84</del>		23/5/85.			
<del>12.12.83</del>		<del>5.11.84</del>		ENDS			
<del>19.12.83</del>		<del>23.11.84</del>					
<del>21.12.83</del>		<del>10.12.84</del>					
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<del>23.12.83</del>		<del>9.1.85</del>					
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<del>15.4.84</del>		<del>2.8.85</del>					
<del>15.5.84</del>		<del>6.8.85</del>					
<del>15.5.84</del>		<del>7.5.85</del>					

PREM 19/1555

PART 4 ends:-

MEA to CR

23/5/85.

~~R. Hatfield to Cowper - Coler 15.5.85~~

PART 5 begins:-

DF Williamson to TF 7.6.85.

TO BE RETAINED AS TOP ENCLOSURE

## Cabinet / Cabinet Committee Documents

Reference	Date
EQS(85) 11	April 1985
CC(85) 14 <sup>th</sup> Meeting, item 2	25/04/1985
CC(83) 38 <sup>th</sup> Meeting, item 1	22/12/1983

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 19/2/2014

PREM Records Team



10 DOWNING STREET

17 May 1985

THE PRIME MINISTER

Dear Dick

Many thanks for your letter of 24 April. As you know, I follow progress on the Nissan project with great interest. I would be delighted to have the opportunity to see the first cars off the line, if a convenient date can be arranged, and I have asked my office to get in touch with yours.

Yours  
Raymond

The Right Honourable Lord Marsh

207

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NBPT  
CDP  
16/5

70 WHITEHALL, LONDON SW1A 2AS

01-233 8319

*From the Secretary of the Cabinet and Head of the Home Civil Service*

Sir Robert Armstrong GCB CVO

Ref. A085/1343

15 May 1985

*Dear Sheard,*

Visit by the Japanese Ambassador

The Japanese Ambassador called, at his request, to see Sir Robert Armstrong yesterday evening. He was accompanied by Mr Kawase of the Japanese Embassy. The call was, in part, a courtesy call on arrival but the subsequent discussion concerned the results of the Bonn Economic Summit and also the specific question of the Bosphorus Bridge contract.

The Japanese Ambassador sought Sir Robert Armstrong's assessment of the results of the Bonn Economic Summit but first offered his own comments. The Ambassador stuck very closely to the attached aide memoire but added one or two glosses. He stressed the theme of reconciliation in the Political Declaration; he remarked that the Strategic Defence Initiative was also discussed during the Summit but that it still seemed rather immature at this stage; and he said that the Japanese Government would prepare by June or July an "action programme" to facilitate access to its home market.

Sir Robert Armstrong responded that the British assessment of the Summit had been largely similar and he rehearsed the main issues with the Japanese Ambassador. He noted the general determination to maintain sustained, non-inflationary, growth; the initiative whereby individual Governments had committed themselves to policies reflecting their particular circumstances which were designed to produce convergence of the major economies - the Japanese commitment on access, following Mr Nakasone's statement of 9 April had been welcomed; the general resistance to protectionism; and the commitment to a new GATT round, despite the argument over the precise date. On the political side he noted that the Political Declaration represented rather more than reconciliation, it was a statement of firm and lasting friendship and a commitment to work for peace and prosperity in the future.

/In response to a

Sherard Cowper-Coles Esq

CONFIDENTIAL

In response to a question from the Japanese Ambassador, Sir Robert indicated that he thought the most positive result from the British point of view was the general commitment to maintain monetary discipline and to work to remove the constraints on industrial growth to make the most of the opportunities of the world recovery. The Ambassador suggested that the French position of setting a date for the new trade round was due to concern over the Common Agricultural Policy. Sir Robert responded that the French were undoubtedly concerned about the integrity of the CAP and may also have had domestic political considerations in mind but were probably not opposed to a 1986 start though they were not yet ready to commit themselves. He noted that the French also attached importance to "parallelism" with progress on monetary reform and said that even the United States were looking forward to progress in the Group of Ten discussions and, subsequently, in Seoul.

Before leaving the subject of Summit meetings, there was a brief discussion of the date for the Tokyo Summit. Sir Robert said that the British Government had welcomed the invitation to Tokyo and understood that, for domestic reasons, the Japanese might be planning to hold the Summit in May 1986. From a purely European point of view, there would be some advantage in a Summit in the second half of the year to avoid the need for an extra invitation as the Netherlands would have the Presidency of the European Community in the first half of the year, while the United Kingdom probably have the Presidency in the second half of the year.

The Ambassador then turned to the subject of the Bosphorus Bridge and suggested that there had been some misunderstanding underlying the Prime Minister's discussion with Prime Minister Nakasone in the margin of the Summit. The Ambassador said that he had forwarded a letter to the Prime Minister via Mr Luce on May 9. The Ambassador showed Sir Robert a copy of this letter and ran through the points it contained. He said that there were a number of contracts relating to the Bosphorus Bridge and the connected network of expressways. Section 2 was the key section, covering the Bridge itself and the approach roads. He understood that the British bid had been higher in relation to all sections, including section 2 where the Japanese bid had been the lowest bid. He emphasised that the Turkish Government had not sought the tender for the bridge alone but for section 2 as a whole, including the approach roads. The Ambassador said that the bridge was a major infrastructure project and that the Japanese had been asked by the European countries to provide more aid to Turkey because of its important position. It had therefore provided the "soft loan" to the Turkish Government as part of its aid policy but this was quite separate from the question of subsidies.

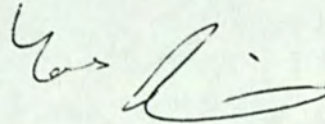
Sir Robert Armstrong said that he had not himself seen the letter but he was sure that it would have reached the Prime Minister and that it would be carefully studied and a response made in due course. He understood, however, that Mr Luce had felt that the Japanese press had contained a somewhat one-sided account of his discussion with the Ambassador. The Japanese Ambassador reiterated that he felt that there had been some misunderstanding of this situation; the Japanese has won a fair competition and had put no pressure on the Turkish

/Government

CONFIDENTIAL

Government. The Ambassador commented that he had noted that the British company concerned was located in the North East and wondered whether employment considerations had affected the strength of the British Government's feelings on this matter. Sir Robert Armstrong accepted that the loss of employment opportunities in the North East was undoubtedly disappointing especially as the firm had built the first bridge but there had been genuine concern over the way in which the contrast had been settled. Nevertheless, he hoped that the matter would not mar Anglo-Japanese relations in the wider sense and indeed, was sure that it would not as the Prime Minister had great admiration and respect for Mr Nakasone. He undertook to report the conversation to the Prime Minister.

I am sending copies of this letter and the attachment to Charles Powell (NO 10), Rachel Lomax (HMT), Jonathan Startup (DTI), and Jonathan Lingham (ODA).



(R P Hatfield)  
Private Secretary

CONFIDENTIAL



## SOME OBSERVATIONS ON THE BONN SUMMIT

### GENERAL

#### Economic side

Before the Summit, the atmosphere was not quite encouraging with various factors unfavourable for recovery and expansion. Some even feared the threat of mutual criticism at the Summit.

But it turned out very fruitful. Determination was shown to work together. There was also a very unique approach : each government specified its role and responsibility in tackling its own national problems.

#### Political side

They met on the eve of the 40th anniversary of the end of the Second World War. In the Political Declaration, the seven heads of state or government, in a spirit of reconciliation, confirmed the solidarity of the seven countries. They not only welcomed the opening of negotiations on arms control in Geneva, but also appreciated the positive proposals of the U.S.

### SPECIFIC

#### Economic side

- Macro-economics  
Political will has been renewed to tackle the problems for the purpose of sustained economic

.../...

growth without inflation.

In this connection, the Japanese Government indicated, among other things, that it would facilitate access to its home market and encourage the increase of imports. My Government is determined to carry out its programme of last April.

- Protectionism

We are particularly happy that the Summit unanimously stressed the need for free trade and strongly opposed protectionism.

- New GATT Round

There was an agreement on the importance of the new round and the start for its adequate preparation. We see in this the best way to check protectionism.

It was unfortunate that the French opposed the particular timing of the year 1986 for the start of negotiations. But after all, we could specify that it should start "as soon as possible" and that "most of us think that this should be in 1986". We regard this as an advancement.

Japan is prepared to bear the cost and responsibility for the maintenance of the free trade system.

*with other countries*

- International Monetary System

It is very appropriate that the matter will be pursued by the Finance Ministers of the Group of Ten in Tokyo in June and by the Interim Committee of the IMF in Seoul in October.

.../...

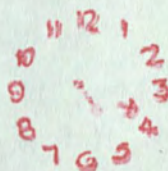
- Relations with Developing Countries

We agreed on (i) increased co-operation with LDC's (ii) need of LDC's for stable expansion of world trade, lower interest rates, improved access to markets, expansion of resources flow such as ODA, and (iii) constructive dialogue with LDC's. We regard these as positive results.

We also think it an achievement to have agreed to intensify aid to Africa.

We are happy that it has been agreed that Summit is to be held in Japan next year.

16 MAY 1985





DEPARTMENT OF TRADE AND INDUSTRY

1-19 VICTORIA STREET

LONDON SW1H 0ET 5422

TELEPHONE DIRECT LINE 01-215

SWITCHBOARD 01-215 7877

PS/  
Secretary of State for Trade and Industry

7 May 1985

Mrs Caroline Ryder  
Private Secretary to the  
Prime Minister  
10 Downing Street  
LONDON  
SW1

*DTI have been unable yet to  
get a response from Tokyo on  
whether the car can be bought forward  
to Dept. They state it unlikely, but  
are still trying. Also 175*

*Dear Caroline,*

NISSAN OPENING CEREMONY : OCTOBER/NOVEMBER 1986

Thank you for your letter of 25 April, seeking advice on this invitation to the Prime Minister.

2 My Secretary of State recommends that the Prime Minister should accept this invitation, indicating the Government's continuing support for the Nissan project.

3 We are in close contact with Nissan's senior management in the UK and the Secretary of State met Nissan's Chairman recently, whilst in Tokyo. The project is moving forward on schedule, and Nissan are pleased with progress. Nissan announced on 22 April that they had signed a single union agreement with the AUEW which provides for complete flexibility in working practices. Nissan see this as a major step in securing the success of the project.

4 As the Prime Minister is aware, the first phase of the project will be a pilot plant, to begin production in 1986 providing an assembly capacity of 24,000 cars a year based on imported kits. Thus the cars coming off the line next year will not be UK "manufactured" cars. However, the first phase has always been planned as a small scale operation, preliminary to phase 2 of the project, on which Nissan are committed to reach a decision by 1987. There is every indication that Nissan plan to proceed to phase 2, which will provide capacity for 100,000 units on a full manufacturing basis. Accordingly, officials consider that it would be appropriate for the Prime Minister to endorse progress on the project as phase 1 begins.

5 On plant and equipment for equipping the phase 1 factory, Nissan predict that 75-80 per cent of purchases will be placed with UK companies. On the component supply, even in phase 1 Nissan envisage buying 25 per cent of components locally next year. On phase 2, production would start by 1990 at 60 per cent

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local content with 80 per cent local content being achieved at full production in 1991. Nissan have identified some problems on the price and quality of components offered by UK companies for phase 2 of the project, but purchasing planning is still at a very preliminary stage, and it is too soon to say whether these difficulties may prove significant. Officials are encouraging Nissan to build up constructive relations with UK component suppliers well in advance of phase 2.

... 6 I attach a draft reply from the Prime Minister to Lord Marsh.

*Yours ever,*  
*Andrew Lansley*

ANDREW D LANSLEY  
Private Secretary

Encl

JH4BBL

London Office Tel:  
828 3153 or 828 5961.

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10 DOWNING STREET

COP

message from James Moorhouse MEP. (phoned from Strasbourg).

He'd like PM to be aware that he's visiting Japan 10-23 May for talks on Trade & Economic relations with the Japanese. It's an Anglo-Danish initiative & the Danish PM has already telexed their ambassador in Tokyo advising him to give Mr Moorhouse every assistance.

The Japanese have produced a full itinerary including talks with Nissan & Toyota, and possibly the Japanese Foreign Secretary.

He is receiving a lot of help from Sir G. Howe's office with briefing etc. He's in Strasbourg 'til lunch on Thurs & departs for Japan 1430 Friday 10 May.

JB 7/5.



10 DOWNING STREET

*From the Private Secretary*

6 May 1985

ANGLO-JAPANESE 2000 GROUP

You will wish to be aware that, in response to a request from Richard Needham MP, the Prime Minister has agreed to see a delegation from the Anglo-Japanese 2000 Group on Wednesday 15 January 1986.

BU

Charles Powell

Peter Ricketts, Esq.,  
Foreign and Commonwealth Office.

SWH



MR. POWELL

The Prime Minister has agreed to see a 25 strong delegation from the Anglo-Japanese 2000 Group when they come to this country in January 1986. They will be seeing the Prime Minister at 1100 on Wednesday 15 January.

Do you want to tell the Foreign Office?

*CR*

(Caroline Ryder)

3 May 1985



10 DOWNING STREET

*From the Private Secretary*

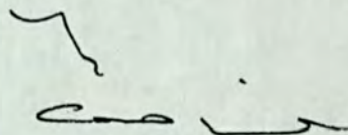
3 May 1985

*Dear Richard,*

I promised to drop you a line to confirm the arrangements for Wednesday 15 January 1986.

The Prime Minister will be most happy to receive a delegation from the Anglo-Japanese 2000 Group when they come to this country next year and we agreed that you would bring them to No.10 at 1100 on Wednesday 15 January.

It would be helpful nearer the time to have a list of those who will be coming together with a small background brief.



(Caroline Ryder)

Richard Needham, Esq., M.P.



10 DOWNING STREET

Prime Minister

Japan.

ms

You should be aware that this paper is working its way up.

What it says - in milder language - is that EC e us trade diplomacy with Japan has been an object failure. The time has come to set an import target for Japan; and, if Japan fails to meet it, to arraign her before the GATT for obstructing the GATT objective of reciprocity.

C.D.P. 2/5



FCS/85/124

SECRETARY OF STATE FOR TRADE AND INDUSTRY

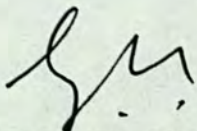
EC/Japan

1. Thank you for sending me a copy of your minute of 24 April to the Prime Minister, recording what was evidently an extremely useful and timely visit to Japan.

2. I very much welcome your intention to raise the question of US and EC attitudes to Japan on your visit to Washington from 7 to 9 May. The value of greater concertation in this area between the US and the Community seems to me a very important message to get across to the Americans, as Sir Oliver Wright has suggested. The Americans have tended to be wary of what they see as "ganging up" on the Japanese, and have tended, unfairly, to dismiss Community policy towards Japan as diffuse and ineffective. They may not even now agree to a common approach. But we must continue to do everything we can to ensure that EC concerns are firmly in their minds in dealings with the Japanese. And at a time when we are setting the need for Japan to integrate itself more fully into the open trading system firmly in the context of a new GATT round, and when we should be turning our best efforts to help the US Administration resist Congressional demands for protectionism, the Community needs to be talking to the US about Japanese market opening, and exchanging views on how to take the subject forward both bilaterally and in the GATT. We and the Americans have a shared interest in relieving the strains on the system imposed by the Japanese surpluses. I shall be making the same point to Shultz in the margins at Bonn.

3. I am sending copies of this minute to the Prime Minister, and to other recipients of yours.

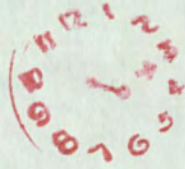
Foreign and Commonwealth Office

  
GEOFFREY HOWE

2 May 1985

JAPAN: Relations: Pt 4

E2 MAY 1985



FLASH

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ZZ CABINET OFFICE (FOR NO 10)

GRS 150A

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FM DOT OTTER LDN 021450Z MAY 1985

TO FLASH BONN

TELENO OTTER 97 OF 2ND MAY 1985

REPEATED NO 10. PS/SOS AND ODA.

FOR PS/PRIME MINISTER FROM BENJAMIN

MIPT. COMMERCIAL USES OF AID

THE FIGURES QUOTED BELOW MAY ALSO BE USEFUL TO HAVE TO HAND.

UK/JAPAN VISIBLE TRADE BALANCE	PDS MILLION.				
	1980	1981	1982	1983	1984
UK EXPORTS TO JAPAN	597	613	681	798	926
UK IMPORTS FROM JAPAN	1707	2206	2659	3355	3796
BALANCE	- 1110	- 1593	-1977	- 2557	-2870

UK/JAPAN TRADE IN MANUFACTURERS

UK EXPORTS	481	697	528	597	736
UK IMPORTS	1666	2154	2572	3250	3646
BALANCE	- 1185	-1657	-2044	-2653	-2910

SOURCE OVERSEAS TRADE STATISTICS.

NET OFFICIAL DEVELOPMENT ASSISTANCE TO DEVELOPING COUNTRIES AND MULTILATERAL AGENCIES.

	1971-73 (AVERAGE)	MU 1981	1982	1983	ANNUAL GROWTH RATE RATE OF ODA 77-78-82-83
JAPAN	711	3171	3023	3761	11.3 PERCENT
UK	648	2191	1800	1601	-3.5 PERCENT.

OECD FIGURES- US DOLLARS MILLION.

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ZZ CABINET OFFICE (FOR NO 10)

GRS 150A

UNCLASS

FM DOT OTTER LDN 021450Z MAY 1985

TO FLASH BONN

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ZZ CABINET OFFICE (FOR NO 10)

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FM DOT OTTER LDN 021450Z MAY 1985

TO FLASH BONN

TELENO OTTER 97 OF 2ND MAY 1985

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OECD FIGURES- US DOLLARS MILLION.

NNNN

SENT/RCVD AT 02/1423Z DAB/:ERW



D.R.

attached  
preparation of report.

PRIME MINISTER

Richard Needham has asked whether he can bring a group of Japanese businessmen to see you when they visit this country in the New Year. It is called the Anglo-Japanese 2000 Group and they are coming to Britain to attend a Conference.

I have sought advice from Charles Powell who advises acceptance, as Mr. Nakasone saw the British group when they were in Tokyo.

Agree to see them?

Yes no.

CP.

1 May 1985

RICHARD NEEDHAM, M.P.



HOUSE OF COMMONS  
LONDON SW1A 0AA

Mrs. Ryder

Since Dr. Nakasone  
Saw the Group  
in Tokyo, I  
think that we

CJP  
advised r1.

CR

30/4/85

Prime Minister  
ought to do this

CJP  
3/5

See Caroline

We are holding the Anglo Japanese  
2000 Group Conference in England  
next January during the week  
commencing 13th. We would very  
much like an opportunity of seeing  
the Prime Minister sometime during  
that period preferably around  
lunchtime on Wednesday, 15th if  
that was at all possible.

I am going to Japan next week to  
try and finalise arrangements and  
would be grateful if I could have a  
reply to take with me.

Mrs. Caroline Ryder,  
Personal Assistant to the Prime Minister.

Nissan opening



10 DOWNING STREET

*From the Private Secretary*

25 April 1985

I attach a self-explanatory letter from Lord Marsh inviting the Prime Minister to perform the opening ceremony at Nissan in October or November 1986.

I should be grateful for your advice on this invitation.

(Mrs Caroline Ryder)

Andrew Lansley Esq  
Department of Trade and Industry

FROM:

The Rt. Hon. The Lord Marsh

R2574.  
6 CORK STREET,  
LONDON, W1X 1PB  
Telephone: (01) 437 9457  
Telex: 262218 (LEECOO G)

24 April 1985  
RM/SR

Ack 25/4

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

My dear Margaret

NISSAN OPENING CEREMONY:  
OCTOBER/NOVEMBER 1986

Nissan intend to mark the beginning of production in the North East with a formal ceremony. They wish to make it as prestigious and newsworthy as possible and if you were willing in principle to see the first cars off the line, I know they would be delighted.

They have not yet arrived at a firm date and there could be some flexibility as, for PR reasons, the company wants to stage the event if possible on the eve of the Motor Show.

I know of the enormous demands upon your time but, given the timing and the nature of this particular event and the fact that you have been associated with it from the beginning, I hope you might be able to consider the possibility, at least in principle.

Yours ever

D.M.

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PRIME MINISTER

MS

Prime Minister  
Mr. Tebbit's account of his  
visit to Japan -  
understand that he intends  
to give Cabinet a brief  
summary tomorrow.

CD 24/12.

VISIT TO JAPAN : 15-19 APRIL 1985

My visit, the first by a Secretary of State in the Trade or Industry field since January 1983, came at a significant time. In the light of their current preoccupation with their international trading position, it was regarded by them as an important event. Despite the pressure of Government and party business, and a simultaneous visit by the Dutch Prime Minister, senior Japanese Ministers went out of their way to find time to see me, including the Prime Minister, (who sent his warm regards to you, which I hereby convey) the Foreign Minister and the Ministers for Trade and Industry and Finance. A list of meetings is annexed. Separate records of each meeting have been circulated.

2 Recent events in Japan made the emphasis of my visit necessarily upon trade issues. In response to rising criticism of Japan's increasing trade surpluses coupled with her low propensity to import, reflected most recently in US Congressional pressure for action against Japanese imports and the EC Foreign Affairs Council declaration of 19 March, Prime Minister Nakasone on 9 April announced a further market-opening package. Although this included many of the kinds of limited, though not unimportant, measures contained in its predecessors, such as the promise of tariff reductions and concessions on non-tariff barriers, it represented potentially a significant departure. First it implicitly recognised that the inaccessibility of Japan's market was due to structural or cultural factors as well as formal obstacles. And secondly, it addressed, even if tentatively,

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the key problem of how Japan's propensity to import might be changed. An Action Programme is to be worked out by July, under the personal supervision of the Prime Minister, to secure results over a 3 year period.

3 The immediate reactions to the package will not have reassured Mr Nakasone. There is scepticism both in Japan and elsewhere about the ability of the Government to manage a fundamental change in the attitude of consumers and industry towards imported goods. And there is concern in the Community that the main measures seem tailored principally to meet US objectives in a number of relatively limited and selected fields.

4 In my meetings, and notably with the Prime Minister, I laid stress on two aspects. First, I warned of the urgency of the situation and for the need for early action that would convince all Japan's trading partners that real and measurable results would be produced. I made no threats on the part of the UK; indeed I said that we perhaps had more understanding of Japan's problems than others. However, I did foresee that, if Japan's surpluses with the US and Community continued to rise and her level of imports remained unchanged, unilateral protectionist measures would be proposed which would not just harm Japan but would threaten the whole of the liberal international trading system upon which the UK, no less than Japan, depended. Secondly, I placed emphasis on the need for the Japanese Government to give a firm lead to industry and consumers in purchasing goods from abroad, for example through its procurement policies. Action could not simply be confined to exalting consumers to change their traditional preference for domestically produced goods. I did, however, show some appreciation of the proposal by MITI to call in 60 leading

JH1CGY



Japanese companies to "explain" the problem and the contribution which they could make - that, in Japanese terms, could represent a powerful instrument for change.

5 I placed most emphasis on the multilateral nature of the problem, although naturally referring to our £2.8 billion deficit with Japan. Nevertheless, I did take the opportunity to advance British interests, principally by illustrating ways beneficial to us in which the Japanese Government could show its determination to increase its ratio of imports and its commitment to the liberalisation of its internal markets. I was able to point to the possibility of advancing the purchase of civil aircraft and referred to the competitiveness of the BAe 146, the Shorts 360 and the Airbus. I cited defence equipment as another area where substantial contracts could be placed, mentioning Sea Harrier and Tornado. In the civil field, I confirmed that our firms were interested in supplying telecommunications equipment, particularly peripheral systems, since that is a sector where the US is clearly intent upon securing a preferential position. And, within the general framework of market liberalisation, I pressed for non-discriminatory treatment for our whisky and tobacco exports.

6 In addition to the need for direct action to change the import balance, I raised the issue of the Yen and the liberalisation of the internal financial market, pointing out that were the Yen free to reflect the underlying strength of the performance of the Japanese economy - and were action elsewhere to be taken to correct the over-valuation of the Dollar - it would be reasonable to expect that the problem of surpluses and deficits would, over time, be largely self-correcting. In Japan's case, what needs to be done is to allow interest rates to fluctuate more freely and to

JH1CGY



develop new financial instruments which would facilitate Yen holdings by overseas investors; ultimately, one would also wish to see the Yen becoming more readily used as the basis for international transactions. I believe that these points are understood by the more internationally and liberally-minded Ministers and officials and the Prime Minister's programme includes a reference to the internationalisation of the Yen. It remains to be seen, however, how far and how fast the Government will be prepared or able to go down this road.

7 A road which they are taking, somewhat more slowly than the Prime Minister professes to wish, is the liberalisation of the financial market; an area in which the City naturally has an especially keen interest. Some progress has been made. Two UK institutions have been granted security dealers' licences and Barclays have applied for a licence to carry out cost banking - I was able to give positive support to their ambitions. But we need to maintain strong and persistent pressure, particularly in view of the risk that the US will persuade Japan to afford her institutions favoured treatment.

8 On the question of a new GATT round, I resisted the idea that action to deal with the "Japan problem" could be left for negotiations in that framework; that would be a further excuse for delay. Nevertheless, I emphasised that all participants, including Japan, would have to come to the table prepared to make significant concessions if the round was to be a success. I confirmed our commitment to making early progress, laying particular stress on the importance of thorough preparation.

9 My assessment, in relation to the question of Japan's

JH1CGY





international trading position and the associated issues of market opening and trade surpluses, is that the Nakasone package was conceived originally as part of a strategy to buy more time and to carry Japan through the period of preparation before a new round. The strength of feeling in the US, and to a lesser degree in the Community, was not foreseen and the Prime Minister has been shocked by the expressions of dissatisfaction at, for example, the OECD Ministerial meeting. He has still to convince all his colleagues of the seriousness of the position and the need for concrete action but there is a growing realisation that promises and token market-opening gestures will not be enough. The difficulty which the Government faces is what to do. I think that the Action Programme will now contain more specific steps than would otherwise have been the case and that the Government may make, perhaps through public purchasing, a demonstration of their intention to buy more from abroad. But it will be hard to make a real impact in the short term, and it is the short term that will count.

10 Our approach must be to maintain the pressure for change but to avoid, so far as we can bring influence to bear, either the US or the Community resorting to precipitate protectionist measures against Japan. That would be immensely damaging to the international trading system; it would end any hope of a new GATT round and would represent yet a further threat to the survival of that institution. These are considerations which will need to be heeded carefully at the Bonn Summit.

11 I will also be raising the question of the US and Community's attitude to Japan during my visit to Washington in two weeks time. I shall explore the possibility of a concerted effort by the US and the Community to speed the

JH1CGY



process of Japan's integration into the international trading and financial system. But I shall equally stress the need for the Administration to resist Congressional pressures for damaging protectionist measures - against any of the US's trading partners.

12 Although trade issues took up the greater time in my discussions, I was able also to impress upon Ministers and senior industrialists the importance which we attach to increasing industrial collaboration between Japanese and UK companies and to attracting investment of a kind that contributes positively to the UK economy through jobs, the transfer of skills and technology, and import substitution. The message was well received, partly because there is, I believe, a real appreciation of the progress which we have made in strengthening the economy, improving the operation of the market and enhancing the profitability of companies. We already account for a high proportion of Japanese (and US) investment in Europe and I believe that we can maintain our rate of success. I took every opportunity to promote interest in the "Britain Means Business" campaign which I launched earlier this month.

Not many  
jobs  
lost

13 In addition to a general exchange of views with the Keidanrein on trade investment, I met individually the Presidents of Nissan and Honda. With Nissan, I emphasised the importance which we attached to their making maximum use of UK component suppliers both for UK and Japan-built cars and resisted any suggestion that we would be prepared to relax our requirements on imported content. In the case of Honda, I explained why we were not able to come to an immediate decision but assured Mr Kume that we would consider carefully and quickly the recent propositions, within the framework of a revised BL Corporate Plan. Both he, the Prime

JH1CGY



Minister and the Minister for Trade and Industry went out of their way to assure me of their enthusiasm of further collaboration between the companies and showed themselves sensitive to our concern that this should take a form which strengthened BL's future competitiveness and created a positive flow of trade in both directions.

14 I believe that my visit will prove useful. Its timing lent force to the message delivered and I hope that I have done something to counteract the tendency of Japan to place rather too much weight on her relations with the US to the exclusion of the Community's interests.

15 I was left in no doubt of our current standing. We are regarded as a friend but a firm and critical one. That is a position which we must maintain.

16 Finally, I would record my thanks to Sir Sydney Giffard and his staff both for the careful preparation for my visit and for the expert support given during my stay. Our interests in Japan, not least in the trade and commercial field, are very efficiently and effectively served.

17 I am sending copies of this minute to Geoffrey Howe, Nigel Lawson, Peter Walker, Michael Heseltine, George Younger, Nicholas Edwards, Nicholas Ridley, David Young, and to Sir Robert Armstrong, Sir Michael Butler and our Ambassadors in Washington, Tokyo and Bonn.

  
N T

April 1985

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Department of Trade and Industry



VISIT OF SECRETARY OF STATE FOR TRADE AND INDUSTRY  
TO JAPAN : 15-19 APRIL 1985

LIST OF MEETINGS:

Mr Nakasone,	Prime Minister
Mr Abe,	Foreign Minister
Mr Takeshina,	Minister of Finance
Mr Murata,	Minister of International Trade and Industry
Mr Komoto	Minister for Market-Opening Measures
Mr Kaneko	Director, Economic Planning Agency
Mr Sato	Minister for Posts and Telecommunications
Keidanren	(Some Thirty or so Leading Industrialists)
Mr Ishihara	Nissan
Mr Kume	Honda

JH5AZJ



Lunch with Mr Esaki and other Members of The Special Research  
Council on External Economic Affairs of The Liberal  
Democratic Party

Lunch with Leading Representatives of Japanese Financial  
Institutions.

CONQUEROR



JH5AZJ

24 APR 1985

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COMMUNIST



10 DOWNING STREET

*From the Private Secretary*

11 April 1985

We spoke on the telephone this morning about Mr. Nakasone's letter to the Prime Minister, following the first meeting of the 2000 Group.

In advance of Charles Powell's return to the Office, I am sending across, as agreed, an early copy of the letter for your information. Charles will no doubt be in touch further next week.

Mark Addison

Peter Ricketts, Esq.,  
Foreign and Commonwealth Office.

SR



10 DOWNING STREET

*From the Private Secretary*

11 April 1985

In the Prime Minister's absence overseas, I am writing on her behalf to thank you for your letter of 9 April with which you enclosed one from Prime Minister Yasuhiro Nakasone to Mrs. Thatcher.

I will ensure that Mr. Nakasone's letter is placed before the Prime Minister immediately upon her return.

Mark Addison

His Excellency Mr. Toshio Yamazaki





EMBASSY OF JAPAN  
UNITED KINGDOM

London, 9th April 1985

*Dear Prime Minister,*

Prime Minister Yasuhiro Nakasone has asked me to forward to you a letter he has written in reply to your letter of 29th January 1985, which was delivered to him by Mr. James Prior on the occasion of the first meeting of the 'Group 2000' in Oiso. The letter is enclosed herewith.

I was encouraged by the success of this first meeting of the Group and am hopeful that the Group will be a catalyst in facilitating exchanges and collaboration in various aspects of our mutual relations.

I look forward to future opportunities of discussing with you matters of mutual interest.

*Yours sincerely,*

Toshio Yamazaki  
Ambassador

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

OFFICE OF THE PRIME MINISTER  
TOKYO



PRIME MINISTER'S  
PERSONAL MESSAGE  
SERIAL No. T58A/85

cc MASTER - OPS

March 28, 1985

*My dear Prime Minister.*

Thank you very much for your letter of 29 January 1985, transmitted to me through Mr. Prior. I am glad that he participated in the first meeting of the 2000 Group, which is the fruit of our talks in London last June and the efforts on both sides.

Our bilateral dialogue and exchange have indeed become close and frequent in recent years and the record of mutual visits at high levels has been impressive. I look forward to a further enhancement of our exchange this year and especially to meeting you in Bonn in May for the Economic Summit.

I highly appreciate your observations on Japan's external economic relations, especially with the United Kingdom and the European Communities. I am glad that

I

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

I can reassure you of the firm commitment of my Government to maintain and strengthen the free and open international trading system. As we recognize with concern, protectionist pressures have been growing ever stronger, and the free trade system is now seriously threatened. It is now vital that all the industrial nations should fulfill their political commitment to free trade. My Government, for their part, have implemented a series of external economic measures, including the recent decision to meet an OECD agreement on the advanced implementation of the Tokyo Round tariff reduction, and will continue to make efforts further to open up Japanese markets.

I am convinced, and I am sure you will agree with me, that in order to contain the protectionist pressure and restore confidence in the future of world trade, we must start a new round of GATT multilateral trade negotiations as early as possible. I wish to request your continuing support for the New Round in order that the EC may take an active part in our joint efforts to enhance free trade throughout the world.

In

In the meantime, we in Japan shall not cease our exploration of the means for the further internationalization of our economy, and in so doing, we shall always keep in mind the concerns of the United Kingdom and of the European Communities. As you indicated in your letter, the activities of the private sector in both countries, especially in industrial cooperation, are needed in furthering our common interests and solving the problems before us.

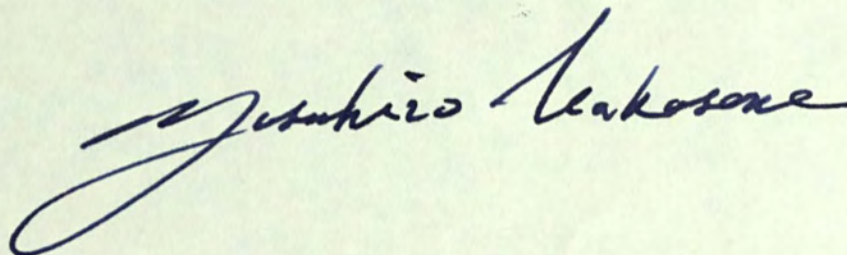
Our common belief in the values of freedom, democracy and the free market economy should serve as a firm foundation in seeking closer cooperation and communication at all levels, and I believe there are many areas where we should be able to develop our relationship further to our mutual benefit.

Our efforts in the above-described areas will be greatly helped by the activities of the 2000 Group. After the first meeting, I had the pleasure of talking with the members of both sides and was greatly impressed by their will and enthusiasm to work toward deeper mutual understanding and closer relations

between

between our two countries. The outcome of the Oiso Conference augurs well for the future activities of the Group. I place high expectation on the next meeting in London next year.

With my best wishes,

A handwritten signature in black ink, reading "Yasuhiro Nakasone". The signature is written in a cursive, flowing style with a large loop at the beginning of the first name.

Yasuhiro Nakasone

10 APR 1985

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SAVING TELEGRAM

BY BAG

[CULY]

FROM TOKYO TO FCO

TELNO 3 SAVING

UNCLASSIFIED

Addressed to FCO Telegram no 3 Saving of 28 March 1985.

Repeated for information Saving to: Paris, Rome, Bonn, Washington, Brussels, Dublin, Stockholm, UKREP Brussels, UKMIS Geneva, UKDEL OECD, Ottawa, Bangkok, Canberra, Peking, Seoul, Jakarta, Singapore, Manila, Kuala Lumpur, Governor Hong Kong, BTC Hong Kong, Osaka.

JAPAN: MONTHLY ECONOMIC REPORT - MARCH 1985

- The economy grew at an annual rate of 9.6% in the fourth quarter of 1984, faster than any time since the start of the present recovery. Growth for 1984 in real terms reached 5.8%, the highest figure recorded since 1973, suggesting that even the revised official target of 5.3% for fiscal 1984/85 may be exceeded.
- Growth in the fourth quarter was once again heavily dependent on external demand, which accounted for 7.8% out of total growth of 9.6% at an annual rate. Exports rose much more rapidly than in the previous quarter, but imports fell very sharply.
- These figures tend to confirm the judgement that the September quarter figures were distorted by accelerated oil imports in the late Summer and that the underlying rate of growth of the economy in the last six months of 1984 was probably close to the annualised average of 6% in real terms recorded for the two quarters.
- Private final consumption, which accounts for 60% of GNP, was again very weak, rising by only 1.2% at an annualised rate, less than half the September quarter figure.
- Capital expenditure, however, rose by 17½% at an annualised rate even more rapidly than in the third quarter, as investment in traditional export industries was increasingly supported by a faster rate of spending in high technology sectors.

- Housing investment ended the year strongly, but still remains in absolute terms at lower levels than in 1982.
- The current account surplus in January returned to near record levels, but capital outflows were halved. The Yen was weak against the US Dollar for much of the month, but recovered to ¥255 by late March.
- Industrial production was again weak in January, but unemployment continues to fall.

### KEY INDICATORS

Table 1

	UNIT	1984 July-Sept	1984 Oct-Dec	Previous Month	Latest Month	Latest Month Shown
GNP* - Nominal	) % change on ) previous period	0.9	2.0			
- Real		0.6	2.3			
Industrial Production*	"	1.5	2.8R	-0.7R	-0.2	January
Unemployment*	% of labour force average for period	2.78	2.69	2.58	2.4	January
Wages	% change on year ago	4.0	4.3	4.3	4.6	January
Wholesale Prices	% change on year ago	0.2	0.4	0.7	0.8	February
Consumer Prices (Tokyo)	% change on year ago	2.6	2.4	3.3	1.6	February
Money Supply (M2 + CDs)	% change on year ago	7.8	7.9	7.8	7.9	January
Short-term interest rate	% pa (3-month gensaki)	6.320	6.294	6.261	6.315	February
Long-term interest rate	% pa (10-year Government Bond)	6.80	6.27	6.25	6.75	February
Current Account*	\$ Million	7,266	11,149	3,467	4,244	January
Overall Balance	\$ Million (SA)	-4,736	-3,952	-2,536	1,076	January
	\$ Million (NSA)	-3,323	-3,545	-1,239	-2,368	January
Change in Reserves	\$ Million	236	869	238	226	January
Exchange Rate	¥/\$ (end-period)	245.50	250.25	254.65	259.50	February
	¥/£ (end-period)	303.38	290.84	286.99	278.18	February

\* Seasonally adjusted





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CCMA ✓

10 DOWNING STREET

THE PRIME MINISTER

28 March 1985

Dear Richard

I was very grateful to receive your full account of what was clearly a very interesting meeting of the 2000 Group in Tokyo. I was glad to hear that you settled on regular meetings and look forward to being kept in touch with progress.

Yours ever  
Margaret

Richard Needham, Esq., M.P.

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Res?  
RICHARD NEEDHAM, M.P.



HOUSE OF COMMONS  
LONDON SW1A 0AA

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The Rt. Hon. Mrs. Margeret Thatcher, MP,  
10 Downing Street,  
London, SW1.

25th March, 1985

*John Prime Minister*

Before we left for Tokyo for the inaugural meeting of the 2000 Group you kindly gave us your views on the major current issues in Anglo-Japanese relations. We are now writing, on our return, to tell you of the successful atmosphere of the conference, which witnessed some very frank and constructive discussions across a wide range of subjects, and to report on some of our main conclusions. We found that there were very few purely bilateral questions to discuss between us; almost all the most urgent questions on our agenda are multilateral, focussing our attention on British and Japanese approaches to regional or global problems.

On economic issues, the British participants stressed that the scale and structure of Japan's external trade surplus presents a challenge to the maintenance of an open trading system which required changes in policy by Japan and her trading partners. We accepted that further measures to increase access to the Japanese domestic market, while useful, would not in themselves be sufficient; a greater emphasis on social expenditure, as well as further increases in overseas development assistance, as well as increases in long-term Japanese overseas investment were also desirable. We were all concerned about the direction of American monetary and fiscal policy; the size of the American budgetary deficit, the accompanying overvaluation of the dollar and undervaluation of the yen is reflected in the US trade deficit and the imbalance in US-Japanese trade. It also has severe consequences on interest rates in the UK.

We were surprised by the concern expressed by several Japanese participants about the long-term prospects of maintaining high levels of employment in Japan over the next ten to fifteen years, and the active policies of education, training and technical research which they are pursuing in the search for new sources of employment. We therefore agreed to promote a joint study of the impact of technical change on industry and employment in the next decade. We were also struck by their active concern about the impact of a rapidly ageing society on their international competitiveness, with rising welfare costs.



On security issues, there was general agreement on the importance of maintaining a stable, open and balanced international economy to the cohesion of the Western world and the stability of the developing countries. Our common dependence on the United States, common concerns over American economic policy and common interests, as allies, in supporting American security policy make these issues a central factor in developing political consultation between Japan and Europe. We spent some time comparing assessments of apparent shifts in the direction of Soviet foreign policy. Japanese participants had much to say about current development in China and their implications for international political and economic relations; it was notable how many of this top-level group of Japanese businessmen and experts had been in China in recent months. They were in their turn anxious to hear from us our views on developments in Eastern Europe.

After this very useful first meeting, we committed ourselves to a continuing dialogue, with annual top-level meetings alternately in Britain and Japan and a number of more detailed joint studies which will provide papers for discussion. We are now planning for a second meeting, in Britain, in January 1986, as well as considering priorities in further detailed work and - of course - raising the funds necessary to support our future activities. We were most grateful for your support and advice for our initial meeting, and hope that you yourself and Her Majesty's Government as a whole will continue to support our efforts.

BY BAG

FROM TOKYO TO FCO

TELNO 2 SAVING

UNCLASSIFIED

Addressed to FCO Telegram no 2 Saving of 25 February 1985.

Repeated for information Saving to: Paris, Rome, Bonn, Washington, Brussels, Dublin, Stockholm UKREP Brussels, UKMIS Geneva, UKDEL OECD, Ottawa, Bangkok, Canberra, Peking Seoul, Jakarta, Singapore, Manila, Kuala Lumpur, Governor Hong Kong, BTC Hong Kong, Osaka.

JAPAN: MONTHLY ECONOMIC REPORT - FEBRUARY 1985 ms

- Japan's trade surplus in 1984 exceeded \$44 billion, compared with \$31 billion in 1983, according to preliminary official estimates. Although imports grew by 8% in the year, export growth of 15% ensured another record surplus.
- Exports to the United States which account for more than a third of the total, rose by 40% in the year. On Japanese figures, exports to the European Community grew much more modestly by 5% and sales to Middle Eastern markets fell by 17%.
- Imports, after steady growth in the first three-quarters of the year, faltered in the fourth quarter, falling by 7%. Growth of 8% was nevertheless recorded in the year as a whole, with imports from the important South East Asian region rising by 14%.
- Net capital outflow in 1984 as a whole approached \$50 billion compared with a little over \$20 billion in 1983. Gross capital outflows of nearly \$57 billion were heavily concentrated (\$31 billion) on foreign bonds. In contrast, capital inflows halved to \$7 billion, with foreign interest concentrating this year on bond purchases.
- Industrial production grew by 11.2% in 1984, the fastest rate since the 17½% recorded in 1973. Almost every sector recorded a substantial increase in output, but particularly rapid growth was seen in such export orientated sectors as precision and electrical machinery.

/Despite

- Despite a significant fall in unemployment to 2.6% towards the end of the year, and a rise in consumer prices totalling no more than 2.6%, the slow rise in disposable incomes meant that consumer expenditure continued to rise less rapidly than had been predicted. Sales in the domestic car market fell for the first time in three years and the housing market remained weak.
- Monetary policy was accommodating throughout the year, but recent pressures in the exchange market have resulted in an abrupt halt to the downward drift of interest rates for the first time in two years. Despite official reluctance to contemplate any rise in interest rates, longer term rates are now expected to rise in March.
- The Yen reached a two-year low against the Dollar on 13 February of ¥263.4.

### KEY INDICATORS

Table 1

	UNIT	1984 July-Sept	1984 Oct-Dec	Previous Month	Latest Month	Latest Month Shown
GNP* - Nominal	) % change on ) previous period	1.1 0.7				
Industrial Production*	"	1.5R	2.9	0.3R	- 0.4	December
Unemployment	% of labour force average for period	2.78	2.69	2.70	2.58	December
Wages	% change on year ago	4.0	4.3	4.2	4.3	December
Wholesale Prices	% change on year ago	0.2	0.4	0.4	0.7	January
Consumer Prices (Tokyo)	% change on year ago	2.6	2.4	2.8	3.3	January
Money Supply (M2 + CDs)	% change on year ago	7.8	7.9	8.1	7.8	December
Short-term interest rate	% pa (3-month gensaki)	6.320	6.294	6.294	6.261	January
Long-term interest rate	% pa (10-year Government Bond)	6.80	6.27	6.27	6.25	January
Current Account*	\$ Million	7,266	11,149	4,256	3,467	December
Overall Balance	\$ Million (SA)	-4,736	- 3,952	- 6.80	- 2,536	December
	\$ Million (NSA)	-3,323	- 3,545	- 2,032	- 1,239	December
Change in Reserves	\$ Million	236	869	373	238	December
Exchange Rate	¥/\$ (end-period)	245.50	250.25	250.25	254.65	January
	¥/£ (end-period)	303.38	290.84	290.84	286.99	January

\* Seasonally adjusted



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cc MASTEN  
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10 DOWNING STREET

THE PRIME MINISTER

12 February 1985

PRIME MINISTER'S  
PERSONAL MESSAGE  
SERIAL No. T 26/85

Dear Mr. President.

In response to your request for names of prospective United Kingdom participants of the Conference on Life Sciences, I should like to suggest that you approach Dr. Sydney Brenner, FRS, Sir Stuart Hampshire and Sir Robin Nicholson. Our Embassy in Paris will let your staff have the appropriate addresses.

I consider that the subject matter of your Conference is of great importance to our scientists, and of growing relevance to our Governments. I am therefore extremely pleased that a second conference is taking place, and wish you and Professor Gros every success in its planning and the proceedings. I look forward to hearing about its conclusions in due course.

Yours sincerely

Margaret Thatcher

His Excellency Monsieur Francois Mitterrand

881



10 DOWNING STREET

*From the Private Secretary*

76 JR  
12 February 1985

LIFE SCIENCES CONFERENCE: 18-22 APRIL

I enclose a letter to President Mitterrand from the Prime Minister with our nominations for this conference.

I should be grateful if the addresses could be passed to the Elysée. They are:

Dr. Sydney Brenner, FRS,  
Director,  
MRC Laboratory of Molecular Biology,  
MRC Centre,  
University Medical School,  
Hills Road,  
Cambridge. CB2 2QH.

Sir Stuart Hampshire,  
c/o The Department of Philosophy,  
Stanford University,  
Stanford California,  
94305 USA.  
(Sir Stuart Hampshire was formerly Warden  
of Wadham College, Oxford, and is tempora-  
rily based at Stanford University)

Sir Robin Nicholson,  
Chief Scientific Adviser,  
Cabinet Office,  
70 Whitehall,  
London, SW1A 2AS.

(C.D. POWELL)

Sir John Fretwell, KCMG.

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10 DOWNING STREET

*From the Private Secretary*

SIR ROBERT ARMSTRONG

Thank you for your further minute of 5 February about invitations to attend the Life Sciences Conference hosted by France.

The Prime Minister agrees to the nomination of Dr. Brenner, Sir Stuart Hampshire and Sir Robin Nicholson.

Charles Powell

6 February 1985

ECU



Ref. A085/368

MR POWELL



①  
Prime Minister  
Since Lady Warnock is not available, agree to nominate Dr. Brenner, Sir Stuart Hampshire & Robin Nicholson?

Yes not

CDP  
3/2

Your minute of 28 January about invitations to attend the Life Sciences Conference to be hosted by France.

2. Sir Robin Nicholson has investigated whether Lady Warnock might be able to accept an invitation to the Life Sciences Conference, were she to be nominated by the Prime Minister. I am afraid that Lady Warnock is not available on the dates of the Conference.

3. There is no other lady scientist or philosopher who would be as appropriate as either Lady Warnock or those already suggested. In a similar situation last year we looked at Professor Mary Hesse, but advised against her, because her scientific interests were very much in the area of the physical sciences and she was not thought to have any special interest or competence in the area of life sciences. So last year the Prime Minister nominated Sir Stuart Hampshire for the third place. This year it seems to me, for the reasons given in my minute of 25 January (A085/259) that there is much to be said for nominating Sir Robin Nicholson himself. Accordingly I hope the Prime Minister will agree that, in the interests of nominating an experienced and distinguished United Kingdom delegation, the nominations should remain those in my minute of 25 January.

REA

ROBERT ARMSTRONG

5 February 1985

SAVING TELEGRAM

BY BAG

FROM TOKYO TO FCO [CULL]

TELNO 1 SAVING

UNCLASSIFIED

Addressed to FCO Telegram No 1 Saving of 31 January 1985.

Repeated for information Saving to: Paris, Rome, Bonn, Washington, Brussels, Dublin, Stockholm, UKREP Brussels, UKMIS Geneva, UKDEL OECD, Ottawa, Bangkok, Canberra, Peking Seoul, Jakarta, Singapore, Manila, Kuala Lumpur, Governor Hong Kong, BTC Hong Kong, Osaka.

JAPAN: MONTHLY ECONOMIC REPORT - DECEMBER 1984/JANUARY 1985

- Exports in November were nearly \$15 billion, a new all time record. Imports slackened to \$9.7 billion, as earlier tax induced distortions unwound. Preliminary official estimates put the trade surplus for calendar 1984 at \$45 billion. ms
- Gross capital outflows reached new records, exceeding \$6 billion in the month. Despite substantial foreign purchases of Japanese Bonds, the net outflow was nearly \$4.9 billion.
- October's rapid rise in industrial production was not sustained in November, when manufacturing output rose by only 0.2%. Despite the erratic production figures in recent months, the underlying tone remains firm, with capital investment remaining exceptionally strong.
- Despite a record level of business failures in 1984, a recent official survey suggests that most companies remain confident that business conditions will improve through 1985. Investment projections continue to be revised upwards and credit remains easy.
- Consumer prices rose by 2.2% in 1984, the second lowest increase in 25 years and only marginally higher than the 1.9% recorded in 1983. Lower prices for oil and fresh food have more than offset the rises in public utility charges.
- Unemployment in November fell for the first time in 8 months to 2.7% and the ratio of jobs to job-seekers improved for the first time in two years.

/- The

- The Yen fell to a two-year low against the US Dollar on 9 January, touching ¥255 to the Dollar. Thereafter, it recovered slightly, to trade stably at around ¥254.

KEY INDICATORS

Table 1

	UNIT	1984 APR-JUNE	1984 JULY-SEP	PREVIOUS MONTH	LATEST MONTH	LATEST MONTH SHOWN
GNP* - Nominal	) % change on ) previous period	2.4 R	1.1			
Real		1.8 R	0.7			
Industrial Production*	"	2.3	1.6	3.3 R	0.2	November
Unemployment*	% of labour force, average for period	2.69	2.78	2.78	2.70	November
Wages	% change on year ago	5.2	4.0	4.4	4.2	November
Wholesale Prices	% change on year ago	- 0.4	0.2	0.4	0.4	December
Consumer Prices (Tokyo)	% change on year ago	2.6	2.6	2.1	2.8	December
Money Supply (M2 + CDs)	% change on year ago	7.6	7.8	7.7	8.1	November
Short-term interest rate	% pa (3-month gensaki)	6.319	6.320	6.339	6.294	December
Long-term interest rate	% pa (10-year Government Bond)	7.22	6.80	6.27	6.27	December
Current Account*	S Million	9,385 R	7,266 R	3,426	4,256	November
Overall Balance	S Million (SA)	- 5,859 R	- 4,736 R	- 737	- 680	November
	S Million (NSA)	- 5,262	- 3,323	- 274	- 2,032	November
Change in Reserves	S Million	99	236	258	373	November
Exchange Rate	¥/S (end-period)	237.50	245.50	246.30	250.25	December
	¥/£ (end-period)	322.41	303.38	294.70	290.84	December

\* Seasonally adjusted.

1 RECENT

file

BM



ccFo

10 DOWNING STREET

*From the Private Secretary*

29 January 1985

Dear Mr. Needham,

When the 2000 Group delegation called on the Prime Minister on 15 January she mentioned her intention of sending a message for Mr. Nakasone which Mr. Prior could hand to him in Tokyo. I enclose this message. The Foreign and Commonwealth Office is sending a copy to our Embassy in Tokyo and will as a courtesy be giving a copy also to the Japanese Embassy here at about the time when the original is being delivered in Tokyo. The Prime Minister would have no objection to your making the message public or using any part of it to further the work of the 2000 Group.

I know that the Prime Minister looks forward to hearing from the members of the 2000 Group on their return from Japan.

Yours sincerely,

(C.D. Powell)

Richard Needham, Esq., M.P.

da

SUBJECT

FILE

JM

cc. Master  
ops.



cc Ho

10 DOWNING STREET

THE PRIME MINISTER

29 January 1985

PRIME MINISTER'S  
PERSONAL MESSAGE  
SERIAL No. T14/85

My dear Prime Minister,

When you were in London last year, we agreed on the need to stimulate and develop exchanges between Britain and Japan. We also agreed on the need to arrange non-governmental contacts through the 2000 Group. I am particularly happy therefore that James Prior is able to be the bearer of this message to you on the occasion of his visit to Tokyo for the first meeting of the 2000 Group.

Since our meeting, Ministers and officials of our two governments have been in regular contact in both capitals and elsewhere and you and I were able to have a further talk in New Delhi. I myself greatly look forward to discussion with you at the Economic Summit in Bonn. In addition, Norman Tebbit plans to visit Tokyo in April and Geoffrey Howe is looking forward to greeting your Foreign Minister for a round of talks in London.

Despite these opportunities to concert our positions on many issues, our views differ about some aspects of our trading relationship. The growing deficits in UK/Japan and EC/Japan trade cause us increasing political as well as economic difficulty. I very much hope that your next round of market-opening measures will directly address some of the concerns repeatedly put to you by the European Community and the United Kingdom and will have a measurable effect on the

dar

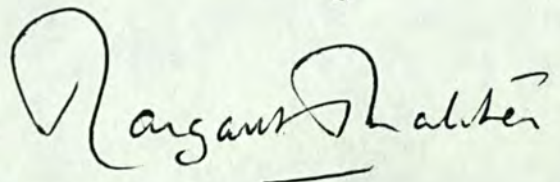
trade imbalances. I believe that it is vital for Japan, as a major force in the world economy, to accept responsibility for finding solutions to the problems of its trade surpluses, so easing the strain imposed by them on the world open trading system - and never more so than now, as we start to prepare for a new round of multilateral trade negotiations.

To promote our common interests more effectively and to ensure that these problems are tackled more vigorously, we need the sustained support of private enterprise and private sector activity in both countries. Japan's role in the modern world, and the direction of her influence on future world development, need to be better understood in Britain. Equally, Britain's own contribution may not be fully understood in Japan. There are areas of endeavour, of great significance for the future welfare and prosperity of society, in which we need to examine the scope for practical cooperation much more closely. We have a common interest in education, in the arts, and above all in sustaining the values of the democratic way of life.

For these reasons, I greatly welcome the first meeting of the 2000 Group. The Group has a most distinguished membership, both Japanese and British, combining expert knowledge with practical achievement, and covering a very wide range of interests. They are well qualified to explore the territory, to identify the most promising directions for cooperation, and then to spread the word to others on the scope and the advantages of determined action. I attach great importance to the work of the group and am sure that they will put forward constructive initiatives. For my part, I shall study the results of their deliberations with the keenest attention.

With my best wishes.

Yours sincerely



His Excellency Mr. Yasuhiro Nakasone

JD 2 ABX



10 DOWNING STREET

*From the Private Secretary*

Sir Robert Armstrong

Life Sciences Conference to be Hosted by France

Your minute of 25 January put forward nominations to attend on behalf of the United Kingdom the Life Sciences Conference to be held in France on 18-22 April.

The Prime Minister has asked whether we do not have any distinguished ladies who could go, for instance Lady Warnock herself.

I should be grateful for a view on this point.

BF 11

eP

28 January, 1985.

ls



CDP

Prime Minister  
Agree to  
proposed nominations?  
CDP  
25/1

There is no  
doubt that  
who could go -  
Lady Warnock  
herself?  
not

Ref. A085/259  
PRIME MINISTER

Life Sciences Conference to be Hosted by France 18-22 April 1985

President Mitterrand has approached you and other Heads of State or Government from the Economic Summit Countries, requesting nominations of prospective participants at the second Life Sciences Conference, to be hosted by France. As with the first such conference, hosted by Japan, the request is for you to name three prominent figures concerned with science, medicine, ethics or philosophy, who will be then invited to attend as independent members of the Conference.

2. I have consulted Sir Robin Nicholson, who prepared the nominations for the Japanese conference, and he recommends that you include two out of the three who attended on behalf of the United Kingdom on the last occasion, namely Dr Sydney Brenner FRS (Director of the MRC Molecular Biology Laboratory in Cambridge) and Sir Stuart Hampshire (scientist and philosopher, ex-Warden of Wadham College, Oxford). Each made a significant and highly appreciated contribution to the Japanese conference, and, I understand, would welcome further involvement. For the third nomination, I wish to propose Sir Robin Nicholson himself. The ethical problems surrounding experiments on animals and on human embryos are increasingly becoming matters of public concern and possibly of Government legislation. Sir Robin's secretariat has already been called upon to advise on the issues raised by the Warnock Report. The forthcoming Conference provides an excellent opportunity for getting up to date on international thinking in this matter.

--- 3. I attach a draft reply to President Mitterrand.

RA

ROBERT ARMSTRONG

25 January 1985





10 DOWNING STREET

"My dear Prime Minister"

[This is the message  
which Jim Prior  
would take to  
Mr. Nakasone, when  
he goes for the  
meeting of the 2000  
Group].

CPM  
24/11

I think it is too  
long - he won't read it  
P. 2 can be made much shorter -



Please return  
on...

10 DOWNING STREET

THE PRIME MINISTER

January 1985

My dear Prime Minister,

When you were in London last year, we agreed on the need to stimulate and develop exchanges between Britain and Japan. We also agreed on the need to arrange non-governmental contacts through the 2000 Group. I am particularly happy therefore that James Prior is able to be the bearer of this message to you on the occasion of his visit to Tokyo for the first meeting of the 2000 Group.

Since our meeting, Ministers and officials of our two governments have been in regular contact in both capitals and elsewhere and you and I were able to have a further talk in New Delhi. I am <sup>glad</sup> ~~happy~~ that the programme of ~~international~~ conferences, official consultations and Ministerial visits will give us the opportunity to continue this exchange at governmental level in 1985.

I myself greatly look forward to discussion with you at the Economic Summit in Bonn. In addition, Norman Tebbit plans to visit Tokyo in April and Geoffrey Howe is looking forward to greeting your Foreign Minister for a round of talks in London. There is much to be done to concert our views in the regular multilateral meetings in which we both participate, on questions of trade, finance, and a variety of other economic and social issues.

E.R.

Against this, we do have different views about some aspects of our trading relationship. The growing deficits in UK/Japan and EC/Japan trade cause us increasing political as well as economic difficulty. ~~I look forward to the next round of market opening measures which I know your Government is considering following your meeting with President Reagan earlier this month.~~ I very much hope that <sup>(your ~~to~~ next round of market-opening)</sup> these measures will directly address some of the concerns repeatedly <sup>put to you</sup> rehearsed by the European Community and the United Kingdom and that will have a measurable effect on the trade imbalances. ~~I recognise that the problems of our trading relationship must be seen in the context of growing Japanese investment in manufacturing in the United Kingdom of liberalisation of your own capital markets, on which officials of our respective Ministries of Finance held useful talks last year; and of growing technological collaboration between British and Japanese industries.~~ But as you know, I believe that it is vital for Japan, as a major force in the world economy, to accept responsibility for finding solutions to the problems of its trade surpluses, so easing the strain imposed by them on the world open trading system - and never more so than now, as we start to prepare for a new round of multilateral trade negotiations.

To promote our common interests more effectively and to ensure that these problems are tackled more vigorously, we need the sustained support of private enterprise and private sector activity in both countries. Japan's role in the modern world, and the direction of her influence on future world development, need to be better understood in Britain. Equally, Britain's own contribution may not be fully understood in Japan. [Our perceptions of each other should keep pace with technological and scientific advance: and we have been glad to participate both in your conference on the life sciences in 1984 and at the Tsukuba Exposition this year.] There are areas of endeavour, of great significance for the future welfare and prosperity of society, in which we need to examine the scope for practical cooperation much more closely. We have a common interest in education, in the

arts, and above all in sustaining the values of the democratic way of life. [We have the means to extend communication and dialogue, and we must see to it that they are used to bring about a stronger and more beneficial investment of effort in both directions. I should like to see real impetus given to this task.]

For these reasons, I greatly welcome the first meeting of the 2000 Group. The Group has a most distinguished membership, both Japanese and British, combining expert knowledge with practical achievement, and covering a very wide range of interests. They are well qualified to explore the territory, to identify the most promising directions for cooperation, and then to spread the word to others on the scope and the advantages of determined action. I attach great importance to the work of the group and am sure that they will put forward constructive initiatives. For my part, I shall study the results of their deliberations with the keenest attention.

With my best wishes.

Yours sincerely  
Margaret Thatcher

---

His Excellency Mr. Yasuhiro Nakasone



Foreign and Commonwealth Office

London SW1A 2AH

24 January, 1985

*Dear Charles,*

2000 Group: Message to Mr Nakasone

/ I enclose the draft message which you requested in your letter of 15 January. In preparing the message we have consulted HM Embassy in Tokyo and the DTI. It is drafted on the assumption that its contents are likely to become public knowledge (given the wide spread of membership of the 2000 Group on both British and Japanese sides).

Mr James Prior (the leader of the 2000 Group delegation) leaves the UK on 24 ~~February~~ <sup>January</sup>. You may therefore prefer to send the message, once it has been approved by the Prime Minister, by hand of Mr Richard Needham MP, the principal organiser of the party (who does not leave until 1 February). I enclose a short draft covering letter to Mr Needham. We would also propose to send a copy to the Embassy in Tokyo for their information and to the Japanese Embassy in London at about the time that it would be handed over to Mr Nakasone.

I am sending a copy of this letter to Callum McCarthy (DTI).

*To ever,  
Peter Ricketts*

(P F Ricketts)  
Private Secretary

C D Powell Esq  
10 Downing Street

Japan: Relations Pt 4

THE UNIVERSITY OF CHICAGO  
LIBRARY



24 JAN 1965

DRAFT: ~~xxxxx~~/letter/teleletter/despatch/note  
~~XXXXXXXXXXXXXXXXXXXX~~

TYPE: Draft/Final 1+

FROM: Prime Minister

Reference

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

TO: Mr Nakasone

Your Reference

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

Copies to:

*A. type.  
M.*

PRIVACY MARKING

SUBJECT:

.....In Confidence

When you were in London last year, we agreed on the need to stimulate and develop exchanges between Britain and Japan. We also agreed on the need to arrange non-governmental contacts through the 2000 Group. I am particularly happy therefore that James Prior is able to be the bearer of this message to you on the occasion of his visit to Tokyo for the first meeting of the 2000 Group.

CAVEAT.....

Since our meeting, Ministers and officials of our two governments have been in regular contact in both capitals and elsewhere. I am happy that the programme of international conferences, official consultations and Ministerial visits will give us in ~~1985~~ the opportunity to continue this exchange at governmental level in 1985 myself greatly I look forward to discussions with you at the Economic Summit in Bonn. In addition, Norman Tebbit plans to visit Tokyo in April and Geoffrey Howe is looking forward to greeting your Foreign Minister for a round of talks in London. There is much to be done to concert our views in the regular multilateral meetings in which we both participate, on questions of trade, finance, and a variety of other economic and social issues.

*and you and I were able to have a further talk in New Delhi.*

Enclosures—flag(s).....

// Against this, we do have different views about some aspects of our trading relationship. The growing deficits in UK/Japan and EC/Japan trade cause us ~~real and~~ increasing political as well as economic difficulty. I look forward to the next round of market opening measures which I know your Government is ~~actively~~ considering following your meeting with President Reagan earlier this month. I very much hope that these measures will directly address some of the concerns repeatedly rehearsed by the European Community and the UK, and that they will have a <sup>measurable</sup> marked effect on the trade imbalances. I recognise that the problems of our trading relationship must be seen in the context of growing Japanese investment in manufacturing in the UK; of liberalisation of your own capital markets, on which officials of our respective Ministries of Finance held useful talks last year; and of growing technological collaboration between British and Japanese industries. But as you know, I believe that it is vital for Japan, as a major force in the world economy, to accept responsibility for finding solutions to the problems of its trade surpluses, <sup>so easing</sup> ~~and~~ /the strain imposed by them on the world open trading system - and never more so than now, as we start to prepare for a new round of multilateral trade negotiations.

To promote our common interests more effectively and to ensure that these ~~shared~~ problems are tackled more vigorously, we need the sustained support of private enterprise and private sector activity in both countries. Japan's role in the modern world, and the direction of her influence on future world development, need to be better understood in Britain. Equally,

/Britain's



Britain's own contribution may not be fully understood in Japan. Our perceptions <sup>of each other</sup> should keep pace with technological and scientific advance: and we have been glad to participate both in your conference on the life sciences in 1984 and at the Tsukuba Exposition this year. There are areas of endeavour, of great significance for the future welfare and prosperity of society, in which we need to examine the scope for practical cooperation much more closely. We have a common interest in education, in the arts, and above all in sustaining the values of the democratic way of life. We have the means to extend communication and dialogue, and we must see to it that they are used to bring about a stronger and more beneficial investment of effort in both directions. ~~I believe that this is a task of some urgency.~~ *shall like to see real impetus given to this task.*

~~Against this background and~~ For these reasons, I <sup>greatly</sup> welcome the first meeting of the 2000 Group. The Group has a most distinguished membership, both ~~British and~~ Japanese <sup>and British,</sup> combining expert knowledge with practical achievement, and covering a very wide range of interests. They are well qualified to explore the territory, to identify the most promising directions for cooperative enterprise ~~to take,~~ and then to ~~bring the awareness of others concerned to focus~~ <sup>spread the word to others</sup> on the scope and the advantages of ~~early and determined~~ <sup>work of the group and</sup> action. I attach great importance to the ~~am confident~~ <sup>sure</sup> that they will put forward ~~and pursue~~ constructive initiatives. For my part, I shall study the results of their deliberations with the keenest attention.

~~With~~ my best ~~personal~~ wishes.

*Cl.*

DRAFT: minute/letter/teleletter/despach/note

TYPE: Draft/Final 1+

FROM:  
C D Powell Esq

Reference

DEPARTMENT: TEL. NO:

SECURITY CLASSIFICATION

TO:  
Richard Needham Esq MP

Your Reference

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

Copies to:

PRIVACY MARKING

SUBJECT:

.....In Confidence

When the 2000 Group delegation called on the Prime Minister on 15 January she mentioned her intention of sending a message for Mr Nakasone to which Mr Prior could hand to him in Tokyo. I enclose this message. The FCO is sending a copy to our Embassy in Tokyo and will as a courtesy be giving a copy also to the Japanese Embassy here at about the time when the original is being delivered in Tokyo. The Prime Minister would have no objection to your making the message public or using any part of it to further the work of the 2000 Group.

CAVEAT.....

I know that the Prime Minister looks forward to hearing from the members of the 2000 Group on their return from Japan.

CD.

Enclosures—flag(s).....

SUBJECT  
cc Master



AWB 514

10 DOWNING STREET

From the Private Secretary

15 January, 1985

Dear Peter,

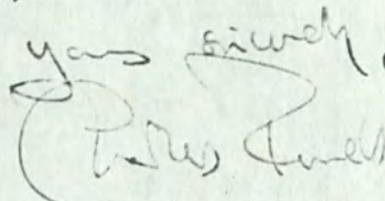
Call by the 2000 Group

The Prime Minister saw the British members of the 2000 Group for a discussion this evening of their forthcoming meeting. As a conclusion, the Prime Minister said that she would send a written message with the Group to Prime Minister Nakasone.

The message should contain some general remarks about our relations, both political and economic, and should refer to the importance which the Prime Minister herself attaches to the success of the 2000 Group. In short, a substantial message.

BF | The British members of the Group leave on or about 1 February. I should be grateful therefore if I could have the draft for such a message by 23 January.

I am sending a copy of this letter to Callum McCarthy (Department of Trade and Industry).

Yours sincerely,  
  
C. D. POWELL

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

PRIME MINISTER

MEETING WITH THE 2000 GROUP

Mr. Nakasone urged you last June to support the 2000 Group: a forum for meetings of politicians, businessmen and academics to supplement official contacts. You agreed that it was a worthwhile project and said that the British Government would take an interest in it.

The inaugural conference of the Group will be held in Japan on 4/5 February. Sir Julian Ridsdale will bring some of the British members to meet you on Tuesday. The purpose is for you publicly to put your stamp of approval on the exercise.

Some briefing is attached. You might invite the members to summarise the main themes which they intend to raise with the Japanese; and ask them to convey a personal message of good wishes to Mr. Nakasone.

C.D.P.

11 January 1985

VC3ABG



Foreign and Commonwealth Office

London SW1A 2AH

10 January 1985

*Dear Charles,*

Call by the 2000 Group

In your letter of 3 January confirming the Prime Minister's agreement to see the British members of the 2000 Group on 15 January, you asked for briefing material by 11 January. We have consulted the DTI.

As the Prime Minister will recall, Mr Nakasone mentioned the 2000 Group initiative during his talks with her immediately after the London Summit in June. Since then the plans to establish a bilateral forum to foster non-Governmental contacts between Japan and the UK have taken on considerably more substance. An inaugural conference is to be held in Japan on 4-5 February, and is expected to decide on a pattern of future conferences alternating between the UK and Japan approximately annually. The agenda of the first conference is deliberately general, embracing UK/Japanese relations in all their aspects, political, economic, scientific and technological, and cultural. The name "2000 Group" has been agreed by both sides as indicating a forward-looking attitude but without specific reference to the problems of the next century.

/ I attach a complete list of those members of the British side who will be travelling to Japan for the February conference, and a separate list of the Japanese participants.  
/ Mr James Prior has become the leader of the British side, joining Lord Boardman, Sir Michael Wilford and Sir Julian Ridsdale as the senior patrons of the Group. Mr Richard Needham MP has acted as coordinator of the Group's activities, and Dr William Wallace of Chatham House has been largely responsible for drafting the papers which the British side will contribute and will act as rapporteur for the conference.

The primary purpose of the call on the Prime Minister is to receive Mrs Thatcher's blessing on the venture. The Japanese participants will similarly be calling on Mr Nakasone, who has taken a close personal interest and who will be giving a lunch for the Group at the end of the February conference. The Japanese attach importance to evidence of support for the initiative by the British Government, although for our part we have made it plain that, although the Government is contributing what it can and the concept has our enthusiastic support, we

/see



see the principal value of the regular conferences as being to bring together influential people from a variety of backgrounds and to broaden the scope of contact between the UK and Japan beyond the normal Governmental exchanges. The FCO has been represented in preparatory meetings of the Group in London and the British Ambassador in Tokyo will take part in the February conference. The FCO has also made a token contribution to the cost of travel for the British participants in the first conference.

I am sending a copy of this letter and enclosures to Callum McCarthy in the DTI.

*Yours ever,*

*Peter Ricketts*

(P F Ricketts)  
Private Secretary

C D Powell Esq  
10 Downing Street

2000 GROUP: BRITISH PARTICIPANTS

Mr James Prior, MP	GEC
Mr Con Allday	BNFL
Sir Terence Beckett	CBI
Mr Brian Beedham	"The Economist"
<u>Professor Alan Budd</u>	<u>Economist</u>
Admiral Sir James Eberle	Chatham House
Mr Richard Needham, MP	
Sir Peter Parker	Former Chairman, British Rail
Sir Julian Ridsdale, MP	Chairman, Anglo-Japanese Parl'y Group
<u>Lord Sandon</u>	Nat West ( <u>vice</u> Lord Boardman)
Mr John Smith, MP	Former S/S for Trade
Professor Keith Thurley	LSE
<u>Dr William Wallace</u>	Chatham House
Sir Michael Wilford	Formerly Ambassador to Japan
Mr Nicholas Wolfers	Samuel Montagu

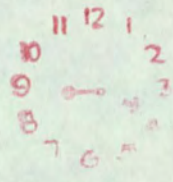
MEMBERS 2000 GROUP  
Japanese side

---

Tadao KATO (Chairman)	Advisor to the President, Sumitomo Metal Industries Ltd.
Nubotoshi HAGIHARA	Writer and Historian
Takashi HOSOMI	President, the Overseas Economic Co-operation Fund
Toshiki KAIFU	Member of the House of Representatives Vice Secretary-General of the Liberal Democratic Party
Masataka KOSAKA	Professor of International Politics, University of Kyoto
Isamu MIYAZAKI	Chairman, Daiwa Securities Research Institute
Takashi MUKAIBO	Acting Chairman, Japan Atomic Energy Commission
Keizo SAJI	Chairman of the Board and President, Suntory Ltd.
Tadahiro SEKIMOTO	President, Nippon Electric Co. Ltd
Motoo SHIINA	Member of the House of Representatives, Vice-Chairman of the Policy Research Commission, Liberal Democratic Party
Atsushi SHIMOKOBE	President, National Institute for Research Advancement
Shoichiro TOYODA	President, Toyota Motor Corporation
Yasushi WATANABE	President, The Bank of Tokyo Ltd.
Tadashi YAMAMOTO	Director of The Japan Centre for International Exchange



10 JAN 1985





MEETING WITH 2000 GROUP, 15 JANUARY

UK/JAPAN TRADE RELATIONS

1. UK and EC have large and increasing imbalance in visible trade with Japan (UK 1983 £2.6bn, likely to be £2.8bn 1984). UK exports are improving (up around 18% in 1984) but not making major impact on overall trade flow. Problem of imports in sensitive sectors remains. Prime Minister Nakasone's message on need to promote imports not getting through to levels at which purchasing decisions effectively taken.
2. Japanese have introduced import liberalisation measures (eg reduced tariffs on particular goods) but little practical effect. US pressing hard for more liberalisation measures in particular sectors, as are EC. Recent Reagan/Nakasone meeting good for Japanese - were not hit as hard as they feared with threats of protectionism. Problem for US, as for EC, is to prevent Japanese procrastinating on market liberalisation. Major task is to tackle Japan's low propensity to import, both in industrial and consumer sectors.
3. On services, Japan beginning to liberalise and we welcome progress on finance. Again need to ensure changes not tailored to US demands to exclusion of UK and EC.
4. Direct new investment from overseas judged to be of net overall benefit to the UK economy is welcomed. Overseas companies investing in UK treated as equals with indigenous companies. Japanese investment, although still relatively small (£45m in UK, 5500 jobs, £250m in EC, 25,000 jobs) can play an important role in reducing trade frictions. Japanese appear to respond positively to investment opportunities particularly in sectors where imports are sensitive (eg cars, machine tools). HMG proposes to hold two seminars in 1985 in Tokyo and Osaka on the benefits investments in Britain can bring - shows continued commitment to attracting Japanese manufacturing investment to UK.



Foreign and Commonwealth Office

London SW1A 2AH

9 January 1985

MS  
Dear Charles,

Farewell call by Japanese Ambassador

The Prime Minister has agreed to receive the Japanese Ambassador for a very brief farewell call at 11.45 on 14 January.

The Ambassador wishes to call on the Prime Minister to express the Japanese Government's and his own personal thanks for the attention given to Prince Hiro and our support for the 2000 Group initiative. (The Prime Minister is receiving the British participants in the 2000 Group on the following day, 15 January; I shall be writing separately with briefing for that meeting.) The Ambassador will not wish to raise any contentious issues. In reply, the Prime Minister might reiterate our pleasure in having the Prince studying at Merton College, Oxford, our satisfaction at the excellent state of relations between Britain and Japan, and our enthusiasm for the closer relations between the non-Governmental sectors in Japan and the UK, which the 2000 Group will foster.

I enclose a personality note on Mr Hirahara. He leaves the UK on retirement from the Japanese Diplomatic Service.

Yours ever,  
Peter Ricketts

(P F Ricketts)  
Private Secretary

C D Powell Esq  
10 Downing Street

CCPC.  
cc press

Prime Minister  
He is expecting 15 minutes.  
I have asked for a  
COI photographer, so that  
he can leave London  
with a picture of himself  
with you. CDP  
11/1



MR TSUYOSHI HIRAHARA, AMBASSADOR TO THE UK

Born 1920.

Graduated in Politics from Tokyo University in 1943. Served in Moscow, Peking, Brussels, Milan and at UNESCO. An economic expert, he spent much of his time in Tokyo in the Economic Affairs Bureau of the MFA, and was its Director-General from 1970-72. Ambassador to Morocco, 1972-74, and to OECD, Paris 1974-80. After a temporary appointment in the Foreign Minister's Secretariat, he came to London in February 1982. During his mission he has devoted most time to ensuring the success of Prince Hiro's studies at Oxford, and has seen himself as in loco parentis to the Prince.

Hirahara's hobby is collecting turtles which he transports around the world, as much as the climate permits. He also plays golf. He is an agreeable man and an accomplished off-the-cuff speaker.

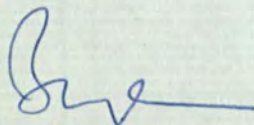


MR POWELL

You may have noticed from the anniversaries diary that I have prepared for the Prime Minister that there are three events in August of great historical significance:

- dropping of Hiroshima and Nagasaki atom bombs (August 6 and 9)
- VJ Day (August 15).

You may care to consider whether the Prime Minister, who would normally be on holiday then, will be required for any ceremony or whether she should herself mark the occasion in any way.



BERNARD INGHAM

7 January 1985

Pl. b/g on  
~~15 Aug.~~  
10/6 CDP  
CDP  
"11"

JAPAN  
Relats

MR. POWELL

FOR THE ABOVE NAMED REASON THE ANALYSIS OF THE  
RESULTS OF THE TESTS IN THE PAST MONTHS HAS  
INDICATED THAT THE RESULTS ARE AS FOLLOWS:

RESULTS

RESULTS

RESULTS

RESULTS

RESULTS

CONFIDENTIAL

BERNARD LICHNER  
7 January 1952

W. R.

MEETING WITH 2000 GROUP

This will now take place at the  
Prime Minister's room at the House  
at 6.15 p.m. on Tuesday 15th January.



SH24BH



file

10 DOWNING STREET

*From the Private Secretary*

3 January 1985

UK/Japan: 2000 Group

The Prime Minister has agreed to see UK members of the 2000 Group led by Sir Julian Ridsdale, M.P. before they visit Japan in February. A meeting has been arranged for 15 January.

I should be grateful if the FCO and DTI could collaborate to produce a brief for this meeting which should reach this office by 4 p.m. on 11 January.

I am copying this letter to Callum McCarthy (Department of Trade and Industry).

C. D. POWELL

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

dt



FILE

ky

10 DOWNING STREET

*From the Private Secretary*

3 January, 1985

Michael Alison has gone to his constituency so I am writing to acknowledge your letter to him of 31 December.

I think that Michael Alison has been in touch with Julian Ridsdale about a meeting with the Prime Minister before you go to Japan. I told Michael that 1615 on Tuesday, 15 January would suit the Prime Minister and I hope it will be convenient for the Group.

(Caroline Ryder)

Richard Needham, Esq., MP

✓



10 DOWNING STREET

Mrs Ryde

The attached arrived  
only this morning.

Do you happen to know  
if the meeting now in

the diary for Jan 15 (after  
Question) has been

conjoined with the MPs or  
the "leave"?

Greiner

3/1

RICHARD NEEDHAM, M.P.



HOUSE OF COMMONS  
LONDON SW1A 0AA

The Rt. Hon. Michael Alison, MP,  
10 Downing Street,  
London, SW1.

31st December, 1984

*Rec'd 3/1.*

*Dear Michael*

I am sorry to have bothered you at home this morning but it is of the utmost importance to the 2000 Group that we should be able to have a brief talk with the Prime Minister before we leave for Japan.

We should of course like to be able to publicize this meeting if possible at the same time as we publicize the launch of the Group on the 14th January. It would probably be best to have the meeting in the week starting 14th January if this is possible.

I enclose the latest minutes which give a brief precis of the present position.

*[Handwritten signature]*

c.c. The Rt. Hon. James Prior, MP  
Mark Elliott, Esq., The Foreign Office

RECORD OF 2000 GROUP MEETING HELD IN THE HOUSE OF COMMONS ON  
WEDNESDAY 12 DECEMBER 1984

Present:

Mr James Prior  
Mr Herbert-Jones  
Dr Ichikawa  
Mr McCallum  
Mr McDowell  
Mr Needham  
Sir J Ridsdale  
Mr Robertson  
Mr Tokinoya  
Dr Wallace  
Mr Wolfers  
Mr Elliott

1. Mr Prior read out the names of those who had accepted the invitation to participate in the February conference in Japan. They were:

Mr James Prior  
Mr Brian Beedham  
Professor Alan Budd  
Admiral Sir James Eberle  
Mr Richard Needham  
Sir Peter Parker  
Sir Julian Ridsdale  
Lord Sandon  
Mr John Smith  
Dr William Wallace  
Sir Michael Wilford  
Mr Nicholas Wolfers

Mr Prior also mentioned the name of Sir Terence Beckett, but Mr Herbert-Jones said that Sir Terence Beckett had not yet finally decided whether he would be able to come; a firm decision should be possible within the next two days.

2. There was some discussion of additional representatives to match the Japanese scientist Professor Mukaido. Various names were mentioned; it was agreed that Sir J Ridsdale would approach Mr Con Allday, Managing Director of British Nuclear Fuels Limited, who was familiar with Japan.

3. In place of Professor Dore, who would unfortunately not be able to attend, and to meet also the Japanese suggestion that a woman should be a member of each delegation, Sir M Wilford suggested Dr Carmen Blacker. Other names mentioned as alternatives were Professor Keith Thurley of the LSE; Mr Malcolm Trevor; Mr Rodney Clark of Professor Dore's Institute; Professor Geoffrey Bownas; and Professor Arthur Stockwin. After some discussion it was agreed that Mr Wolfers should first approach Professor Thurley.

4. On the question of funding, Mr Prior said that there were 5 fares yet to be found. The FCO would provide one. An approach should be made to the British Council who might be able to find another. Others who should be approached were Lord Boardman, who might be able to find an additional fare; Mr William McAlpine, who had suggested that his son Andrew McAlpine might attend the conference (it was agreed that he should do so but only as an observer) and who might be able to find an additional fare; Mr David Sainsbury (it was agreed that he should be invited to be an additional member of the party but it was possible that he would be able to provide an additional fare); and the merchant banks, for example Kleinwort Benson.

5. It was agreed that Mr Needham and Mr Tokinoya would liaise on the accommodation and other logistic arrangements for the party in Japan, the period to be covered being from the Sunday to lunch time on the Wednesday.

6. On the preparation of papers, there was some discussion about the doubts raised by Professor Dore as to whether the British paper should express a consensus view or whether it should be more individual and provoke debate from individuals on the British side who could challenge the views expressed in the paper. A Japanese response on the separate note of objectives was still awaited.

7. There was a detailed discussion of the timing of publicity. The date proposed for a simultaneous press release was Friday 11 January. However there were arguments for an earlier launch, before Parliament re-assembled on 9 January, and it was suggested that a suitable day would be Monday 7 January which would have the advantage that the newspapers were generally short of news on a Monday. Friday would be a bad day for a release because attention on a Saturday was less and the news would be stale by the Monday. An alternative was to wait until Monday 14 January for the announcement to appear in the British press, which had the additional merit that the Japanese Ambassador had invited the party who would travel to Japan together with other members of the core group to a reception in the Embassy that evening; the Japanese announcement could be made on 14 January Japan time and appear in the Japanese press on 15 January. At the formal meeting there was provisional agreement to go for 14-15 January on the grounds that 7-8 January would be too soon after the holiday season for the material to be prepared. However in informal discussion after the meeting Mr Tokinoya pointed out that Mr Nakasone would be travelling abroad on 14 January, so that this would not be a good day to hope to secure attention of the Japanese press for an announcement in Japan; moreover 15 January was a national holiday in Japan. Mr Tokinoya has since established that the preference of Ambassador Kato and the Japanese side is for a Japanese announcement on 10 or 11 January, whether or not the British side wished to make a

/simultaneous

simultaneous announcement; each side had arguments for its own dates and synchronization was not essential, in Mr Kato's view. Mr Tokinoya and Mr Needham would discuss this point further. In connection with publicity in the UK it was agreed that Dr Wallace should approach Mr George Brock about possibly writing an article for "The Times".

8. Mr Needham said that he would approach the Prime Minister's office to arrange a meeting of the conference participants with the Prime Minister probably around 21-22 January. He would also arrange for the conference participants to meet for a general briefing on Japan, for which he might enlist help from SOAS.



file ed

ccPC.

10 DOWNING STREET

*From the Private Secretary*

17 December 1984

Japanese Ambassador

Before his departure for China, Charles Powell asked me to reply to your letter of 14 December.

BF1  
The Prime Minister will be very happy to receive the Japanese Ambassador for a farewell call and I wonder whether Tuesday 15 January at 11 am would be convenient?

(Mrs Caroline Ryder)

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



010

CCPC

①



Foreign and Commonwealth Office

London SW1A 2AH

14 December 1984

Dear Charles,

Japanese Ambassador

Yes not  
Prime Minister  
Agree exceptionally  
to see him for  
15 minutes?

CDP.14.xii

The Japanese Ambassador, Mr Tsuyoshi Hirahara, leaves the UK on retirement on 22 January. We have arranged the normal farewell functions: he will have a farewell audience of The Queen, Mr Luce will act as host at a farewell lunch on 7 January, and the Ambassador will also be present at a lunch which Sir Geoffrey Howe is giving for Prince Hiro on 16 January.

The Japanese Embassy have asked whether it would be possible for Mr Hirahara to take his leave of the Prime Minister. They ask only for a five minute audience, and have emphasised that they do not wish for any discussions of substance. The Ambassador's principal purpose is to express the Japanese Government's and his own personal thanks for the Prime Minister's interest in Japan as shown in the attention given to Prince Hiro and in our support for the 2000 Group initiative. Mr Hirahara would make himself available at any time convenient to the Prime Minister before his departure.

The Japanese fully understand that it would be exceptional for the Prime Minister to receive a departing Ambassador. They have mentioned to us, in support of their request, that Sir Hugh Cortazzi saw Mr Nakasone shortly before his own departure from Japan earlier this year as British Ambassador; but they accept that that call was for prearranged discussions of substance and so of a different character, and understand also that our own practice is different.

Nevertheless, since the Japanese have pressed this request, we thought that you should have the chance to consider it.

Yours ever,

Peter Ricketts

(P F Ricketts)  
Private Secretary

C D Powell Esq  
10 Downing Street



JK VC  
c fco

10 DOWNING STREET

*From the Private Secretary*

10 December 1984

Tsukuba Expo 85

Thank you for your letter of 7 December enclosing a draft message from the Prime Minister for the brochure for the British pavilion at this exhibition.

I enclose a signed original of the message.

(C.D. POWELL)

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

VC



## 10 DOWNING STREET

THE PRIME MINISTER

When I had the great pleasure of visiting Japan in September 1982, I was glad to tell the Prime Minister, Mr. Zenko Suzuki, that the United Kingdom would participate in the International Exposition 1985 at Tsukuba. This great Exposition is a tribute to the efforts of many people in Japan and around the world who have contributed to it. It will give millions of people in Japan the chance to see for themselves the technical developments and the lifestyles of many other countries. It will also give visitors from other countries a unique opportunity to discover at first hand aspects of life and the development of human knowledge in Japan.

The United Kingdom pavilion is part of a European Community group, organised jointly with other member countries. This group illustrates our common heritage and purpose. It also provides a practical demonstration of our collaboration in many scientific and economic endeavours. The European Community group will enable the visitor to appreciate both the unity, and the diversity, of the member countries.

The theme of Expo 85, "Dwellings and Surroundings - Science and Technology for Man at Home", is well reflected in the British pavilion. Here you will meet a symbolic British family, who will welcome you to our country, and show you something of our lifestyle. You will see British developments in the fields of energy, information technology, communications, transport, biology, medicine, and the protection of the environment.

I bid you welcome to the British pavilion. When you leave, I hope you will feel that you have been entertained as well as informed. Above all, I hope you will take away with you not only an impression of our history, and the splendour of our pageantry, but also our ability to pioneer scientific and technological advances of great benefit to mankind.

Margaret Thatcher

December 1984



Foreign and Commonwealth Office

London SW1A 2AH

7 December 1984

ccA

Dear Charles,

Tsukuba Expo 85: Message from the Prime Minister

The Prime Minister decided, during her visit to Japan in September 1982, that the UK should participate in the International Exposition at Tsukuba Science City, which will take place from 17 March to 16 September 1985. Over 40 other countries and a similar number of international organisations are expected to participate and 20 million visitors are expected.

The COI is mounting a British pavilion at a cost of £1.5 million to FCO information funds. British industry has also contributed significantly, not least by supplying exhibits. The COI are arranging for a special souvenir brochure to be printed for presentation to VIP visitors to the British pavilion, and for sale to the public (the intention is that it should be self-financing). In conformity with the theme of the Expo, "Dwellings and Surroundings - Science and Technology for Man at Home", the brochure will describe British scientific and technical achievements, some of which will be featured in our pavilion. It will also illustrate a variety of aspects of the British way of life.

The Embassy in Tokyo have recommended that the brochure include a message from the Prime Minister to those who visit the British pavilion. We support this proposal. I enclose a draft.

Yours ever,  
Peter Ricketts

(P F Ricketts)  
Private Secretary

C D Powell Esq  
10 Downing Street

RESTRICTED

hli EA



cc PC

10 DOWNING STREET

*From the Private Secretary*

23 November 1984

ANGLO-JAPANESE FINANCIAL TALKS

The Chancellor minuted the Prime Minister on 19 November about recent efforts to obtain greater freedom for British banks and financial institutions to operate in Japan.

The Prime Minister has noted with satisfaction the outcome of the talks held by Geoffrey Littler.

I am copying this minute to Len Appleyard (Foreign and Commonwealth Office), Dilwyn Griffiths (Mr Fletcher's office, Department of Trade and Industry) and John Bartlett (Bank of England).

(Charles Powell)

David Peretz Esq  
HM Treasury

RESTRICTED

EA

RESTRICTED

LAT  
2) Prime Minister  
CDP  
20/xiTreasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

PRIME MINISTER

MS

## ANGLO-JAPANESE FINANCIAL TALKS

When he was here for the London Summit, earlier this year, I secured the agreement of Mr Takeshita, the Japanese Minister of Finance, to a round of bilateral talks between officials about how to obtain greater freedom for British banks and financial institutions to operate in Japan. There had already been extensive bilateral discussions between Japan and the United States earlier in the year. I wanted to make sure there was no question of United States institutions getting special privileges in Japan, as well as seeking to open up important Japanese markets to British participation.

As agreed between Takeshita and myself, a team of British officials, led by Geoffrey Littler, accordingly visited Tokyo towards the end of last month. The talks turned out to be constructive, and they produced some immediate results.

The starting point was that Japanese securities houses have for many years been able to trade freely in London, whereas no British firms had been given licences to deal in securities in Japan.

Geoffrey Littler's team managed to achieve a minor but significant breakthrough on this. Two out of the three outstanding cases of application for licences for British firms were granted immediately following the talks, and there are good reasons to hope that the third will also now be dealt with satisfactorily. And the Japanese undertook to process future licences sympathetically and quickly. In a different area, it also now seems that the way may be open for British firms to enter into investment management arrangements with pension funds and the like in Japan. Several British investment management companies are interested in this.

Finally, the team was given an undertaking that controls over British and other foreign banks operating in Japan would shortly be relaxed substantially. It has since been confirmed that important and welcome changes are indeed being made.

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The Japanese had a counter-demand of their own. They wanted us to permit their leading securities houses, who already operate in London, to be given licences to operate in London as banks. On this Littler was able to clarify the conditions that have to be met, and to remove a misunderstanding on the part of the Japanese that we have given more favourable treatment to US than to Japanese companies. The Japanese are now seeking to devise ways of meeting our conditions.

The Japanese financial system, of course, remains highly bureaucratic and subject to detailed control by the Ministry of Finance. We shall want - and I have made this clear in my letter of thanks to the Japanese Minister - to monitor future progress in Tokyo closely. As the securities market in London develops over the next few years Japanese firms operating here will look to the authorities, including the Stock Exchange, for hospitable treatment. We have made it clear that we shall be looking in return for equally hospitable treatment for British firms operating in Tokyo.

I am planning to tell the House about the success of this mission with a Written Answer on the lines of the attached draft.

I am copying this minute to Geoffrey Howe, Alex Fletcher and the Governor, with thanks also for the contributions their representatives made to the success of the mission.

**NIGEL LAWSON**  
19 November 1984



## DRAFT PARLIAMENTARY QUESTION

Q. To ask the Chancellor of the Exchequer what was the outcome of recent bilateral talks between British officials and officials of the Japanese Ministry of Finance.

A. I had suggested these talks to seek to ensure that the freedom with which Japanese banks and securities houses operate in London was matched by freer access for British financial institutions wishing to operate in Japan.

I believe the talks were valuable. Following the talks practical steps were taken promptly in Tokyo to deal with certain outstanding applications by British firms for securities licences, and to liberalise restrictions on British and other foreign banks in Tokyo. I look for further progress in the next year or so by the Japanese authorities in liberalising their financial markets and opening them to overseas competition.

cc MASTER SET



## 10 DOWNING STREET

*From the Private Secretary*

5 November 1984

PRIME MINISTER'S MEETING WITH MR. NAKASONE AT THE  
BRITISH HIGH COMMISSIONER'S RESIDENCE IN NEW DELHI ON  
SUNDAY 4 NOVEMBER 1984

---

Mr. Nakasone called on the Prime Minister at 0930 hours on 4 November at the High Commissioner's Residence. He was accompanied by a number of officials and by his son. Mr. Butler, Mr. Ingham and I were also present.

In a brief discussion of prospects in India, Mr. Nakasone observed that Rajiv Gandhi had lost weight since they had last met and attributed this to the stresses on him. However, he believed him to be a mature and sophisticated man.

Mr. Nakasone said that Japan's main economic problem was the size of its trade surplus. The strength of the dollar was an important factor in this. The Prime Minister commented that she thought the dollar would remain strong even if interest rates came down. The basic reason for its strength was the security which the United States offered for foreign investors.

At this point Mr. Nakasone asked for all officials to leave. In his subsequent conversation, the Prime Minister reported that he raised Hong Kong, explaining that he would have been prepared to intervene with the Chinese if necessary. His basic point would have been that the various free enterprise zones introduced by the Chinese Government would have no hope of flourishing unless they did well by Hong Kong.

The Prime Minister subsequently asked about Japan's earlier experience of a coal strike. Mr. Nakasone said that employment in coalmining had declined, as a result of the strike, from 300,000 to 40,000.

I am copying this letter to David Peretz (HM Treasury) and Callum McCarthy (Department of Trade and Industry).

Len Appleyard, Esq.,  
Foreign and Commonwealth Office.



10 DOWNING STREET

*From the Private Secretary*

12 September, 1984

Mr. Michiyuki Isurugi

Thank you for your letter of 10 September to Caroline Ryder about the possibility that Mr. Michiyuki Isurugi might call upon the Prime Minister on 27 September.

I am grateful to you for drawing this possibility to our attention, but I regret that a call will not be possible. The Prime Minister did, of course, have extensive discussions with the Japanese Prime Minister in the course of the London Economic Summit, and it is only on rare occasions that she is able to see overseas Ministers at below Head of Government level.

I am sending a copy of this letter to Peter Ricketts (Foreign and Commonwealth Office), Elizabeth Hodkinson (Department of Education and Science) and John Neilson (Department of Energy).

DAVID BARCLAY

Andrew Lansley, Esq.,  
Department of Trade and Industry

SSS



10 DOWNING STREET

Caroline

Although the PM is likely  
to be attracted by the science  
hi-tech, Wade does not  
feel he is sufficient of a  
political figure - Japan  
to warrant a PM meeting.

∴ No, unless FCO  
have another story.

I would not stay 4 PM.

AT

DB.

FEO. Will ring you  
back. I may  
agree with AT  
to CDP can you  
please tell  
D.I. CM



DEPARTMENT OF TRADE AND INDUSTRY  
 1-19 VICTORIA STREET  
 LONDON SW1H 0ET  
 TELEPHONE DIRECT LINE 01-215 5422  
 SWITCHBOARD 01-215 7877

JU7

Secretary of State for Trade and Industry

10 September 1984

Miss Caroline Ryder  
 10 Downing Street  
 London SW1

① Mr. Turnbull  
 ② Mr. Powell  
 advise please

CR

Dear Caroline,

MR MICHIIYUKI ISURUGI

Mr Michiyuki Isurugi, Minister of State for Science and Technology and a member of the Japanese Cabinet, is visiting the United Kingdom at the invitation of the Secretary of State for Trade and Industry during the period 25-28 September. A programme of calls on Ministers at DTI and DES has been arranged for Mr Isurugi together with visits to Kew (plant resource centre), Culham (JET) and Slough (Celltech). A government lunch will be given for him on 27 September.

2 Mr Isurugi has also requested a brief call on the Prime Minister if this were possible. His programme is reasonably flexible, particularly on the afternoon of 27 September. I should be grateful if you would let me know whether there is a real prospect of this being accommodated. I enclose a curriculum vitae for Mr Isurugi together with a draft provisional programme.

3 I am copying this letter to Peter Ricketts (FCO), Elizabeth Hodgkinson (DES) and John Neilson (DEnergy).

*Andrew Lansley*

ANDREW LANSLEY  
 Private Secretary

Enc

MICHIYUKI ISURUGI

Biography

Director General, Science and Technology Agency

Born 1913

Member of the House of Councillors (Upper House) for Iwate Prefecture (Northeast Japan) since 1968. Deputy Chairman, Liberal Democratic Party Group on Energy Resources.

Born in Iwate Prefecture, he graduated in Law from Kyoto University and entered the Finance Ministry. He became Private Secretary to Prime Minister Yoshida in 1949 and was Counsellor (Finance) at the Japanese Embassy in London from 1957-60. In 1961 he became Private Secretary to Prime Minister Ikeda. In 1964 he was elected Member of the House of Representatives for Iwate Prefecture, and served one term.

Mr Isurugi has been Vice Chairman of the LDP Policy Research Council; Chairman of the Upper House Committee on Finance, Deputy Chairman of the LDP Study Group on Energy Resources, and head of the LDP International Bureau. He is a member of the Suzuki faction but has little interest in factional affairs, which may have slowed his progress. He is known as an outspoken politician.

His interests are foreign travel, golf, reading and composing Haiku poems. He has two children - a son (who studied at Bath University) and a daughter. He is a member of the Japan-British Society. Speaks reasonable English but may elect to use an interpreter.

The Science and Technology Agency

The Science and Technology Agency comes within the Prime Minister's Office. It is responsible for planning fundamental policy in science and technology and coordinating the work of other departments. In practice its ability to influence the activities of the other Ministries with interests in science and technology is limited. It supervises the main Japanese space effort conducted by NASDA (National Space Development Agency), and is responsible for the Atomic Energy Bureau and the Nuclear Safety Bureau.

The STA extract from the 'Guide to the Government of Japan' is attached.

## Science and Technology Agency

### Director-General's Secretariat (Organization)

The Director-General's Secretariat is composed of four Counsellors, the Secretariat Division, the General Affairs Division and the Finance Division and a Science Research Officer. The Director-General of the Science and Technology Agency is a Minister of State.

### Planning Bureau (Organization)

The Planning Bureau is composed of the Planning Division, the Research Division, the Resources Division and five Science Research Officers.

### (Functions)

The Bureau is responsible for the following matters: planning and promotion of the fundamental policy on science and technology; coordination of ministries and agencies concerning the general policies on science and technology, surveys and analyses on trend and policy in science and technology both at home and abroad; statistics of science and technology; general measures for comprehensive use of resources; and supervision of the National Institute of Resources.

### Research Coordination Bureau (Organization)

The Research Coordination Bureau is divided into the Coordination Division, the Inter-ministerial R & D Division, the Life Technology Division, the Space Activities Planning Division, the International Space Affairs Division, the Space Development Division and the Ocean Development Division.

### (Functions)

The Bureau is responsible for the following matters: coordination and promotion of research and development jointly conducted by related ministries and agencies; preadjustment of research budgets of the related ministries and agencies; promotion of space activities and marine activities; encouragement of important research programs performed by the private sector; and supervision of the National Aerospace Laboratory, the National Research Center for Disaster Prevention, the National Space Development Agency of Japan and the Japan Marine Science and Technology Center.

### Promotion Bureau (Organization)

The Promotion Bureau is divided into the Promotion Division, the Public Relations Division, the International Affairs Division, the Invention Division and the Institutes Administration Division.

### (Functions)

The Bureau is responsible for the following matters: coordination of the government's international cooperation in science and technology; public relations; publication of procured materials; supervision of the National Research Institute for Metals, the National Institute for Research in Inorganic Materials, the Japan Information Center of Science and Technology, the Institute of Physical and Chemical Research and the Research Development Corporation of Japan; promotion of invention; examination of consultant engineer; and promotion of circulation of scientific and technological information.



Atomic Energy Bureau  
(Organization)

The Atomic Energy Bureau is composed of the Policy Division, the Research and International Affairs Division, the Power Reactor Development Division, the Technology Development Division, the Nuclear Fuel Division and the Administrator of Atomic Energy Institutes.

(Functions)

The Bureau is responsible for the following matters: planning, drafting and carrying through basic policies relating to the peaceful uses of atomic energy; carrying out the work of general adjustment of the administrative organs engaged in the peaceful uses of atomic energy and coordinating the policy on estimating expenditures, as well as allocation plans; compensation for nuclear damage; promotion of the use of radioisotopes; supervision of the National Institute of Radiological Sciences, the Japan Atomic Energy Research Institute, the Japan Nuclear Ship Research and Development Agency, and the Power Reactor and Nuclear Fuel Development Corporation; fostering of experimental research in the peaceful uses of atomic energy; training of researchers and technicians who engage in the peaceful uses of atomic energy; surveys and analyses on trend and policy in the peaceful uses of atomic energy both at home and abroad; and statistics of the peaceful uses of atomic energy.

Nuclear Safety Bureau  
(Organization)

The Nuclear Safety Bureau is composed of the Nuclear Safety Division, the Reactor Regulation Division, the Nuclear Materials Regulation Division, the Safeguards Division and the Radiation Protection Division.

(Functions)

The Nuclear Safety Bureau is responsible for the regulation of reactors, nuclear materials and radioisotopes, prevention of hazards resulting from the use of nuclear energy and other matters related to the safety aspects of nuclear energy.

OUTLINE PROGRAMME FOR THE VISIT OF MR M ISURUGI, JAPANESE  
MINISTER OF STATE FOR SCIENCE AND TECHNOLOGY

(as at 6.9.84)

TUESDAY 25 SEPTEMBER

13.<sup>10</sup>~~25~~ (~~13.10~~) Arrive Heathrow by SR ~~432~~<sup>804</sup> from Zurich (Vienna)  
Reception lounge at Heathrow

<sup>13.45</sup>  
~~14.00~~(?) Leave by car for Kew Gardens

14.15 Arrive Kew Gardens  
Plant Resource Centre  
Genetics: Threatened Species

17.00 Call on Secretary of State for Trade and Industry  
1 Victoria Street

evening Function arranged by Mr Con Allday,  
Managing Director of BNFL

WEDNESDAY 26 SEPTEMBER

09.00 Leave hotel by car

10.30 Arrive Culham. Visit to the Culham Laboratory  
and the JET Project

12.30 Lunch at Culham

14.15 Depart by car for Slough

15.15 Arrive Celltech

17.15 Depart by car for London

THURSDAY 27 SEPTEMBER

10.45 Call on The Hon Peter Brooke MP, Department of  
Education and Science, Elizabeth House, York Road

11.30 Call on Mr John Butcher MP, Department of Trade  
and Industry, 1 Victoria Street

12.45 HM Government Luncheon, Lancaster House

pm Additional calls, press conference, cultural visits

FRIDAY 28 SEPTEMBER

SATURDAY 29 SEPTEMBER

09.25

Depart Heath Row by BA 634

SAVING TELEGRAM

BY BAG

FROM TOKYO TO FCO

TELNO 6 SAVING

UNCLASSIFIED [CULL]

Addressed to FCO Telegram No 6 Saving of 25 June 1984

Repeated for information Saving to: Paris, Rome, Bonn, Washington, Brussels, Dublin, Stockholm, UKREP Brussels, UKMIS Geneva, UKDEL OECD, Ottawa, Bangkok, Canberra, Peking, Seoul, Jakarta, Singapore, Manila, Kuala Lumpur, Governor Hong Kong, BTC Hong Kong, Osaka.

JAPAN: MONTHLY ECONOMIC REPORT - JUNE 1984

- The economy grew by 3.7% in 1983/84, comfortably exceeding the official target of 3.4%.
- Growth accelerated sharply in the first quarter of 1984, reaching an annualised rate of 7.4%, the fastest increase for 4 years.
- The most striking feature of the quarter was the sharp upturn in private investment, which grew faster than at any time over the last 2 years.
- Consumers' expenditure recovered from the low levels of 1983, but remains relatively depressed.
- The revival in construction seen in the last quarter of 1983 was not maintained.
- External demand therefore continued to play a central role in the recovery.
- The trade surplus in April reached a record \$3.9 billion and the current account surplus rose to \$3.5 billion, as the invisible deficit contracted.
- Long-term capital outflows exceeded \$4.4 billion, as heavy sales of equities by foreigners added to accelerating gross outward flows.
- The yen weakened against the US dollar, falling to below ¥238 in late June.

Suggest you read  
first page  
summary only.  
C.D.P.  
3/7.

/KEY INDICATORS

KEY INDICATORS

Table 1

	UNIT	1983 Oct/Dec	1984 Jan/Mar	Previous Month	Latest Month	Latest Month Shown
GNP* - Nominal	) % change on ) previous period	0.9 R	2.0			
Real		0.8	1.8			
Industrial Production*	"	2.9 R	3.2 R	- 1.3 R	0.8	April
Unemployment*	% of labour force, average for period	2.58	2.71	2.68	2.61	April
Wages	% change on year ago	3.0	4.2	5.2	5.4	April
Wholesale Prices	"	- 3.3	- 1.3	- 0.7	- 0.1	May
Consumer Prices (Tokyo)	"	1.9	2.9	3.1	2.6	May
Money Supply (M2 + CDs)	"	7.2	7.9	8.4	7.7	April
Short-term interest rate	% p.a. (3-month rensaki)	6.417	6.303	6.199	6.352	May
Long-term interest rate	" (10-year government bond)	7.02	6.73	6.80	7.36	May
Current Account*	\$ million	5,518	7,246	2,428	3,562	April
Overall Balance	" (SA)	1,222	- 675	- 1,472	- 1,747	April
	" (NSA)	1,943	- 3,070	- 533	- 1,785	April
Change in Reserves	"	- 145	613	125	212	April
Exchange rate	¥/\$ (end-period)	232.20	224.70	225.95	231.50	May
	¥/£ (end-period)	337.50	323.91	316.22	321.09	May

\*Seasonally-adjusted

GENERAL ASSESSMENT

Current Position

Provisional figures for the growth of real GNP in the first quarter of 1984, announced on 16 June, showed that the economy grew faster in that period than at any time since early 1978. The annualised rate of growth of 7.4% for the quarter pushed the final figure for Fiscal Year 1983-84 as a whole to 3.7%, comfortably exceeding the official target of 3.4%.

External demand accounted for nearly half the growth recorded in the year, in contrast to 1982-83 when domestic demand (led by consumers' expenditure) supported the economy (see Table IIA). The most striking feature of domestic demand in 1983-84 as a whole was the failure of consumer expenditure to sustain the levels of the previous year, after recovering from the very depressed levels of 1980-81 and 1981-82. Nor did private housing maintain the improved levels seen in the second half of 1983, falling by 2.3% at an annualised rate. There are indications, however, that this figure may have been affected by the severe winter weather (which is not adequately captured by seasonal adjustment) and construction figures for April and May suggest that housing has at last turned the corner.

/Table IIA

Table IIA

CONTRIBUTION TO G.N.E.

	<u>1980/81</u>	<u>1981/82</u>	<u>1982/3</u>	<u>1983/84</u>
Consumers' expenditure	0.5	0.7	2.4	1.5
Private Housing	- 0.7	- 0.1	0.1	- 0.3
Private investment	1.3	0.8	0.5	0.6
Inventories	0.2	- 0.1	- 0.3	- 0.3
Government	0.1	0.5	0.2	0.4
	<hr/>	<hr/>	<hr/>	<hr/>
DOMESTIC DEMAND	1.4	1.8	2.9	1.9
EXTERNAL DEMAND	3.2	1.7	0.4	1.8
	<hr/>	<hr/>	<hr/>	<hr/>
G.N.E.	4.6	3.5	3.3	3.7
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Earlier indications that private capital investment was beginning to recover have been confirmed by the latest quarter's figures. The 3% annualised rate of growth recorded in the three months to end March is the largest rise for more than 2 years and extends the rising trend seen through 1983.

Recent investment surveys by the Economic Planning Agency and the Bank of Japan suggest that there are two cyclical factors underlying this trend. First, capital investment until the middle of last year had been concentrated on replacement of existing capacity, with new investment broadly restricted to the electronics industry and a limited number of export related industries. There has in the past, however, been a high correlation between capital investment growth and a rise in capacity utilisation. The steady increase in this latter index from the middle of 1983, coupled with increasing confidence that the recovery would continue, seems to have triggered an upward revision of investment plans, with increasing emphasis on new capacity. A recent MITI survey suggests that new capacity will account for more than 21% of investment in 1984 compared with less than 13% in 1983. This trend is particularly noticeable among the important, dynamic sector of small and medium-sized industries.

The second factor influencing corporate investment decisions has undoubtedly been the recovery in corporate profits in the second half of 1983, together with the firm expectation that a further improvement will be seen in 1984. The latest Nikkei survey shows that pre-tax recurring profits of manufacturing companies rose by more than 50% in the second half of 1983 and that an increase of 33% is expected in 1984 as a whole. The improved profit outlook also seems to have encouraged a number of companies to step up their commitment to diversifying into new areas of business, a trend that is particularly marked in the chemical and electrical sectors.

/ Table IIB

Table IIB

GNP  
(Real, seasonally adjusted, annual rates)

Base year = CY 1975  
Unit = ¥ bn

	1983				1984
	Jan-Mar	April-June	July-Sept	Oct-Dec	Jan-Mar
Consumers' Expenditure	109712.5 ( 0.7)	109915.3 ( 0.2)	110848.1 ( 0.8)	111452.2 ( 0.5)	112683.4 ( 1.1)
Private Housing	10969.5 ( -3.5)	9577.3 ( -12.7)	9904.1 ( 3.4)	10464.2 ( 5.7)	10218.7 ( -2.3)
Private Fixed Capital Formation	35070.6 ( 0.6)	35400.2 ( 0.9)	36002.0 ( 1.7)	36767.7 ( 2.1)	37854.4 ( 3.0)
Private Sector Inventories	53.4 ( -94.3)	884.8 ( 1557.9)	400.4 ( -54.7)	891.7 ( 122.7)	639.2 ( -28.3)
Government Current Expenditure	19502.5 ( 0.5)	19622.4 ( 0.6)	19843.5 ( 1.1)	20046.9 ( 1.0)	20294.6 ( 1.2)
Government Fixed Capital Formation	17875.3 ( -2.9)	18768.8 ( 5.0)	18932.2 ( 0.9)	18381.3 ( -2.9)	17894.2 ( -2.6)
Government Inventories	-291.3 ( -63.9)	-206.0 ( -29.3)	-165.6 ( -19.6)	-676.3 ( 308.4)	-17.8 ( -97.4)
External Balance	13531.5 ( 8.1)	14720.2 ( 8.8)	16091.4 ( 9.3)	16173.1 ( 0.5)	17773.1 ( 9.9)
EXPORTS	39891.5 ( -0.4)	41108.1 ( 3.0)	43292.3 ( 5.3)	44987.1 ( 3.9)	46974.8 ( 4.4)
IMPORTS	26360.0 ( -4.3)	26387.9 ( 0.1)	27200.9 ( 3.1)	28814.0 ( 5.9)	29201.7 ( 1.3)
G.N.P. (EXPENDITURE)	206423.9 ( 1.2)	208683.0 ( 1.1)	211856.1 ( 1.5)	213500.8 ( 0.8)	217339.8 ( 1.8)

Figures in ( ) show %'age changes over previous quarter

/OUTLOOK

## OUTLOOK

Despite increasing evidence that the recovery is becoming more broadly based, there remains a sense of unease that it is so heavily dependent on external demand, above all from the US. Although growth was better balanced in the first quarter of 1984, the relative weakness of consumer demand is seen as a potentially serious problem. EPA Minister Komoto has continued to argue publicly that a further stimulus is needed, primarily through tax cuts, if Japan is to be able to fulfil its economic potential while avoiding trade friction. Although the EPA has not yet made firm proposals, Komoto pointed firmly in a recent interview to a figure in the region of ¥4 billion of tax cuts, not to be offset by increases in indirect taxes, as the current equivalent of the tax cuts implemented in 1974 which laid the basis for recovery after the first oil crisis.

At the same time, the Government is coming under increasing pressure from some of its supporters in the National Assembly to relax the guidelines on public expenditure in 1985/86 after two years of strict control. (These guidelines will be laid down in the next few weeks). While such a relaxation has been firmly opposed by industry, not least because of the tax consequences of additional public spending, and by the Ministry of Finance, which sees continued control of expenditure complemented by indirect tax increases as the only way to eliminate the budget deficit by 1990, there are indications that Prime Minister Nakasone may be prepared to contemplate a slight easing of the guidelines for 1985/86 in respect of public works expenditure. (Despite various packages, the overall public works appropriation has not been increased for three years and the initial figure for the current financial year is actually 0.5% below that for 1983/84.)

The debate will certainly continue through the summer, as the planning procedures for next year's budget begin to get under way. In the meanwhile, the government continues its struggle to pass legislation through the National Assembly that will materially raise health care costs to the patient and exercise an important restraining influence over public expenditure in an areas where it has been increasing rapidly in recent years. Opposition to the bill seems to be growing as the longer term implications of the proposals are becoming clearer: the introduction of a 10% contribution rate for medical costs, rising to 20% by 1986, would impose a very real burden on consumers and could only tend to increase the already high rate of savings by private individuals.

/DETAIL

## DETAIL

### Production, Shipments and Inventories

Production resumed the upward trend seen since October 1983, after faltering in March. Shipments weakened slightly and inventories again rose.

1. The seasonally-adjusted index of industrial production (mining and manufacturing, preliminary) rose by 0.8% in April and production on a year-on-year basis rose by 11%. This was rather higher than the March figure, which broke a succession of nine monthly rises, and suggests that the upward trend seen since late 1983 has now resumed.
2. Sectoral production figures have tended to move rather erratically in recent months, but there is increasing evidence that demand from secondary and export industries is beginning to filter through to primary producers. After a poor month in March, precision machinery (+10.2%) and electrical machinery output (+6.5%) grew strongly, with mining (+4.2%) continuing the strong recovery seen last month.
3. There was a strong recovery also in the production of consumer durable goods, which had been noticeably more buoyant than a year ago in the spring, but had showed a markedly slower rate of increase in March. The production of capital goods also recovered, the year-on-year increase rising to 17.9%, the highest figure for nearly two years.
4. Producers' shipments were unchanged on the month but rose by 8.9% on the year. Inventories of finished goods again recovered slightly from the fall seen at the turn of the year and have now risen in the year-on-year comparison for the first time in 15 months.
5. MITI's forecast for the rise in manufacturing production (seasonally-adjusted) in May has been revised upwards slightly from 2.6 to 3.6%. Overall production in June is expected to remain unchanged largely because production in the iron and steel and chemical industries is expected to fall slightly.

### Business Conditions and Investment

Business failures reached new record levels, particularly in the construction and retail sectors. The housing sector has made a substantial recovery from a poor start to the year.

6. Business failures in May amounted to 1965 cases, an increase of 24.5% from the same month the previous year and a new all time record for the second time this year. Failures are running at a particularly high rate in the construction industry and in small manufacturing companies. A feature of the figures in recent months has also been the number of small consumer finance companies experiencing difficulties, following the introduction of tighter supervision by the authorities in the autumn of 1983. The effective bankruptcy in late May of one of the larger companies (Yatagai) suggests that this is a sector which will continue to experience difficulties.



7. Housing starts in April were 113,173 units, up by 10.9% on the year and a marked improvement over the disappointingly low figures seen earlier in the year, which had reflected a quite exceptionally severe winter weather conditions. There was also a rise in terms of floor area, up by 8.7% on the year. Publicly funded starts continued to recover and, with privately funded starts showing very strongly (+16.9%), housing has made a better start to the fiscal year than expected.
8. No figure for contract awards for public works in April is yet available but there is little evidence that the government's decision to front load public works expenditure in the current Fiscal Year is leading to an overall increase. Disbursements for May fell back after their usual end-financial year surge to a level slightly down from a year ago.
9. New orders for construction in both private and public sectors did not maintain the much healthier level seen in February and are now showing a year-on-year fall for the second month. Total domestic machinery orders in contrast rose by 35.9% on the month and private sector orders, in particular, increased sharply (+61.4%).

#### Consumers' Expenditure

Retail sales recovered and the underlying tone seems to be improving. Car sales rose moderately on the year. Household expenditure overall fell, despite a modest rise in real income.

10. All households' living expenditure fell by 1.6% in real terms in the year to March, continuing the gently falling trend seen since the autumn of 1983. Real disposable income of working households maintained February's improvement, although it rose only slightly on a year-on-year comparison. The average consumption propensity fell to 77.9% after the very high figure recorded in February.
11. The overall level of retail sales in April rose by 2.8% on the month and by 1.6% on the year. Major retailers' sales which had been supported earlier in the year by unexpected but substantial seasonal sales of winter goods, but had fallen in March, rose by 1.3% on the month. Department store sales in particular recovered the better level seen in January. The rapid fall in car sales needs to be interpreted with caution: tax changes this month again distorted the market in April and probably brought forward sales artificially.

#### Wages and Employment

Unemployment fell slightly but remained at near record levels. The labour market continues to be weak.

12. In the year to March unit labour costs, which had been running as high as 7% up over the previous year's figure at the beginning of 1983 fell by 3.6%, the eighth successive monthly decline. Monthly seasonally adjusted figures, however, rose by 2.2%, reversing the declining trend seen from the second half of 1983.

13. Total nominal earnings of regular workers in all industries in April were up by 5.4% on a year ago. Seasonally-adjusted figures for April in real terms are not yet available but the unadjusted figures show a rise of 2.7% on the year.

14. Monthly hours worked in all industries (seasonally-adjusted) fell by 1.2% in April with manufacturing industry hours falling for the first time this year. Overtime hours (seasonally-adjusted) worked in all industries in April fell by 2.2% but remain substantially above last year's figures. The recent increase in overtime working has been largely confined to manufacturing industry, with service industries and the private sector remaining relatively depressed.

15. The number of unemployed in April declined slightly (after seasonal adjustment) to 1.54 million and the seasonally-adjusted unemployment rate fell to 2.61%. The ratio of job vacancies to applicants (0.64) remained unchanged from the March level but stayed close to its lowest point for several years.

### Prices

The underlying trend of consumer price increases both nationally and in Tokyo remains negligible. Wholesale prices continue to fall.

16. The national consumer price index in April rose by 2.4% on the year compared with 1.8% seen at the turn of the year. Excluding fresh food prices, however, the underlying rate of increase was negligible. Wholesale prices (particularly of imports) continued to fall (-0.1% on the year).

17. By May, the effects of the winter weather on the Tokyo consumer price index (seasonally-adjusted) were fully reversed and prices were unchanged on the month. The year-on-year increase, however, fell to 2.6% compared with 3.4% in the year to April. Consumer prices generally in 1984 are predicted to rise by about 2½%, partly as a result of changes in indirect taxation.

### Monetary Developments

Monetary conditions remain easy. The Tokyo Stock Market again fell very sharply.

18. In April the year-on-year growth of the broad money supply (M2+CDs) fell to 7.7%. The average interest rate on all bank loans edged down once again from 6.713% to 6.699% as loan demand continued slack.

19. For the April to June quarter, the Bank of Japan has raised the ceiling on City banks' lending by 51.6% compared with the same quarter of 1983 in order to accommodate the expected recovery in the economy. Other financial institutions are also planning a similar expansion in lending. Nevertheless, the ceilings seem high given that loan demand is still weak and that the apparently impressive increases reflect the very slack state of loan demand in the same quarter last year.

20. There was a fall of ¥1.4 trillion in the circulation of bank-notes in May (¥1.0 trillion last year). This was accompanied by net Treasury payments of ¥1.4 trillion and a rise in reserve requirements of ¥333 billion. After other receipts of ¥0.1 trillion, Bank of Japan credit to the market decreased by ¥2.6 trillion, made up of sales of securities of ¥0.6 trillion and sales of bills of ¥2.0 trillion.

21. Short-term call money market rates, which had risen sharply towards the end of May despite the increase in government disbursements edged downwards in June but longer rates continued to drift up in response to higher US interest rates.

Table 3A

	<u>Call Loan (unconditional median)</u>	<u>Bill Discount (over 2 months)</u>	<u>Gensaki (3 month average)</u>
End April	5.875	6.125	6.199
End May	6.00	6.250	6.352
Mid June	5.750	6.1875	6.355

22. The May issue of long-term government bonds, totalling ¥700 billion, was issued at unchanged terms compared with the April issue, giving a yield of 7.346%. There will be no issue in June of long-term bonds as rising yields in the secondary market have discouraged the syndicate from accepting the government's offer of unchanged terms.

Table 3B

10-Year Government Bond Yields

	<u>6.1% No 10</u>	<u>7.7% No 22</u>	<u>8.0% No 25</u>
End April	6.81%	6.80%	6.62%
End May	7.55%	7.36%	7.17%
Mid June	7.39%	7.18%	6.97%

23. The Tokyo Stock Market fell sharply in mid-May, following a period of 20 months during which the index had risen by over 60%. The Nikkei-Dow average fell by 7% in the week ending 18 May to a level 10% lower than its all time peak, which had been reached at the beginning of that month. The fall seems to have been triggered in part by fears that the Gulf War could obstruct Japan's oil supplies and by acceleration in the foreign sales of Japanese stocks that have been a feature of the last two months. The most important influence, however, seems to have been the continued weakness of Wall Street. Despite hopes that the market had stabilised at around 10,600 by end May, confidence has not returned and the index has hovered closer to 10,000, closing on 21 June at about 10,150.

/The Balance of Payments

## The Balance of Payments

The surplus on trade and current accounts returned in April to record levels. Exports rose by 4% on the month but imports fell by 1%. Net long-term capital outflows also reached record levels as gross outflows remained high and inflows reversed sharply. The yen, which in March and early April had consolidated the appreciation against the US dollar seen in early March, traded at around ¥232 to the dollar until mid-June, when it fell below ¥238 to its lowest level in six months.

24. In April, the seasonally-adjusted current account surplus rose to \$3562 million. Exports rose by over 4% on the month but imports fell by 1%, raising the trade surplus by more than \$650 million to over \$3.9 billion. The invisible deficit, however, again fell sharply following a substantial rise in investment receipts.

25. There is little doubt that underlying export growth continues to accelerate. Export letters of credit continue to be issued at a rate not seen for nearly 3 years and again totalled over \$8 billion in May, nearly 14% higher than in the same month last year. Preliminary figures for May (on a trade figure basis) show a further 26% rise in exports in that month compared with May 1983.

26. The picture on import growth, in contrast, is less clear. Although the April figure is broadly similar to that for March, it remains below the levels of the autumn of 1983, when imports grew by 10% in the quarter. Preliminary figures for May (again, on a trade figure basis), however, suggest that imports rose very rapidly in that month, reaching levels not seen since early 1982, when oil prices were substantially higher.

27. The net outflow of long-term capital in April reached record levels, totalling \$4.4 billion. Japanese investment in foreign bonds more than doubled to \$2.3 billion so that, although lending declined to \$0.6 billion, gross outflows rose to \$4.2 billion. At the same time, foreign investors were substantial sellers of Japanese stocks (\$1.1 billion) and, despite sizeable purchases of bonds (\$0.5 billion) and other assets, still contributed a further \$0.2 billion to outflows.

28. The yen, which had touched ¥220 to the dollar in early March briefly before falling back to trade at around ¥225, fell steadily against the US dollar in May and traded at around ¥232 for much of the month. In late June, it weakened again to below ¥238. While the very large outflows of capital referred to above clearly contributed to this decline, some market commentators have detected a shift in sentiment against the yen and have suggested that short-term holders of the currency have decided that an early appreciation against the dollar is unlikely.

/Table 4

Table 4

\$ Millions	1982	1983	1983	1984	1984	
	Year	Year	Oct-Dec	Jan-Mar	March	April
Exports (SA)	137,663	145,946 R	38,328	40,241	13,729	14,298
Imports (SA)	119,584	114,507 R	30,172	30,201	10,439	10,358
Trade Balance (SA)	18,079	31,439	8,156	10,040	3,290	3,940
Services	- 9,848	- 9,106 R	- 2,221	- 2,248	- 513	- 265
Transfers	- 1,381	- 1,549 R	- 417	- 546	- 349	- 113
Invisibles Balance	-11,229	-10,655 R	- 2,638	- 2,794	- 862	- 378
Current Account*	7,544	20,784 R	5,518	7,246	2,428	3,562
Long-term Capital (Assets) (Liabilities: inc +)	-14,969 (-27,418) (12,449)	-17,400 R	- 5,575	- 5,937	- 1,968 (- 3,753) (1,785)	- 4,423 (- 4,213) (- 209)
Basic Balance*	- 8,119	3,496 R	- 57 R	1,309	460	- 561
Short-term Capital	- 1,579	23 R	1,688	- 2,087	- 1,418	- 650
Errors & Omissions	4,727	2,055 R	- 409	103	- 514	- 236
Overall Balance*			1,222	- 675	- 1,472	- 1,747
Overall Balance (NSA)	- 4,971	5,177	1,943	- 3,070	- 533	- 1,785
Change in Reserves	- 5,141	1,234	- 145	613	125	212
Change in banks' short term external liabilities (inc -/dec +)	559	{	1,927	- 3,460	- 736	- 758
Other Monetary Movements	- 389	3,943	155	- 223	78	- 1,239
Customs Clearance Basis <u>Not seasonally-adjusted</u> (% change on same period of previous year)						
Exports - \$ Value	- 8.7	5.8	20.0	17.3	19.8	18.4
Volume	- 2.3	8.7	14.5	16.2	18.2	13.8
Price - \$	- 6.5	- 2.0	4.9	0.8	1.2	4.0
¥	5.2	- 6.7	- 6.2	- 0.3	- 2.0	- 1.9
Imports - \$ Value	- 7.9	- 4.2	8.9	9.3	12.9	11.4
Volume	- 0.5	1.2	13.8	15.4	17.4	11.8
Price - \$	- 7.4	- 4.9	- 4.2	- 5.3	- 4.0	- 0.3
¥	4.4	- 9.2	-14.6	- 6.6	- 6.8	- 5.9
<u>Seasonally-adjusted</u> (% change on previous similar period)						
Exports - \$ Value			6.3	5.3	1.8	0.5
Volume			1.3	6.4	1.9	- 2.2
Imports - \$ Value			10.3	0.2	0.7	- 3.9
Volume			8.6	1.0	- 0.3	- 5.1

\*Using seasonally-adjusted trade figures.

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STATISTICS  
(Seasonally-adjusted except where specified NSA)

	Unit	Latest month shown	Latest month	Previous month	Latest month % change over.		
					Previous month	Year ago (NSA)	
Production	Manufacturing production capacity	1980=100 NSA	April	111.0	110.0		2.7
	Manufacturing operating ratio	"	"	100.4	99.3	1.1	9.4
	Mining and manufacturing prod'n	"	"	113.6	112.7	R 0.8	11.0
	Producers' shipments	"	"	110.1	110.1	0.0	8.9
	Inventories of finished goods	"	"	97.2	95.7	R 1.6	0.3
	Inventories to shipments ratio	"	"	96.6	93.5	R 3.3	- 4.6
Business/investment	Business failures (over ¥10 mn)	No NSA	May	1,965	1,758		24.5
	- Liabilities	¥ bn	"	269.5	257.2		13.0
	Housing starts: Total	Units	April	113,173	96,197		10.9
	- Floor area	1000m <sup>2</sup>	"	10,233	8,640	R	8.7
	- Public-funded	Units	"	48,507	44,077		3.8
	- Private-funded	Units	"	64,666	52,120		16.9
	Public Works: Disbursements	¥ bn	May	370.9	1,387.4		- 5.2
	- Contract awards	"	April	N.A.	864.6		-
	Construction orders: Total	"	April	655.7	892.9	R	-26.6
	- Private	"	"	373.5	495.5	R	-24.6
	- Public	"	"	260.7	297.8	R	-12.5
	Machinery orders: Total domestic	"	"	1,253.4	922.7	35.9	62.7
- Private, excl. ships	"	"	939.4	581.9	61.4	88.5	
Consumers' expenditure	All hsehlds real living exp(ave)	1980=100 NSA	March	250,653	214,996	R	- 1.6
	Workers' households: Real income	"	"	108.2	108.1	0.1	2.9
	- Real disposable income	"	"	105.2	104.4	0.8	2.8
	- Real living expenditure	"	"	104.8	110.7	-5.3	1.4
	- Ave.consumption propensity	%	"	77.9	82.9	-6.0	- 1.4
	Retail sales	1980=100	April	102.3	99.5	2.8	1.6
	Major retailers' sales	"	"	120.9	119.4	R 1.3	5.2
	- Department store sales	"	"	117.7	114.5	R 2.8	5.9
	- Supermarket sales	"	"	124.4	125.0	R -0.5	4.6
	Domestic car sales (over 550 cc)	Units NSA	May	200,545	246,870		0.4
Banknotes in circulation (ave)	¥ bn	"	17,893.0	18,278.7		3.4	
Wages/employment	Earnings: all industries: Nominal	1980=100	April	120.6	118.3	1.9	5.4
	- Real	"	March	105.5	105.5	0.0	2.7
	Labour productivity in mfg.	1980=100 NSA	February	113.6	112.3		10.3
	Unit labour cost	"	March	110.0	107.6	2.2	- 3.6
	Employment: regular workers	1980=100	April	102.4	102.2	R 0.2	0.0
	Regular hours worked: all ind.	"	"	99.7	100.9	-1.2	0.4
	Overtime hours worked: all ind.	"	"	104.9	107.3	-2.2	8.1
	Unemployed	Mn NSA	"	1.68	1.78		- 1.2
	Unemployed	"	"	1.54	1.58	-2.5	
	Unemployment rate	%	"	2.61	2.68		
	Job openings/job seekers	Ratio	"	0.64	0.64		
Prices	Wholesale prices: Total	1980=100 NSA	May	100.4	100.1	0.3	- 0.1
	- Domestic	"	"	101.3	101.2	0.1	0.2
	- Imports	"	"	96.9	96.0	0.9	- 2.0
	Consumer prices: National	"	April	111.8	112.2	-0.4	2.4
	- Tokyo	"	May	113.2	113.2	0.0	2.6

R = revised

		Unit	Latest month shown	Latest month	Previous month	Latest month % change over	
						Previous month	Year ago (NSA)
Monetary	Money supply(M2 + CDs, average)	¥ bn. NSA	April	267,581	268,177		7.7
	Deposits: all banks	" "	"	196,164	201,321		8.9
	Loans and discounts: all banks	" "	"	191,229	190,627		12.3
	Ave. interest rate: all banks' loans	%	" "	6.699	6.713		
	TSE index(1st Sn): Average price 1968=100	"	May	822.35	857.00		29.9
	- Sales vol (daily ave)	Mn. shs	" "	299	427		
Foreign trade	IMF basis: Exports	\$ mn NSA	April	14,284	15,423		18.5
	Imports	" "	"	10,382	11,194		12.5
	Trade balance	" "	"	3,902	4,229		
	Customs clearance basis			(provisional)	(revised)		
	Exports: Total	"	May	14,368	14,045	R	2.3
	Total	" NSA	"	14,282	14,449	R	22.6
	- To USA	" "	"	5,077	5,141	R	56.9
	- W Europe	" "	"	1,927	2,019	R	9.4
	- EC	" "	"	1,574	1,642	R	13.1
	- UK	" "	"	388	387	R	5.5
	- Middle East	" "	"	1,222	1,302	R	-20.2
	- S E Asia	" "	"	3,178	3,225	R	14.3
	Imports: Total	"	"	12,142	11,024	R	10.1
	Total	" NSA	"	12,427	11,340	R	26.3
	- From USA	" "	"	2,420	2,128	R	15.4
	- W Europe	" "	"	1,282	1,102	R	36.6
	- EC	" "	"	899	736	R	29.4
	- UK	" "	"	255	171	R	85.7
	- Middle East	" "	"	3,049	2,765	R	30.7
	- S E Asia	" "	"	2,900	2,595	R	34.9
	Crude oil imports: Value	"	"	3,554	3,191	R	30.6
	- Volume	1,000kl	" "	19,148	17,144	R	30.6
	- Ave. cif price	\$ pb	" "	29.51	29.27	R	- 0.1
	Exports: Volume	1980=100	" "	131.1	132.2		17.7
	- Unit value \$	"	" "	100.7	101.0	R	4.2
	¥	"	" "	101.4	100.5	R	1.0
	Imports: Volume	"	" "	118.0	106.4	R	27.0
- Unit value \$	"	" "	89.9	91.0	R	- 0.7	
¥	"	" "	89.8	90.0	R	- 4.0	
Terms of trade (¥)	"	" "	112.9	111.6	R	5.2	
Export contracts) of major	¥ bn	" April	859.3	2,658.9		- 1.2	
Import contracts) trading cos.	"	" "	1,916.2	2,332.2		- 7.1	
Export letters of credit	\$ mn	May	8,884	8,838		0.5 13.7	
Capital flows (Bal. of payts basis)	Japanese external loans(inc -)	\$ mn NSA	April	- 593	- 1,654		
	Net Japanese purchases (-)/ sales(+)/ of foreign securities	"	"	-2,312	- 1,048		
	Net foreign purchases (+)/ sales(-) of - Japanese bonds	"	"	544	312		
	- stocks	"	"	-1,109	269		
	- gensaki	"	"	- 254	- 565		
	Japanese external bond issues	"	"	374	1,181		
	Official reserves (end-month)	"	May	25,323	25,321		

hi BOC

cc Press office (Ian Murray)  
Mr. Alison.  
PC



10 DOWNING STREET

From the Private Secretary

14 June 1984

Osaka Chamber of Commerce and Industry

Thank you for your letter of 13 June about Mr. Furukawa's wish to hand over a letter for the Prime Minister at the door of No. 10.

I have spoken to Michael Alison who has kindly agreed to receive the letter and be photographed with Mr. Furukawa. He would be able to do this on 5 July, provided it were not before 4.30/5.00 pm.

(C.D. Powell)

Peter Ricketts, Esq.,  
Foreign and Commonwealth Office

BOC





Foreign and Commonwealth Office

London SW1A 2AH

13 June 1984

Dear Charles,

Osaka Chamber of Commerce and Industry

In July last year, it was agreed that the Ambassador in Tokyo should accept, on the Prime Minister's behalf, an award from the International Design Festival in Osaka. I attach copies of the correspondence between Roger Bone and John Coles recording this.

The Chairman of the Japanese International Design Foundation, Mr Furukawa, is leading an economic mission to the UK from the Osaka Chamber of Commerce and Industry in early July. He has requested a call on the Prime Minister. Although the mission is high-powered and Mr Furukawa the Chairman of Daiwa Bank Ltd, neither his nor the mission's status would justify our recommending this. However the mission representatives have told HM Consul-General in Osaka that Mr Furukawa would be content to hand over a letter for the Prime Minister at the door of Number 10. If the letter were to be received with some small degree of formality by a Private Secretary, honour would be amply satisfied. (The Japanese would no doubt wish to take a photograph.) The most convenient time would probably be the afternoon of 5 July.

If you can accept this arrangement, we can establish a precise time later.

Yours ever,

(P F Ricketts)  
Private Secretary

*Peter Ricketts*

C D Powell Esq  
10 Downing Street



FED (78)  
AS  
McDonald  
Holt  
25/7.

10 DOWNING STREET

From the Private Secretary

25 July 1983

FEJ 020/1		
RECEIVED REGISTRY No. 50		
26 JUL 1983		
DES	R	REGISTRY
INDEX	PA	Action Taken

Dear Roger,

JAPAN DESIGN FOUNDATION

(77)

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).

Yours ever  
Sh. W. L.

Roger Bone, Esq.,  
Foreign and Commonwealth Office



Foreign and Commonwealth Office

London SW1A 2AH

22 July 1983

*FEU 020/1*

RECEIVED IN REGISTRY No. 50

26 JUL 1983

SECRETARY	SECRETARY	REGISTRY
IN REPLY	PA	Action Taken

*pa.* *Madden 25/7/83*  
*W 25/7*

*John - Th -*

74

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.

(R B Bone)  
Private Secretary

A J Coles Esq  
10 Downing St

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 FESTIVAL 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 WELL 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 BEHALF OF THE PRIME MINISTER. IF MR PARKINSON'S PLANS PREVENTED

CONFIDENTIAL

/HIM

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



BSP

10 DOWNING STREET

THE PRIME MINISTER

7 June 1984

My dear Ambassador,

Thank you so much for your letter of 4 June with which was delivered, on behalf of your Prime Minister, the splendid Encyclopaedia of Japan. I shall be delighted to have this important reference work at 10 Downing Street.

Yours sincerely  
Raymond Storer

His Excellency Mr. Tsuyoshi Hirahara

BSP

STADIAN  
Kens REC  
with IJC



~~Prime Minister~~

(2)

To be aware - but you need  
not read the report.

W 5  
6.

Ref. A084/1629

PRIME MINISTER

Conference on Life Sciences and Mankind

Following Mr Nakasone's recent letter giving an initial report on the Conference of Life Sciences and Mankind, the Japanese Ambassador had now forwarded the enclosed official report of the conference.

2. From Mr Nakasone's point of view, the conference was a success. As Dr Nicholson pointed out in his minute of 18 April, Japan's objectives were essentially to justify its new emphasis on biotechnology as a key technology for the future to a possibly sceptical domestic audience. The more modest achievements of the conference from an international perspective are reflected in the rather vague third paragraph of Mr Nakasone's letter to you. Mr Nakasone may give a brief report on the conference at the Summit.

3. His letter and the report do not require a formal reply, but you may wish to refer to it in your bilateral with Mr Nakasone, noting that the conference and the proposed follow-up deal with important policy issues for scientific research.

RTA

ROBERT ARMSTRONG

5 June 1984

Report is filed in folder  
attached to file.

EMBASSY OF JAPAN  
46 GROSVENOR STREET  
LONDON W1X 0BA

4th June 1984

*Dear Prime Minister,*

I am asked by Mr. Yasuhiro Nakasone,  
Prime Minister of Japan, to deliver to you the attached  
gift of The Encyclopedia of Japan, which has recently  
been published.

I have pleasure in sending you this gift.

*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.



## THE ENCYCLOPEDIA OF JAPAN

The nine-volume ENCYCLOPEDIA OF JAPAN, published by Kondasha International, was completed in October 1983. It is the first comprehensive reference work on Japan to be published in the English language.

Its 10,000 or so entries cover fields ranging from Japan's geography and climate, culture, history, and customs, to industry, science and technology -- not forgetting the latest information on Japanese business. The entries were written by some 550 Japanese and 650 foreign scholars from fifteen countries, all specialists in their respective fields.

It is hoped that this work will prove both useful and interesting to scholars as well as to students.

-----



deve

c. Sir P.C.

10 DOWNING STREET

From the Private Secretary

31 May 1984

Japan: Conference on Life Sciences and  
Mankind

~~18~~  
I enclose a copy of a letter, together with a translation, which the Prime Minister has received from the Prime Minister of Japan. If you think that a reply is necessary, I should be grateful for a draft.

A. J. COLES

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

NR

MR. COLES

Sue

for.

15.  
5

Lunch for the Japanese Prime Minister  
Monday, 11 June

S/S Trade and Industry will attend  
the meeting but has suggested that  
Mr. Channon should attend the lunch.

Is this agreeable?

Sue Goodchild  
—

15 May 1984

cc CF 15/5



FILE

207

10 DOWNING STREET

MR. THATCHER

Lunch for the Prime Minister  
of Japan, Monday, 11 June, 1984

This is a working lunch so  
you are now not expected.

CR

15 May, 1984

E. R.

CAROLINE

Lunch for PM of Japan, Monday, 11 June

is now working so no DT

Lunch for Sultan of Brunei on Wednesday, 20 June

has been cancelled.

Sue G

---

14 May 1984

SUBJECT

ce M 2/5 + 0/10

OFFICE OF THE PRIME MINISTER  
TOKYO



PRIME MINISTER'S

PERSONAL MESSAGE

SERIAL No. T65 A 2184

Translation

Tokyo, April 27, 1984

Dear Prime Minister,

I am very pleased to be able to inform you that the Conference on Life Sciences and Mankind was held, under the auspices of the Japan Foundation, in Tokyo and Hakone from the 19 to 22 March, with the most gratifying success.

I am profoundly grateful for your invaluable support for the Conference, especially for your having recommended such eminent authorities in various fields from your country.

As was announced in the Press Statement issued after the Conference, there was vigorous and fruitful discussion of the questions relating to advances in the life sciences and human dignity, with the various aspects of the questions and problems being approached in the light of the different disciplines. The importance of fully informing the public and of respect for diversity of opinion where this important matter is concerned, etc., was emphasized.

I believe that the Conference will prove to have been a very meaningful first step in the quest for solutions to the problems raised by the advances in the life sciences.

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

I am most pleased that the French Government has said that France will next year host a Conference which will continue the work of the first Conference.

I shall send you a copy of the full report containing the details of all the discussions during the Conference as soon as it is completed.

With warmest personal regards and best wishes,

Yours sincerely,

Yasuhiro Nakasone  
Prime Minister of Japan

Japan Pt 4 Relatus



拝啓

「生命科学と人間の会議」は、三月十九日より二十二日まで、東京及び箱根において、国際交流基金の主催により開催されました。ここに、閣下に対し、同会議が極めて成功裏に取り行われたことを御報告できますことは、私にとつて大きな喜びであります。

閣下より、同会議に賜りました貴重な御支援、特に貴国における斯界の権威者を会議出席者として御推薦いただきましたことに深く感謝申し上げます。

会議後のプレス・ステートメントでもおわかりいただけますように、会議では生命科学の進歩と人間の尊厳の問題について様々な角度から活発かつ有意義な議論が行われました。また、この重要な問題をめぐっては、国民に対する十分な情報伝達及び多様な意見の尊重が重要であること等が強調されました。

私は、同会議が、生命科学の発展に伴い生ずる諸問題を解決していく上で、

非常に意義深い第一歩となるものと確信しております。また、同会議のフォローアップにつきましましては、フランス政府が、明年、次回会議を開催する用意がある旨表明されましたが、これは私の欣快とするところであります。

なお、会議における議論の詳細につきましましては、報告書が完成次第、閣下あてお送りする所存でございます。

一九八四年四月二十七日

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



FILE  
de

10 DOWNING STREET

*From the Private Secretary*

DR. NICHOLSON  
CABINET OFFICE

Life Sciences Conference

The Prime Minister was grateful for your minute of 18 April reporting on the life sciences conference which was held in Tokyo in March.

The Prime Minister has noted the contents of your minute. She agrees that it would be wrong to send a telegram to Mr. Nakasone at this stage.

I am sending a copy of this minute to Richard Hatfield.

David Barclay

25 April 1984

MR



Prime Minister<sup>(2)</sup>

For information.

W.0320

18 April 1984

JMB  
24/4

PRIME MINISTER

LIFE SCIENCES CONFERENCE, 19-21 MARCH, TOKYO

Mr Nakasone consulted you at the turn of the year about the nomination of three UK experts to attend a conference on the life sciences to be convened in Tokyo, on Mr Nakasone's initiative, by the Japan Foundation. The conference has now taken place, and the key UK delegate, Dr Sydney Brenner, has offered some insights into the motivation of Mr Nakasone, as well as on the conference and its follow-up, of which you should be aware.

Background to Japanese Initiative

2. Dr Brenner confirmed that the Japanese have identified biotechnology as a key technology for the future, and that they are intent on developing their biotechnology (especially pharmaceutical) industry as a major exporter. There are two obstacles to this plan:

a. Japan is behind the United States and Europe in molecular biology because of structural defects in their university system. To compensate, they have been assimilating the technology developed particularly in the United States, by sending students to advanced academic institutions;

b. There are active and effective Japanese environment/political groups opposed to the development of technologies associated with genetic engineering and this factor, coupled with the tight controls in Japan on working with radioactive substances, has inhibited scientific work.

3. The holding of the conference was an important means of overcoming these obstacles, since it held out the prospect of:

- a. obtaining international approval and confirmation of reducing controls over genetic engineering research;
- b. confirming the importance of biotechnology as an area of research in which Japan must be competitive;
- c. registering, at an international level, the human side of Japanese endeavours in science and technology;
- d. building up Japanese international contacts and collaboration in this area.

#### The Conference

4. Dr Brenner reports that the breadth of the subject, and the varied backgrounds of delegates, did not make for highly constructive discussions in the sessions. The two main conclusions were:

- a. that there should be less worry about the creation of micro-organisms harmful to human beings, since they were likely to be rare and fragile, and
- b. that diversity of opinion on the ethics of life sciences should be expected to continue and that it would not be appropriate at the present stage to press for agreement on the necessity for normative rules. A fairly bland communiqué was issued.

5. Nonetheless, this fairly meagre result has probably achieved Mr Nakasone's objectives. His initiative was given a further boost by the announcement at the start of the conference that France has undertaken to hold a follow-up conference next year. Mr Nakasone will wish to report on the

conference and the follow-up at the London Economic Summit.

Further Action

6. Our Tokyo Embassy has suggested that a congratulatory telegram from you to Mr Nakasone might be appropriate.

✓ After consultation with the FCO, I do not recommend such a telegram at this stage. The UK obtained considerable credit from the calibre and contribution of the delegates you nominated; the outcome was not, from the UK point of view, especially remarkable, and strongly endorsing the conference now may give a false impression of welcoming the prospect of a follow-up conference.

7. However, I think we shall have to accept the further conference with good grace, and do our best to ensure that it is a useful event, even though the motivation of the French in hosting the conference seems to be essentially political. Some of the issues raised in the Japanese conference touch on important public policy matters affecting guidelines for medical and biological research. If the French conference could be given a more specific theme and involve those connected with the policy debate, there might be a valuable exchange of views. I propose to approach the French convenor of the conference, whom I know well, with a view to attempting to influence the planning of the next conference along these lines.

8. I am sending a copy of this minute to Sir Robert Armstrong.

RBN

ROBIN B NICHOLSON  
Chief Scientific Adviser

Cabinet Office  
18 April 1984



huc

UD

10 DOWNING STREET

THE PRIME MINISTER

2 April, 1984

Dear Sir Campbell

Thank you for your letter of 29 March.

I very much regret that I am not going to be able to meet the President of the Sumitomo Bank in Tokyo. I would like to have done so - and do please tell him of my interest - but I have a hectic schedule at that time. We've got German bilaterals all day on Wednesday, 2 May, which makes Thursday, 3 May, particularly overcrowded, in addition to my weekly Cabinet meeting and Prime Minister's Questions in the House of Commons.

With best wishes, and please pass on this reluctant refusal to Mr. Komatsu.

Yours sincerely  
Margaret Thatcher

Sir Campbell Fraser

Lu

Confederation of British Industry  
Centre Point  
103 New Oxford Street  
London WC1A 1DU  
Telephone 01-379 7400  
Telex 21332

From  
Sir Campbell Fraser  
President

**CBI**  
CONFEDERATION OF  
BRITISH INDUSTRY

29 March 1984

*Dear Prime Minister,*

The President of the Sumitomo Bank in Tokyo, Mr. Koh Komatsu, will be visiting this country on 2 and 3 May.

Mr. Komatsu would greatly appreciate having an interview with you during his visit and has asked me to enquire whether it would be possible for me to bring him to Downing Street to call on you for half an hour during the afternoon of Thursday 3 May.

The Sumitomo Bank has operated in the UK for over sixty years and Mr. Komatsu is keenly interested in Japanese investment in Britain. The Bank would wish to play a substantial part in investment; in that respect Mr. Komatsu's visit is timely.

I know well the many demands on your time, but I should be more than grateful if you were able to see Mr. Komatsu while he is in London.

*Yours sincerely,  
Campbell Fraser*

The Rt. Hon. Margaret Thatcher MP  
Prime Minister,  
10 Downing Street,  
London, SW 1.



*Faint, illegible handwriting, possibly a name or address.*

29 MAR 1984

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P 2  
3  
4  
5





JU112

Secretary of State for Trade and Industry

Prime Minister <sup>(2)</sup>

AT  
29/3

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

Telephone (Direct dialling) 01-215 5422  
GTN 215) .....  
(Switchboard) 215 7877

29 March 1984

CONFIDENTIAL

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

AT

Dear Andrew,

This is to inform you that Nissan's decision on the location of their factory in the UK will be announced by the company at a press conference in London at 09.30 hours tomorrow, 30 March. A simultaneous announcement will be made in Tokyo.

2 Nissan have decided to locate their plant on the Sunderland Airport site, near Washington in the county of Tyne and Wear. The local authorities concerned with all three sites on Nissan's final short-list will be informed of this decision shortly before the press conference.

3 I am aware that this decision will cause disappointment in the unsuccessful areas who have worked so hard to attract Nissan to their own area. Unhappily, in cases of this kind, there can be only one winner. The House will be informed by means of a written PQ for answer on 30 March.

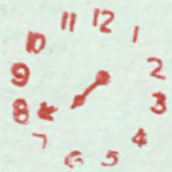
5 I am copying this letter to Margaret O'Mara (Treasury), Colin Jones (Welsh Office) and John Ballard (Environment)

Yours ever,

A. Lansley

ANDREW LANSLEY  
Private Secretary

29 MAR 1980



Subject

File ECL



cc FCO

Hirahara

cc Master  
OPS

10 DOWNING STREET

THE PRIME MINISTER

PRIME MINISTER'S  
PERSONAL MESSAGE  
SERIAL No. T48/84

22 March 1984

Dear Prime Minister,

Thank you for your kind letter about the recent visit of Their Imperial Highnesses the Crown Prince and Princess to the United Kingdom.

I was delighted that Their Imperial Highnesses were able to make this visit at this time, when they could visit Prince Hiro and see their many British friends. I share your view that the reporting of such visits by the media has considerable importance in promoting mutual understanding between our peoples.

Last month I myself had the honour of meeting Prince Hiro when he accepted my invitation to lunch at Chequers. It was interesting to hear at first hand his impressions of the time he has spent here so far.

I look forward to welcoming you to London in June, for the Economic Summit and for our separate bilateral talks afterwards.

Yours sincerely

Margaret Thatcher

His Excellency Mr. Yasuhiro Nakasone

ECL



10 DOWNING STREET

From the Private Secretary

22 March 1984

Excellency.

Thank you for your letter of 9 March to the Prime Minister enclosing a message from Mr. Nakasone.

I enclose the text of a letter that has today been sent to Mr. Nakasone through the British Embassy in Tokyo.

Yours sincerely,

David Barclay

David Barclay

His Excellency Mr. T. Hirahara

BR

Site ECL

22 March 1984

Letter from the Japanese Prime Minister

Thank you for your letter of 19 March. The Prime Minister has approved the text of the draft reply to Mr Nakasone which was attached to your letter. I should be grateful if you could arrange for its transmission, and I enclose the signed version.

David Barclay

P F Ricketts Esq  
Foreign and Commonwealth Office

Site

CC PC.



Foreign and Commonwealth Office

London SW1A 2AH

GR

Rec type, & add pps from CF.

D

19 March 1984

19/3

Dear John,

Letter from the Japanese Prime Minister

Thank you for your letter of 13 March. I enclose draft replies from the Prime Minister to Mr Nakasone and from yourself to Mr Hirahara, the Japanese Ambassador.

It may be convenient for you to return the original of the Prime Minister's reply to the FCO for onward transmission by bag. We will telegraph its text to Tokyo.

Yours ever,

Peter Ricketts

(P F Ricketts)  
Private Secretary

A J Coles Esq  
10 Downing Street

DRAFT: ~~minute/letter/teleletter/despatch/note~~  
~~xxxx~~

TYPE: Draft/Final 1+

FROM: The Prime Minister

Reference

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

TO: Mr Yasuhiro Nakasone

Your Reference

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

Copies to:

PRIVACY MARKING

SUBJECT:

.....In Confidence

Thank you for your kind letter about the recent visit of Their Imperial Highnesses the Crown Prince and Princess to the UK.

CAVEAT.....

I was delighted that Their Imperial Highnesses were able to make this visit at this time, when they could visit Prince Hiro and see their many British friends. I share your view that the reporting of such visits by the media has considerable importance in promoting mutual understanding between our peoples.

Last month I myself had the honour of meeting Prince Hiro when he accepted my invitation to lunch at Chequers. It was interesting to hear at first hand his impressions of the time he has spent here so far.

Enclosures—flag(s).....

I look forward to welcoming you to London in June, for the Economic Summit and for our separate bilateral talks afterwards.



DRAFT: ~~minute~~/letter/~~teleletter~~/~~despatch~~/~~note~~  
~~xxxx~~XXXXXXXXXXXXXX

TYPE: Draft/Final 1+

FROM: PS/The Prime Minister

Reference

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

TO: HE Mr T Hirahara  
Embassy of Japan  
43 Grosvenor Street  
London W1X 0BA

Your Reference

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

Copies to:

PRIVACY MARKING

SUBJECT:

.....In Confidence

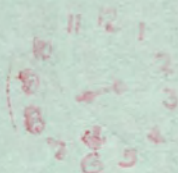
Thank you for your letter of 9 March to the Prime  
Minister enclosing a message from Mr Nakasone.

CAVEAT.....

I enclose the text of a letter that has today been  
sent to Mr Nakasone through the British Embassy in  
Tokyo.

Enclosures—flag(s).....

19 MAR 1984



01-493 6030

EMBASSY OF JAPAN  
46 GROSVENOR STREET  
LONDON W1X 0BA

14th March 1984

*Dear Mr. Coles,*

*A.J.C. 15/3*

I refer to my letter dated 9th March in which I forwarded to the Prime Minister the text of a message from Prime Minister Nakasone.

*h.a.*

I have now received the original letter from Japan and have pleasure in enclosing it herewith. I should be most grateful if you could kindly pass it to the Prime Minister.

*Yours sincerely,*

*T. Hirahara*

Tsuyoshi Hirahara  
Ambassador

A.J. Coles, Esq.,  
Private Secretary (Overseas Affairs),  
Prime Minister's Office,  
10, Downing Street,  
London, S.W.1.



SKLE

kw

10 DOWNING STREET

*From the Private Secretary*

13 March, 1984

The Prime Minister has asked me to thank you for your letter of 9 March enclosing the text of a letter from Prime Minister Yasuhiro Nakasone which Mrs. Thatcher received with much pleasure.

A. J. COLES

His Excellency Mr. Tsuyoshi Hirahara



due

RWJ

10 DOWNING STREET

*From the Private Secretary*

13 March, 1984

JAPAN

I enclose the text of a letter from Mr. Nakasone to the Prime Minister which conveys thanks for the arrangements made for the Crown Prince and Crown Princess of Japan while they were in Britain. The letter does not strictly require a reply but you may see some advantage in the Prime Minister writing briefly and referring both to her pleasure at meeting Prince Hiro when he lunched at Chequers and to the forthcoming visit of Mr. Nakasone to London. If so, I should be grateful for a draft reply.

AJ ←

P. Ricketts, Esq.,  
Foreign and Commonwealth Office

RWJ

EMBASSY OF JAPAN  
UNITED KINGDOM

R13/3

London, 9th March 1984

*Dear Prime Minister,*

I am sending, herewith enclosed, the text of a letter from Prime Minister Yasuhiro Nakasone of Japan. As soon as the original letter is received, it will be forwarded on to you.

May I take this opportunity to express my personal thanks and appreciation of the courtesies and kindnesses extended to Their Imperial Highnesses The Crown Prince and Crown Princess during their private visit to this country.

*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.

OFFICE OF THE PRIME MINISTER  
TOKYO



PRIME MINISTER'S  
PERSONAL MESSAGE  
SERIAL No. T 37<sup>c</sup>/84

March 9, 1984

Dear Prime Minister,

Having received a report on the warmth of hospitality extended to Their Imperial Highnesses the Crown Prince and Crown Princess while they were in Britain and the thoughtfulness of the arrangements made for them, particularly the minute attention to their security, I hasten to express to you my profound gratitude on behalf of the Japanese Government and myself.

Their visit to Britain and the news about it conveyed to Japan through the media have certainly added to the friendly feelings of our people towards your country and people, and I believe that the study of their son, Prince Hiro, at Oxford will help promote friendship and understanding between our two peoples, especially those of younger generation.

Thanking you again for making all these happy developments possible, and looking forward to seeing you soon in London,

Yours sincerely,

Yasuhiro Nakasone  
Prime Minister of Japan

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



15 MAR 1984

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SUBJECT

CC MASTER  
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PRIME MINISTER'S

PERSONAL MESSAGE

( TEXT )

SERIAL No. T37c/84

Tokyo, 9th March 1984

Dear Prime Minister,

Having received a report on the warmth of hospitality extended to Their Imperial Highnesses The Crown Prince and Crown Princess while they were in Britain and the thoughtfulness of the arrangements made for them, particularly the minute attention to their security, I hasten to express to you my profound gratitude on behalf of the Japanese Government and myself.

Their visit to Britain and the news about it conveyed to Japan through the media have certainly added to the friendly feelings of our people towards your country and people, and I believe that the study of their son, Prince Hiro, at Oxford will help promote friendship and understanding between our two peoples, especially those of younger generation.

Thanking you again for making all these happy developments possible, and looking forward to seeing you soon in London,

Yours sincerely,

YASUHIRO NAKASONE  
Prime Minister of Japan

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

FILE BM



10 DOWNING STREET

THE PRIME MINISTER

7 February 1984

My dear Mr. Kawamata,

I was very sorry that you were not able to visit London for the signing of the Heads of Agreement between the British Government and the Nissan Motor Company, and especially that the reason was that you have been suffering poor health. In those circumstances, I think that you were quite right to stay in Japan and have yourself looked after: I hope that you are quickly restored to full health.

I was very glad to see Mr. Ishihara and Mr. Kawai in London, and I was very grateful for your courteous letter which Mr. Ishihara brought to me. I am delighted that agreement has been reached between the British Government and Nissan. I warmly welcome the Nissan project and I hope that it is a step not only towards further development by Nissan in Britain but also towards closer economic relationships between Britain and Japan. I greatly value the exchanges I have been able to have had with you during these negotiations, and the privacy with which we have been able to conduct them.

The beautiful gift which Mr. Ishihara presented to me is greatly appreciated. It will remain in 10 Downing Street as a commemoration of what I hope will come to be seen as a very important milestone for both my country and yours.

Yours sincerely  
Margaret Thatcher

BM

Mr. Katsuji Kawamata



NISSAN MOTOR CO., LTD.

17-1, Ginza 6-chome, Chuo-ku,  
Tokyo 104, Japan

TAKASHI ISHIHARA  
President

6th February, 1984

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  
The United Kingdom

Dear Mrs Thatcher,

It was indeed a great honour for me to be allowed to call on you the day I signed the Heads of Agreement with your Government. I am particularly grateful to you for the precious time you so kindly spared for me even though your historically important visit to Hungary was planned for the following day.

Having received the encouragement and warm support of your Government throughout the planning stage of this venture, Nissan is determined to make the U.K. Project a basis for mutually beneficial industrial cooperation between your country and Japan.

I would also like to report to you that all the members of our Board are most delighted by the warm welcome you personally expressed for the project as announced. All of us are hopeful that your Government will continue to extend assistance as well as guidance in our endeavour to establish ourselves in the United Kingdom.

In closing, allow me to wish you the very best of health and success in the years to come.

With my deepest appreciation and kindest personal regards,

Respectfully yours,

Takashi Ishihara

TI/tfy/tt

11 1984

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E.R.

1. C.F. Please put a copy of this on the Nissan file

2. Joan Porter  
✓ To note that this object belongs to No. 10, not the Prime Minister. Pl. liaise with Joy Robillard in finding out what it is.

PRIME MINISTER

A reply to Mr. Kawamata's letter is attached.

I have to advise you that you should not accept the present from Nissan for yourself. It would obviously be open to misrepresentation if you accepted a present at the end of negotiations in which you have been involved and when there will undoubtedly be further negotiations between the British Government and Nissan. This applies even if the value of the gift is less than £50. The rule about the £50 limit applies only to gifts from Governments or Governmental organisations, not commercial companies.

FERS  
6.2.

On the other hand, there is the question of offending Nissan. I therefore suggest that you accept the present for 10 Downing Street. This would have the advantage that, if it is displayable, Mr. Kawamata or Mr. Ishihara would see it here if they visited again. The attached letter is drafted on the premise that you agree to this course.

F.E.R.B.

Agreed It isn't opened so I am not quite sure what it is.  
ms

3 February 1984

Prime Minister to Mr. Katsuji Kawamata

~~He was~~

I was very sorry that you were not able to visit London for the signing of the Heads of Agreement between the British Government and the Nissan Motor Company, and especially that ~~the~~ <sup>the</sup> reason was that you have been suffering poor health. In those circumstances, I think that you were quite right to stay in ~~Tokyo~~ <sup>Japan</sup> and have yourself looked after. I hope that you are quickly restored to full health.

I was very glad to see Mr. Ishihara and Mr. Kawai in London, <sup>and I ~~greatly valued~~ <sup>was very grateful</sup> who delivered your</sup> ~~letter to me.~~ <sup>Mr. Ishihara</sup> letter which ~~they delivered~~ <sup>brought to</sup> me. I am delighted that agreement has been reached between the British Government and Nissan. I warmly welcome

The Nissan project and I hope that it is a  
~~first~~ <sup>step</sup> not only towards further development by Nissan  
in Britain but also towards closer <sup>Frading trading</sup> economic relationships between  
~~my country and yours.~~ <sup>Britain and Japan.</sup> I greatly value the exchanges  
~~Britain and Japan~~

~~Thank you also for~~

I have been able to have had with you during these  
negotiations, and the privacy with which we have  
been able to conduct them.

The ~~press~~ <sup>beautiful</sup> gift which Mr. Ishihara  
presented to me is greatly appreciated. It  
will remain in 10, Downing Street as a  
commemoration of what I hope will come to  
be seen as a very important ~~event~~ <sup>milestone</sup> ~~in the~~ <sup>starting point</sup> for both  
my country and yours.

## Nissan Project

3.34 pm

**The Secretary of State for Trade and Industry (Mr. Norman Tebbit):** With permission, Mr. Speaker, I should like to make a further statement on the Nissan project. I am pleased to inform the House that the Government and Nissan have reached an understanding on the basis for a Nissan car plant in the United Kingdom. The president of Nissan, Mr. Takashi Ishihara, and I have signed heads of agreement today. These are being published and copies will be available in the Library of the House later today.

Subject to a satisfactory outcome of negotiations with United Kingdom trade unions and local authorities, Nissan will proceed with the construction of a car plant on a greenfield site of substantial acreage—probably around 800 acres—within a development or special development area.

The first phase will be a pilot plant, to begin production in 1986 providing an assembly capacity of 24,000 cars a year based on imported kits. These will be treated as though they were built-up imports in the context of the discussions between the Society of Motor Manufacturers and Traders and the Japan Automobile Manufacturers Association, both of whom have given their agreement to this arrangement. During this phase Nissan intends to gain experience of general operating conditions in the United Kingdom, to develop effective relationships with local component manufacturers and establish the prospects for further development.

In the light of that Nissan will decide, not later than 1987, whether to proceed to phase 2 which will provide capacity for 100,000 units on a full manufacturing basis. If Nissan decides to proceed to phase 2, production would start by 1990 at 60 per cent. local content on an ex-works price basis. Full production would be reached in 1991, with 80 per cent. local content being achieved and maintained from the middle of 1991.

In addition to regional development grants, the Government will also be ready to provide selective assistance of up to £35 million, if Nissan proceeds to phase 2; that is equivalent to 10 per cent. of the total capital costs of both phases. In phase 1, the plant will employ directly between 400 and 500 people, and in phase 2 about 2,700 people, but particularly in phase 2 the potential total direct and indirect employment will be considerably greater.

This project represents an important opportunity to create fresh investment and jobs in the motor industry. It will introduce a major, efficient new domestic customer for the United Kingdom components sector; and it represents a constructive step forward in the dialogue between Europe and Japan on trade and investment. For those reasons I am sure that the House will join me in welcoming the Nissan project to the United Kingdom.

**Mr. Peter Shore (Bethnal Green and Stepney):** The House will certainly want to judge this proposal for major inward investment as it would any other such proposal—that is, against some measurable criteria of the national interest. In particular, it will want to judge it against the criteria of whether it will lead to a net increase of jobs in the United Kingdom and a net improvement in our balance of trade in vehicle trading.

On the first of those criteria, the Secretary of State will concede that phase 1 certainly would not meet the criteria

of any increase in jobs or in the balance of trade, helpful to the United Kingdom. I think that that is specifically conceded in the remarks contained in the statement, that the 24,000 imported kits will, I understand, be set against the Japanese agreement under which they do not take more than 11 per cent. of the British market. I should be grateful if the Secretary of State would make that point, which I think is implicit.

The judgment must therefore turn upon phase 2 of the proposed inward investment project. There, a great deal turns, as I am sure the Secretary of State recognises, upon the precise meaning of certain key figures and phrases. When he speaks of local content of 60 per cent. being achieved in 1990 and 80 per cent. in 1991, to what precisely do those percentages refer? Do they refer to the value of the components manufactured in this country or to that much looser and larger total value represented by the rent of factories, advertising, marketing and non-manufacturing activities? Those questions must be answered.

How far will this agreement and the component content—which may not be the same percentage at all, and may be considerably lower—fit in with the certificates of origin that affect access to the European market? The Minister should bear in mind, because it is a strong bargaining point for the United Kingdom Government, that the countries of western Europe, particularly France and Italy, maintain separate and highly restrictive direct constraints on the import of Japanese cars. It is a great pity that other countries have been unable to do the same.

How much does the right hon. Gentleman reckon will be the total cost of phases 1 and 2 together—on the assumption that phase 2 takes place—and of that sum, how much is to be contributed by the British Treasury?

**Mr. Dennis Skinner (Bolsover):** They have got their agent in the Gallery, look—the Nissan agent.

**Mr. Tebbit:** I hope that we shall be able to conduct these proceedings with decorum and that we shall not be interrupted by such contemptible, oafish remarks as that.

Although the right hon. Member for Bethnal Green and Stepney (Mr. Shore) was almost completely wrong in everything he said, nonetheless, and as ever, he was immensely courteous. I am sorry that his attitude was as negative as that of his right hon. Friend the Member for Salford, East (Mr. Orme), although I understand that the right hon. Member for Salford, East later changed his mind.

As the right hon. Gentleman knows, there have been discussions between the trade associations JAMA and SMMT. As he said, prudent marketing has led to a stabilisation of Japanese imports at under 11 per cent. I understand that under phase 1, the two trade associations will treat the 24,000 assembly operation as a feature of their continued prudent marketing. In other words, 24,000 fewer completed cars will be imported, and 24,000 will be produced here from kits. Clearly, all of the 400 to 500 jobs that will be created in phase 1 will be a gain to the British economy.

**Mr. Peter Shore:** How?

**Mr. Tebbit:** Quite clearly, because those 400 or 500 people are not employed at present.

The 60 per cent. and 80 per cent. figures are calculated on the ex-works value basis, and that is identical to the present EC rules of origin. That problem is clearly solved.



[Mr. Tebbit]

I have explained that the extent of the Government's financial assistance will depend, first, on whether the plants are in a special development area or a development area and, secondly, that a maximum of £35 million, or about 10 per cent. of the total cost of phases 1 and 2, will be paid in selective financial assistance.

**Mr. Steve Norris** (Oxford, East): I welcome my right hon. Friend's statement, especially the inclusion of the 24,000 phase 1 units in the JAMA quota. However, may I draw attention to the considerable reservations—held particularly by hon. Members who represent constituencies with British motor interests—about the unfettered release of 100,000 manufactured units on to United Kingdom market under the second phase proposals? There is still considerable fear that substitutional jobs will disguise the real increase in jobs that this scheme will create.

**Mr. Tebbit:** I note what my hon. Friend said. He should be clear that there is no basis for his assumption that all the 100,000 output would be released on to the British market; they would be capable of being exported to the remainder of the Community or elsewhere. The Department's estimate, based on some central assumptions, is that about 6,000 net jobs could be created as a result of the project. The ultimate number is crucially dependent, naturally, on the success of British component manufacturers in getting their components, as opposed to those of other Community manufacturers, into the project. That comes down to the same question that we face at all times: are they competitive? If they are not sufficiently competitive to supply into a factory on their own doorstep, I doubt very much whether they will be sufficiently competitive to supply into the flood of imports currently coming to us from the European Community.

**Mr. Paddy Ashdown** (Yeovil): Did the Minister see the piece in last week's *Observer*, which said that one of the advantages which could spring out of the deal would be a reduction of trading tensions between ourselves and Japan? Is the right hon. Gentleman prepared to list to the House any advantages that he can see might accrue to British exporters to Japan as a result of this deal?

**Mr. Tebbit:** I am sure that the more that it is seen that British manufacturers can meet the extremely tight requirements of Japanese companies, the more credible we will be in our exporting policies towards Japan. This is quite clear.

**Sir Raymond Gower** (Vale of Glamorgan): Is my right hon. Friend aware that in recent years a number of Japanese companies have settled in Wales and that their experience on the whole has been happy, successful and mutually beneficial? Will he bear in mind the fact that if the Nissan company should decide on a site in Wales, it will receive a welcome from all the community, as it could make a valid contribution to replace the numerous jobs that have been lost in the Principality in the past decade?

**Mr. Tebbit:** My hon. Friend is correct. A large number of Japanese companies have found very good homes in Wales and found that they have been extremely successful and prosperous there. It is not, of course, for me to say

where Nissan will eventually locate its plant, but I am sure that what my hon. Friend has said about the welcome will be noted.

**Mr. Geoffrey Robinson** (Coventry, North-West): Will the Minister accept that this is a pathetic shadow of the project that he presented to the House over two years ago, when he talked in terms of 5,000 jobs, 200,000 cars, half for export, and reaching a level of 80 per cent. within two years? Is this not a project which, in its present form, the right hon. Gentleman should not accept? Would it not be better to see if he can get to phases 2 and 3 at once and say politely that we must be critical in the national interest because, in terms of jobs and exports, the project as presented to the House is unacceptable? Under phase 3, provided that we had a commitment on gearboxes and engines to be manufactured in this country, we could look to an increase in jobs and exports, but without that we should back our indigenous manufacturers,

**Mr. Tebbit:** I am afraid that the hon. Gentleman has got it completely wrong again. He always did, he always does and I fear that he has reached the stage in life when we must say that he always will. First, as I explained, the 24,000 cars which will be assembled from kits in the first phase will be wholly a gain to this country in terms of the jobs that will be created. Secondly, while he may be contemptuous of 100,000 extra motor cars being produced in this country, frankly I am not. Approaching 1 million cars were imported into Britain last year. The 100,000 stage could substitute for many of those, and I hope that the success of the Nissan firm will be such as to encourage it to move on from phase 2 to phase 3 and beyond. I am amazed that the hon. Gentleman should seem complacent about the fact that half the Ford motor cars sold in this country are imported, yet be so churlish about this.

**Mr. Beaumont-Dark** (Birmingham, Selly Oak): I think that many of us will breathe a sigh of relief that the Meccano outfits that are to come in will be treated against the imports of Japanese vehicles. As the Japanese are considered to be so efficient already, and as they will virtually be given a green field site when they come here, why do we need to buy competitors? How much will we give the Japanese of other people's money to compete with our own industry?

If the Japanese are so marvellous already, why should we think that there is any chance of us beating them at the game that they intend to play? Most of us think that when we come to 1990 they will find a way to wriggle out of the agreement, and that by 1991 there will be so much taxpayers' money in the project that we shall not be able to let it fail, and other home industries will fail instead.

**Mr. Skinner:** And Sir Michael will have pocketed his consultancy fees.

**Mr. Tebbit:** If my hon. Friend will forgive me for saying so, he is wrong on these matters. There is no question of a site being given to anyone. A site will be sought of about 800 acres on which the factory will be built. That site will be purchased. My hon. Friend asks about the aid that will be given. I shall not repeat the figures because I am sure that my hon. Friend will be able to read them in *Hansard* tomorrow. The aid that will be given to Nissan will not be nearly as much as that which has been given to British Leyland—[HON. MEMBERS:

"This is British."—and we shall treat Nissan as a British operation in the same way that we treat the British operation of Ford or General Motors.

**Mr. Roy Hughes** (Newport, East): May I express regret that the investment is a good deal smaller than originally envisaged? Nevertheless, if Newport is chosen as the site, we shall say clearly and unequivocally, "Croeso oeth deg pedwar". Bearing in mind all the advantages that Newport has to offer, the company will make a wise choice if it decides to locate its factory within it.

**Mr. Tebbit:** I must confess that since my childhood in Wales I have forgotten what Welsh I learnt, so I am not sure whether the hon. Gentleman was speaking Welsh or Japanese. I construe that he was offering a warm welcome to Nissan should south Wales be favoured with the investment. I am sure that he is speaking for all the people of Wales when he makes that remark.

**Mr. Mark Robinson** (Newport, West): Despite some of the carping comments in response to my right hon. Friend's statement, I welcome it, just as I welcome the visit of the chairman of Nissan to London today. Can my right hon. Friend say when a decision will be made on the siting of the plant? If the decision is made to locate in south Wales, I echo the comments of the hon. Member for Newport, East (Mr. Hughes) and say that Nissan will be made most welcome within the region.

**Mr. Tebbit:** I note, Mr. Speaker, that the Welsh lobby today is one that would have made your predecessor extremely proud. I hope that the decision on the location of a site will be made shortly. The Nissan company is anxious now to proceed as quickly as it can.

**Mr. Gordon A. T. Bagier** (Sunderland, South): Does the right hon. Gentleman agree that by and large Japanese investment in Britain has been good investment? Does he agree further that by and large the Japanese have proved to be first-class employers? As Sunderland is one of the areas that has been short-listed for the location of the site, will he take it on board that in the light of the prediction of this announcement today, the chairman of the northern TUC telexed Nissan and assured it of a warm welcome in the north-east should the project go there?

**Mr. Tebbit:** I am grateful to the hon. Gentleman for his remarks and the fact that so many hon. Members can clearly see the advantage for their own region of this investment going there. That shows firmly that there will be a national advantage wherever it goes. The chairman of the northern TUC was echoing sentiments about the Nissan project that I have heard expressed by other senior trade union leaders.

**Mr. Richard Hickmet** (Glanford and Scunthorpe): Will the Secretary of State consider the great hopes that have been raised by Nissan's decision? Will he bear in mind also that the Scottish and Welsh lobbies have a nauseating amount of time in the House? [HON. MEMBERS: "Withdraw!"] Accordingly, will he bear in mind that in my constituency in south Humberside a great welcome would be given to the project? Will my right hon. Friend consider that Humberside has development area status, whereas south Wales has special development area status and that it is open to the Secretary of State to top

up any difference with discretionary grants should Nissan come to Humberside? I invite the Secretary of State to bear that in mind in any negotiations he may have with Nissan.

**Mr. Tebbit:** My hon. Friend was for a moment encouraging what one might call the division lobby with his remarks about some other lobbies. Hon. Members are all good lobbyists for their constituents, and there is nothing wrong with that. I note what my hon. Friend has said. I believe that I made it clear that the RDGs would be fixed according to whether a region was a special development of a development area and that I would consider special financial aid. I cannot add to that.

It is useful to reflect that Nissan appears to be in the van of a number of people in taking that view of investment in Britain. I was especially interested to read the view of some hard-headed Swiss bankers, the Union Bank of Switzerland, that recently observed:

"Great Britain, one of the world's leading industrial nations, has thus become attractive again as an investment country and will receive increased attention especially from investors residing abroad."

**Mr. Kevin McNamara** (Kingston upon Hull, North): It must be clear to all men of objective thinking that, all things being equal, south Humberside is the best site for this project. That being the case, will the Secretary of State inform the House more precisely about the Government's position on grants? Humberside county council has always been of the opinion that if the area were chosen, our position as a development area would not be used against us and the Ministry would be prepared to top up any grants. Has the right hon. Gentleman revealed to Nissan what rate of grant will be available in the different areas following his review of development area status throughout the country?

**Mr. Tebbit:** The hon. Gentleman will be aware that when I introduced the White Paper I made it plain that there would be transitional arrangements. Under those arrangements, the existing rates of grant will be applicable to this plant and others whose timing is similar. RDGs will be paid at the appropriate rate, according to where the factory is sited. I have said that I could provide selective financial assistance up to about 10 per cent. of the total capital costs of the project to a maximum of £35 million.

**Mr. Roger King** (Birmingham, Northfield): Not wishing to be left out of the auction for where the cars should be built, I point out that history has told us that the only sensible place to build them is in the west midlands. What, if any, sign has Nissan given about the model mix that it is about to start assembling? What classification of car will Nissan make? Will it be a range or one particular vehicle?

Are the terms that have been set down open for renegotiation pending the Nissan project developing more quickly than anticipated? Is it possible that the 1991 date will come forward to the late 1980s so that the British components industry can become involved more quickly with the manufacture of the car?

**Mr. Tebbit:** I note what my hon. Friend said about the great strengths and abilities of the midlands. He will understand that in the initial stages with a small production it is most unlikely that there would be more than one model, and that would be in the medium price range. I expect the principal model to be in the medium price range in the second phase, although it will be a commercial

[Mr. Tebbit]

matter for Nissan to decide whether it can produce more than one model within a production of 100,000 vehicles. It is for the company to see whether it is appropriate to accelerate the pace of the development, but I hope that it will go on to phase 2 and phase 3.

**Several Hon. Members** *rose*—

**Mr. Speaker:** Order. I have a duty to protect the business of the House. There is another important statement after this, as well as a ten-minute Bill, and I have had notice of some points of order. I propose to allow questions on this important matter to continue for a further 10 minutes, when I shall call the Front Bench to wind up, but I ask hon. Members to be brief in their in their questions.

**Mr. Sydney Bidwell** (Ealing, Southall): Is the right hon. Gentleman aware that part of the reason for the success of Japanese penetration in the market here has been the advance of cheap money, sometimes with long-term, no-interest loans to purchase Japanese cars? Does he agree that it would be ridiculous if the money advanced by the British taxpayer to establish the Nissan plant were used for such purposes?

**Mr. Tebbit:** I take it that the hon. Gentleman opposes the existence of Ford, Vauxhall and Talbot plants in this country.

**Mr. Robin Maxwell-Hyslop** (Tiverton): So that we may be reassured about the benefit from the 80 per cent. and 60 per cent. local components provision, will my right hon. Friend tell the House whether the agreement provides for an explicit policy on transfer pricing between Nissan, Japan and its subsidiary in the United Kingdom?

**Mr. Tebbit:** There are arrangements in the agreement concerning those matters.

**Mr. Ernie Ross** (Dundee, West): Is the Minister aware that the statement about the first phase means that this country will provide the low-tech components because the company will not want to ship wheels, fuel tanks and the like from Japan? Will he admit that the statement has more to do with the fact that within the next two days it will be announced that the Japanese trading surplus with the Common Market is \$13 billion and that the real purpose of the project is to give Japan a back door into the Common Market?

**Mr. Tebbit:** If the hon. Gentleman believes that the project will be a back door to the Common Market for Nissan, he must believe that the products will be exported to the remainder of the Community. In that case, it is certainly a very good deal for the workers of Britain to have the factory here rather than elsewhere in the Community exporting to Britain.

As regards the first phase—

**Mr. Ross:** What about the Leyland car industry?

**Mr. Tebbit:** The hon. Gentleman must try to keep his mouth closed for a moment so that he can listen.

As regards the first phase—

**Mr. Ross:** What about the Leyland car industry?

**Mr. Tebbit:** He is at it again.

As regards the first phase, the cars assembled here will be in substitution for cars which would have arrived in any case, but fully assembled. The hon. Gentleman is being extraordinarily stupid, even by his own standards.

**Mr. Hal Miller** (Bromsgrove): Although there should be a broad and warm welcome for inward investment from Japan to offset the trade imbalance and for anything that will help our motor industry to be more competitive and to create additional jobs in this country, is my right hon. Friend aware that there will be disappointment that the project has been so long delayed and so much reduced? Is it to be financed in accordance with his new regional policy or is the west midlands yet again to suffer discrimination on the basis of old and discredited policies?

**Mr. Tebbit:** I am grateful in general terms for what my hon. Friend has said, as he recognises that the project offers a considerable opportunity, not least for British component manufacturers. As I have already explained, this project—like all others of identical timing—is covered by the transitional arrangements that I announced in December. In respect of regional grants, therefore, it will be treated on the present basis and not on any future basis which has not yet been decided.

**Mr. Stuart Bell** (Middlesbrough): Is the Secretary of State aware that we have now been waiting for about two years for a decision on the creation of some 5,000 jobs in this country but that that figure has now been reduced to 500? Although Cleveland is at the top of the unemployment league, I doubt whether anyone there would expect me to go down on my bended knee asking for this investment to come to Cleveland on that basis alone. There will be great disappointment at the mouse that has been presented to us today. Many of us find it demeaning that after five years of Tory government and with 2 million more men and women unemployed Members of Parliament have to scratch around making a case for 500 jobs for their constituents. Many of us are greatly saddened by today's experience.

**Mr. Tebbit:** I can assure the hon. Gentleman that whether he goes down on his bended knee will make no difference to a commercial decision about where a project will be placed, whether it be from Japan, Birmingham or Frankfurt. What counts is the quality of the work force and the environment. The environment for business in this country is improving every day. I am sure that the hon. Gentleman's constituents will not thank him for his sneering references.

**Mr. Michael Marshall** (Arundel): Does my right hon. Friend agree that if some Opposition Members find it difficult to accept the import substitution argument plenty of people in the European Community accept it? Does he agree that there is sufficient interest within the Community and that if we had not come up with a decent package the project would have gone elsewhere?

**Mr. Tebbit:** My hon. Friend is quite right. Moreover, if the investment had gone elsewhere in the Community, I am sure that there would have been cries of outrage and "Why didn't you get it for Britain?" from Labour Members. Of course we should all be happier if the project had been earlier and larger, but that is a commercial judgment on the part of the company. Opposition

Members should rehearse in their minds what they would have said if the project had gone to Belgium, France or Germany.

**Mr. Eddie Loyden** (Liverpool, Garston): Does the right hon. Gentleman agree that the manufacturing base of the British car industry has been eroded over many years and that although we should welcome an extension of that base we are concerned that the present project may undermine the position of the British industry? Does he agree that such extension is essential but that it should be in the control of British companies?

**Mr. Tebbit:** The hon. Gentleman says that it is essential to extend the manufacturing base of the car industry in this country. That is what the project is about. If he does not like the project he had better get down to Dagenham and tell the people there how lucky they are that the Ford company is taking some of its investment away from there.

**Mr. Stephen Dorrell** (Loughborough): Does my right hon. Friend agree that this is a further example of an investment project coming to Britain because Britain is a member of the European Community and offers an attractive production base for supplying a larger European market? With that in mind, will my right hon. Friend confirm that the 24,000 cars made from knockdown kits and the 100,000 manufactured fully in this country will be treated as having free circulation within the Community and able to compete for Europe-wide markets?

**Mr. Tebbit:** I think that the 24,000 are unlikely to qualify in that way, but the remainder on the 60 per cent. and 80 per cent. basis certainly can. My hon. Friend is right. The fact that we are in the Community was one of the important factors which caused Nissan to look towards the United Kingdom as well as other member countries. But, of course, the other important fact is contained in the view I quoted earlier by those hard-headed Swiss bankers who commented that, from the fact that the Conservatives have another four years in office, it can be expected that they will adhere to the policy to restore the health of the nation's economy and that will have a related positive impact. That is the reason why the Japanese are coming here.

**Mr. Terry Davis** (Birmingham, Hodge Hill): The Secretary of State has referred to the net effect on jobs, but what are the gross figures for job creation and job loss? How many existing jobs will be lost at existing motor manufacturers and component manufacturers such as GKN, Lucas, Smith Industries and hundreds of smaller firms that supply the British motor industry? As for the option to move to phase 2, will this be an option for the British Government, or will the decision be taken by Nissan alone? Have the Government simply given a post-dated cheque to Nissan for £35 million?

**Mr. Tebbit:** I am afraid that the hon. Gentleman again was not listening. The question of the £35 million arises only in the event that we go on to phase 2, so there is no question of a post-dated cheque. The decision quite clearly will be taken by the company concerned, in the same way that it is taken by Ford. *[Interruption.]* Of course the Government cannot decide when a commercial operation increases its scale. When the right hon. Member for Birmingham, Sparkbrook (Mr. Hattersley) tried playing that game, his Government stumbled into one of the

biggest financial crises that had ever been seen and got kicked out of office and kept out of office at the subsequent general election.

**Several Hon. Members rose—**

**Mr. Speaker:** Order. In the interests of balance, I shall take one more question.

**Mr. Michael Grylls** (Surrey, North-West): Would my right hon. Friend note that, while I welcome this decision on balance, unlike other hon. Members, I am not seeking to have the company in north-west Surrey. Does he agree, as has been said earlier, that this is a vote of confidence in a low inflation rate economy, and that it is therefore a plus to the country that it is coming here? Could he give us an assurance that it will not result in the British Government having to give more money to British Leyland as a result of the Nissan development?

**Mr. Tebbit:** No, the arrangements for funding British Leyland are not related to this, and British Leyland is expected to look after its own financing before too long. The fact that my hon. Friend is not asking for the company to go to north-west Surrey, must be a relief to all of us, not least his constituents.

Finally, I did not fully answer the hon. Member for Birmingham, Hodge Hill (Mr. Davis) on the subject of the number of jobs, but, of course, it is impossible to estimate that, beyond the fact that we know—*[Interruption.]* If the hon. Gentleman would let me reply, it is not possible to estimate that, beyond the fact that we know that there will be 400 or 500 jobs directly in the first phase and about 2,700 in the second phase. The number of jobs additional to that will depend crucially on the success of British manufacturers in supplying components against the competition with others within the Community.

**Mr. Peter Shore** (Bethnal Green and Stepney): The Secretary of State has shown an unusual degree of ill-temper, even by his own standards, in addressing the House. We understand that he would have welcomed the Japanese equivalent of a Roman triumph this afternoon, but what he has found is that the House was in a serious and probing mood on both sides because it genuinely wishes to establish where the national interest lies. Because of that, I want to come back to two factual questions that I think are of great importance.

The first relates to the amount of manufacturing that will take place in the United Kingdom when phase 2 is reached—I put phase 1 on one side for the time being—and that is not until 1990. Can we have a further explanation of what is meant by percentages based on EEC ex-works prices? Is that based upon the cost of the various components that go into the assembly of the car? Are engines, gearboxes and other major components to be manufactured here in Britain? That is what we want to know. We want to know also whether British machine tools are to be used, and not Japanese machine tools in the general assembly and laying out of the new plant. If they are to be Japanese tools, is regional development grant to be paid to install them? Finally, on the major costs of the project, will the right hon. Gentleman confirm that what we are talking about here is a sum of not less than £100 million of British money in a total project in phase 2 which on current costs is of the order of £350 million?

**Mr. Tebbit:** The right hon. Gentleman puts his points clearly and fairly and, as always, courteously.

[Mr. Tebbitt]

If I have been sharp with some hon. Members, it is because of the offensive and distasteful behaviour of one or two hon. Members in particular. I wish I could direct my remarks to the hon. Member for Bolsover (Mr. Skinner) with the skill with which the right hon. Gentleman the Member for Bethnal Green and Stepney (Mr. Shore) did one day in putting him in his place.

Turning to the right hon. Gentleman's questions, the ratios are related to the ex-works price of the vehicle. With regard to what the right hon. Gentleman said about the engine in phase 2, for example, the engine components may well be assembled, and certainly sub-assembled, in Great Britain. Production of 100,000 is very unlikely to be a sufficiently large base for engine manufacture. As to the question on machine tools in the building of the lines, the first thing is that they will, of course, be the best. I very much hope that British manufacturers will be able to compete in that way. It would not be sensible to require the company not to use the best machine tools, from wherever they come, and it would clearly be very foolish to say, for example, to Ford, to Talbot, to GKN or, indeed, to British Leyland that it could not import machine tools that were competitive with the best in the world.

## Fisheries Council

4.19 pm

**The Minister of Agriculture, Fisheries and Food (Mr. Michael Jopling):** With permission, Mr. Speaker, I shall make a statement on the Council of Fisheries Ministers meeting in Brussels on 31 January. Together with my noble Friend the Minister of State, Scottish Office, I represented the United Kingdom.

The Council reached agreement, on the basis of compromise proposals put forward by the presidency and the Commission, on the total allowable catches and quotas for 1984 for all fish species other than North sea herring. The scientific advice on the management of the herring stocks will not be available for a few more months. We obtained significant improvements over the original proposals on a number of stocks of interest to United Kingdom fishermen, in particular cod and haddock in the west of Scotland, western mackerel and a variety of sole and plaice stocks in western and southern waters. We have a clear commitment from the Commission that every effort will be made in further discussions with Norway to secure an increased availability of North sea cod. We secured greater flexibility for our fishermen in respect of the closure of the mackerel fishery north west of Scotland. The Council has, therefore, for the first time set total allowable catches and quotas early in the year to which they relate. This is an important achievement since it gives fishermen throughout the Community a secure basis on which to plan their catching and their marketing operations.

Pending receipt of the full scientific evidence on herring in the North sea, the Council approved interim arrangements, which the Commission had agreed with Norway. Under this agreement, up to 31 July Norway will be free to fish for 15,000 tonnes while the member states of the Community will have quotas totalling 54,300 tonnes for the same period. The allocation of these quotas has been carried out on the basis of the key agreed at the Council on 14 December. The question of the distribution of member states' quotas between the three areas of the North sea will be studied and a report made to the next Council in March. While I expressed concern at the relative size of the interim allocation to Norway, I accepted the proposal on the basis of a clear Council declaration confirming the declaration agreed on 3-4 October concerning the distribution of North sea herring as between Norway and the Community and emphasising that the interim arrangements agreed for the early months of 1984 do not prejudice the definitive allocation for 1984 and subsequent years.

The Council also agreed on the conclusion of a reciprocal fisheries agreement for 1984 with Sweden, an agreement with Senegal on access to fishing opportunities there on an improved basis, and on a new agreement with Seychelles on access to tuna fishing operations.

Finally, I raised the question of progress on the arrangements for improved enforcement of the common fisheries policy. I was told that as of today, nine of the 13 Community inspectors would be in post and that, while it has not been easy getting hold of people of the right quality and experience, the remaining four inspectors had been nominated and would be in post within the next few months. As to the Community logbooks and landing declarations, consultation on their text and format has now been completed and tenders for printing will be issued in

# NISSAN MOTOR CO., LTD.

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

Katsuji Kawamata  
Chairman

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

31st January, 1984

Dear Madame Prime Minister,

I am most pleased to report to you that, though much belatedly, we have successfully concluded the consultations with our labour union, and as a result we are now ready to sign an agreement with your Government. Taking this opportunity, I would like to pay my deep respect to the officials of your Government who have devoted their time and efforts toward the materialisation of this project for long.

Although I have intended to leave here on a trip to London today for the purpose of greeting you in person and signing Heads of Agreement, I have unfortunately been forced to abandon the plan due to the poor health I have been suffering of late. I do hope that you will kindly forgive me for my inability to take the trip.

I am sending Mr. T. Ishihara, President of our company to London on my behalf. At this time, kindly accept my sincere apologies for having caused you anxiety about this matter for such a long time. I would be more than happy if I could look for your continued kind support and guidance in regard to the site selection and other matters to be resolved in putting this project into practise.

I look forward to the good fortune of meeting with you in London when a warm season comes around. Meanwhile, I wish you the best of health in the years to come.

Respectfully yours,

*Katsuji Kawamata*  
Katsuji Kawamata



10 DOWNING STREET

Prime Minister

Mr Ishihara is making  
a courtesy call at 7.30 p.m.  
tomorrow. (He has to be  
at the Ironmongers Hall  
at 8.00 for 8.15 p.m.).

A copy of Mr Tebbit's  
statement is attached

AT

30/1

Nissan

NISSAN

Line to Take

The Government continues to welcome the Nissan project on the right terms. I have no comment to make on press speculation about the project.

I hope that it will be possible to make an early announcement, and I can assure Hon Members that it will be made first in this House.

Background Note

The Prime Minister is aware that the Secretary of State for Trade and Industry will be making an announcement on the Nissan project on Wednesday 1 February. There have been authoritative leaks from Tokyo.

Department of Trade & Industry  
31 January 1984





WEDNESDAY 1 FEBRUARY - OUTLINE TIMETABLE

5.30 am Official car collects Ariga at Hilton Park Lane and proceeds to meet.

6.15 am ... arrival of Ishihara party at Terminal 3 Heathrow (JAL 423).

10 am Press notified via PA tapes and by phone of statement and press conference.

2.00 - 2.15 pm SIGNATURE OF HOA AND PHOTOCALL Room IV/S  
(S State; Mountfield/Ishihara; Kawai; Goto)

(2.30 pm: 1st Order PQs)

2.30 - 3.00 pm(?) SIGNATURE/EXCHANGE OF OTHER Room IV/S  
DOCUMENTS (Mountfield/Kawai)

3.30 pm STATEMENT IN BOTH HOUSES OF PARLIAMENT

(approx 4.15 pm Opposition shipbuilding debate - respond to Mr Peter Shore).

Approx  
5.30/6.00 pm JOINT PRESS CONFERENCE ... Conference Room A,  
... followed by: IV/S

TV/RADIO INTERVIEWS and NISSAN PRESS CONFERENCE FOR  
(Conference Room C) JAPANESE MEDIA  
(Room 005)

7.30 pm CALL ON PRIME MINISTER  
(S State/Ishihara; Goto)

8.00 for 8.15 pm: DINNER AT IRONMONGER'S HALL, BARBICAN

(10.00 pm. Vote on Shipbuilding Debate - S. State paired off but other MPs attending Dinner will want to vote).



JH 761

PS/ Secretary of State for Trade and Industry

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

Telephone (Direct dialling) 01-215 5422

GTN 215 .....

(Switchboard) 215 7877

31 January 1984

David Barclay Esq  
Private Secretary to the  
Prime Minister  
10 Downing Street  
London SW1

*Dear David*

Please find attached a short brief for the Prime Minister's meeting with Mr Ishihara and Mr Kawai. As per our telephone conversation earlier, I would like to confirm that in addition to my Secretary of State, also present at that meeting will be David Wright from our Embassy in Japan who will undertake the translation, and also Robin Mountfield.

*yours ever*  
*Mike*

MICHAEL KENNY  
Private Secretary

PRIME MINISTER'S MEETING WITH MR ISHIHARA OF NISSAN

Line to Take

1 Very glad to welcome you again to Britain, Mr Ishihara; delighted your company and Mr Tebbit have been able to agree on terms which enable your UK project to proceed. Know that it has been your strong personal wish to achieve this project. Equally understand the extent of the commitment it represents for your company, which has meant you have taken longer than we had both hoped to come to a final decision.

2 Scale of your immediate commitments to the UK has been reduced. Naturally sorry that this has happened: should have preferred to see a firmer and earlier commitment by Nissan, as originally envisaged. But this has to be a commercial decision for your company. Hope you will agree we have made every effort to meet your concerns.

3 Relaise that it is important for you to be able to say in public that you have no firm commitment to the main manufacturing project. But believe - and think you believe as well - that Nissan will in fact be well satisfied with its initial operations in the UK and will go forward with the full project. Otherwise we should hardly have spent so long negotiating with you, or made such special efforts to tailor our package of assistance to your company's circumstances.

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4 As Norman Tebbit has said in his statement, believe that your project will bring major benefits to your company and to relations between our countries. Look forward "Nissan" being as well known a British car maker as Ford and General Motors have become.

5 My best personal wishes to your Chairman, Mr Kawamata.  
Sorry to hear he was not fit to travel to the UK.

CONFIDENTIAL

Background Note

1 The Prime Minister is familiar with the on-off negotiations with Nissan over their UK project, and in particular with the doubts of the Nissan Chairman, Mr Kawamata, which she has made several personal interventions to relieve. By contrast, the Nissan President, Mr Ishihara, has consistently supported the UK project, and has been obviously and deeply embarrassed by his company's failure to come to a quick decision. In the latter stages of negotiations, this became intertwined with public objections from Nissan's union leader Mr Shioji, between whom and Mr Ishihara there is widely reported to be no love lost. Mr Shioji and Mr Kawamata on the other hand, seem to have been reasonably close.

2 Now that these problems have been overcome, by a combination of time, changes in the scale of Nissan's immediate commitment, and concessions by the Government - including the Prime Minister's offer to Mr Kawamata of a leasing package involving the Bank of England - the Prime Minister will not wish to dwell on the company's difficulties. Nonetheless, it would be appropriate to pay tribute to Mr Ishihara's personal commitment to the project, without which Mr Kawamata's and Mr Shioji's cautious view would undoubtedly have prevailed.

3 Mr Takashi Ishihara is President of the Nissan Motor Co, and also President of the Japanese Automobile Manufacturers' Association (JAMA). He is a forceful and aggressive personality, who plays a role in direction and decision-making which is unusually active by Japanese standards.

4 As has been shown by experience of the Nissan project, Mr Ishihara is regarded by the traditional factions within Nissan as being too ready to take risks, and perhaps over-attentive to Nissan's development outside Japan, to the detriment of their local performance.

5 He is an ex-rugby player and remains a rugby enthusiast. He does not speak good English. He is some 72 years old.

6 Mr Kawai was recently promoted to Executive Managing Director, having been the head of the UK feasibility study team. He has led the working-level negotiations with the Department from the beginning. Despite his promotion (to take responsibility for Nissan's domestic market, where they have been losing a share to Toyota), Mr Kawai has remained personally responsible for the UK project up to the announcement.

7 He is now likely to concentrate entirely on the Japanese market.

PRIME MINISTER

1) Mr Tumball

2) CF

I've asked for a brief  
by tomorrow night.

Mr

and  
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NISSAN

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1981  
JW

Revised  
Nissan position  
19th to make.

Nissan has finally reached agreement with its union on the U.K. project on the lines described in Mr. Parkinson's minute to you of 3 August, 1983. Mr. Tebbit would like to make a statement announcing the project on Wednesday before he goes abroad in the following week. The text of the statement is attached (although subject to last-minute alteration). Do you agree that the statement should be made?

Either Mr. Kawamata or Mr. Ishihara will be in London for the announcement (there is some doubt about Mr. Kawamata's health). Agree to see whichever is in London together with Mr. Tebbit on Wednesday evening for a courtesy call?

Yes Mr

The formal position remains that Nissan is still negotiating with the union since the company want to hold the line as long as possible. I will guide the Press Office accordingly.

JF.

27 January, 1984



JF5493

Secretary of State for Trade and Industry

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

Telephone (Direct dialling) 01-215 5422

GTN 215 .....

(Switchboard) 215 7877

27 January 1984

CONFIDENTIAL  
COMMERCIAL IN CONFIDENCE

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

Dear Tim,

NISSAN

I am writing to confirm our telephone conversation about the Nissan project. The company has at last reached agreement with its union on the UK project, on the lines described in my then Secretary of State's minute to the Prime Minister of 3 August last year. In respect to the company's request for a rapid public announcement, before their Chairman's and my Secretary of State's commitments abroad in the week beginning 6 February, you confirmed the Prime Minister's agreement to my Secretary of State's making a statement to the House on Wednesday, 1 February.

... 2 I attach a copy of the most recent draft of this statement, which has been prepared in negotiation with Nissan. My Secretary of State may want to make minor alterations before Wednesday, but the substance - which reflects the deal agreed with Nissan - will not change.

3 It is not yet certain whether it will be the Nissan Chairman, Mr Kawamata, or the President, Mr Ishihara, who comes to London for the announcement, since there is some doubt about Mr Kawamata's health. Arrangements have been made for Mr Kawamata or Mr Ishihara, together with my Secretary of State, to pay a courtesy call on the Prime Minister at 7.30pm on 1 February.

4 Despite substantially accurate leaks from Tokyo, which have already been reported here, Nissan's formal position is that they have not yet reached absolutely final agreement



with Union. We cannot be sure how long this line will hold out; it is therefore most important that any press enquiries be directed to this Department. For the present, our line continues to be that we hope for an early and positive decision by the company. There would then naturally be an announcement to Parliament.

5 I am sending copies of this letter to Peter Ricketts and John Kerr, David Heyhoe, Janet Lewis-Jones, Alex Galloway, and to the Whips' Office in both Houses.

6 My Secretary of State has not seen this letter.

*Yours ever,  
Ruth*

RUTH THOMPSON  
Private Secretary





## DRAFT PARLIAMENTARY STATEMENT ON THE NISSAN PROJECT

With permission, Mr Speaker, I should like to make a statement on the Nissan project. I am pleased to inform the House that the Government and Nissan have reached an understanding on the basis for a Nissan car plant in the United Kingdom. The Chairman of Nissan, Mr Katsuji Kawamata, and I have signed Heads of Agreement today. These are being published and copies will be available in the Library of the House later today.

Subject to a satisfactory outcome of negotiations with UK trade unions and local authorities, Nissan will proceed with the construction of a car plant in the UK. The plant will be on a greenfield site of substantial acreage (probably around 800 acres) in a Development Area or Special Development Area.

The first phase will be a pilot plant, which will begin production in 1986 and will provide an assembly capacity of 24,000 cars a year based on imported kits. These cars will however be treated as though they were built-up imports in the context of the understanding between the Society of Motor Manufacturers and Traders and the Japan Automobile Manufacturers Association, both of whom have given their agreement to this arrangement. This pilot phase will enable Nissan to establish the feasibility of further development. During this period Nissan intend to gain experience of general operating conditions in the UK and to develop effective relationships with local component manufacturers.



Nissan will decide, not later than 1987, whether to proceed to phase 2 which will provide capacity for 100,000 units on a full manufacturing basis. If Nissan decide to proceed to Phase 2, production will start by 1990 at 60% local content on an ex-works price basis. Full production will be reached in 1991, with 80% local content being achieved and maintained from the middle of 1991.

The Government will provide selective assistance of up to £35m, payable only if Nissan proceed to phase 2; this is equivalent to 10% of the total capital costs of both phases. In Phase I, the plant will employ directly between 400 and 500 people, and in phase 2 around 2,700 people, but particularly in phase 2 the total direct and indirect employment will be considerably greater.

I am sure that the House will join me in welcoming this project which represents an important opportunity to create fresh investment and jobs in the motor industry; because it will introduce a major, efficient new domestic customer for the UK components sector; and because it will represent a very constructive step forward in the dialogue between Europe and Japan on trade and investment.

27 JAN 1984





CABINET OFFICE

With the compliments of  
The Private Secretary to the  
*Secretary of the Cabinet*

A.J.C. <sup>5</sup>/<sub>7</sub>

f.a.

70 Whitehall, London SW1A 2AS  
Telephone 01-233 8319



cc- Dr Nicholson  
Mr Coles (No. 10)

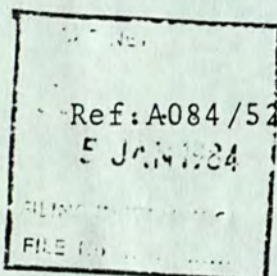
70 WHITEHALL, LONDON SW1A 2AS

01-233 8319

From the Secretary of the Cabinet and Head of the Home Civil Service

Sir Robert Armstrong GCB CVO

5 January 1984



In response to the letter from Mr Nakasone which you forwarded to me with your letter of 31 October, the Prime Minister has sent Mr Nakasone three nominations for the Japan Foundation Conference on "Life Sciences and Mankind".

The Japan Foundation will need to know the addresses of our three nominees. These are as follows:

- (1) Dr Sydney Brenner FRS  
Laboratory of Molecular Biology  
Medical Research Council Centre  
University Medical School  
Hills Road  
Cambridge CB2 2QH  
England
- (2) The Rev Dr Arthur Peacocke  
From 2-13 January -  
Lutheran School of Theology at Chicago  
1100 East 55th St  
Chicago  
Illinois 60615  
United States
- From 14 January -  
Chair of Judeo-Christian Studies  
Tulane University  
University Chapel  
Newcomb College  
1229 Broadway  
New Orleans  
Louisiana 70118  
United States

/ (3)

HE Mr Tsuyoshi Hirahara

(3) Sir Stuart Hampshire  
Warden  
Wadham College  
Oxford  
England

Perhaps I should mention that Dr Brenner has a leg injury from a car accident which requires him to have special arrangements for air travel but that he has visited Japan since receiving the injury and is able to make the trip without undue discomfort.

I should also add that Dr Peacocke is normally based in England at Cambridge University, but he will be in Chicago and at New Orleans as a Visiting Professor for the next few months.

ROBERT ARMSTRONG

Japan relations Pt 4

15 JAN 1984

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W.014

4 January 1984

TO: MR BARCLAY, No 10

FROM: DR NICHOLSON

*Please note that Nakasone letter sent to FCO on 4/1/84 with request for it to be telexed with signed copy to follow by bag*  
*Sturley 4/1/84*

JAPAN FOUNDATION CONFERENCE ON LIFE SCIENCES AND MANKIND

Following receipt of your minute of 3 January I have had a telephone conversation with Richard Hatfield on the precise status of the various letters and drafts, since there appears to have been some confusion.

As I understand it, the letter from the Prime Minister to the Prime Minister of Japan dated 23 December and nominating Dr Brenner and Dr Peacocke was despatched in the Foreign Office bag following an earlier conveyance of its contents by FCO telex. The draft letter from Sir Robert Armstrong to the Japanese Ambassador in London which was also attached to my minute to John Coles of 21 December has not been despatched because Sir Robert's office were awaiting the go-ahead from No 10.

In the circumstances the best plan seems to be if the Prime Minister's second letter dated 3 January (which I now return) is despatched by telex and by bag through the FCO in the same way as her letter of 23 December.

I have modified my draft letter for Sir Robert to send to the Japanese Ambassador so that it is retrospective to the Prime Ministerial correspondence and also includes the name of Sir Stuart Hampshire in it. This will now be despatched from Sir Robert's office and I attach a copy of the draft for you.

I am copying this minute to Richard Hatfield and to Peter Ricketts.

*PHN*



DRAFT LETTER FROM SIR ROBERT ARMSTRONG TO JAPANESE AMBASSADOR

In response to your letter of 31 October, the Prime Minister has written to Prime Minister Nakasone giving three nominations for the Japan Foundation Conference on "Life Sciences and Mankind".

The Japan Foundation will need to know the addresses of our three nominees and these are as follows:

- (1) Dr Sydney Brenner FRS  
Laboratory of Molecular Biology  
Medical Research Council Centre  
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From 2 - 13 January -  
  
Lutheran School of Theology at Chicago  
1100 East 55th St  
Chicago  
Illinois 60615  
USA  
  
From 14 January -  
  
Chair of Judeo-Christian Studies  
Tulane University  
University Chapel  
Newcomb College  
1229 Broadway  
New Orleans  
Louisiana 70118  
USA
  
- (3) Sir Stuart Hampshire  
Warden  
Wadham College  
Oxford  
England

Perhaps I should mention that Dr Brenner has a leg injury from a car accident which requires him to have special arrangements for air travel but that he has visited Japan since receiving the injury and is able to make the trip without undue discomfort.

I should also add that Dr Peacocke is of course normally based in England at Cambridge University but he will be in Chicago and at New Orleans as a Visiting Professor for the next few months.

Subject <sup>cc master</sup>  
efs.

FILE

MJ



cc Fro  
co

10 DOWNING STREET

THE PRIME MINISTER

3 January 1984

PRIME MINISTER'S  
PERSONAL MESSAGE  
SERIAL No. T1/84.

Dear Prime Minister,

As promised in my letter of 23 December, I am now able to let you have my third nomination for the Conference on Life Sciences and Mankind. He is Sir Stuart Hampshire, who is the Warden of Wadham College, Oxford and a former Professor of Philosophy at Princetown University. He would bring to the Conference his special interest in philosophy and the life sciences, and would I am sure make a most valuable contribution.

Yours sincerely  
Raymond Walter

His Excellency Mr. Yasuhiro Nakasone.

da



10 DOWNING STREET

*From the Private Secretary*

DR NICHOLSON

Thank you for your minute of 29 December to John Coles confirming that Sir Stuart Hampshire would be willing to attend the Conference on Life Sciences and Mankind.

I attach a further letter to the Prime Minister of Japan which completes our nominations. Perhaps you could kindly arrange for its despatch.

I understand that Sir Robert Armstrong has not yet written to the Japanese Ambassador as proposed in the draft attached to your minute to John Coles of 21 December. Assuming that he now wishes to do so, it would be convenient if he could include Sir Stuart Hampshire's name and address in his letter.

I am copying this letter and enclosure to Peter Ricketts (Foreign and Commonwealth Office) and Richard Hatfield (Cabinet Office).

*David Barclay*

David Barclay

3 January 1984

da



cc Hatfield  
Cab etc.

W.0883

29 December 1983

MR COLES, NO 10

CONFERENCE ON LIFE SCIENCES AND MANKIND

Dr Nicholson has asked me to thank you for sending him a copy of the Prime Minister's letter to Prime Minister Nakasone of 23 December. *att*

We have now heard from the third nominee, the philosopher Sir Stuart Hampshire, Warden of Wadham College Oxford, that he would be willing to attend the conference in Japan. His address is:

Sir Stuart Hampshire  
Warden  
Wadham College  
Oxford.

*Val Headon*  
for ROBIN B NICHOLSON  
Chief Scientific Adviser



29 DEC 1955



COMMUNICATIONS

UNCLASSIFIED

9353 - 1

cc H. Field  
(Lab off)

OO TOKYO  
GRS 204  
UNCLASSIFIED  
FM FCO 242315Z DEC 83  
TO IMMEDIATE TOKYO  
TELEGRAM NUMBER 491 OF 24 DECEMBER

MESSAGE TO MR NAKASONE.

1. PLEASE PASS THE FOLLOWING MESSAGE DATED 23 DECEMBER FROM  
THE PRIME MINISTER TO MR NAKASONE:

BEGINS

HIS EXCELLENCY MR YASUHIRO NAKASONE

I AM PLEASED TO HEAR THAT, FOLLOWING YOUR INITIATIVE AT  
OUR MEETING IN WILLIAMSBURG, THE JAPAN FOUNDATION IS PROPOSING  
TO HOLD A CONFERENCE ON 'LIFE SCIENCES AND MANKIND'. I AM  
GRATEFUL FOR THE OPPORTUNITY TO NOMINATE THREE OUTSTANDING  
AUTHORITIES FROM THE UNITED KINGDOM WHOM THE JAPAN FOUNDATION  
MAY WISH TO INVITE TO THE CONFERENCE.

AS AN OUTSTANDING SCIENTIST IN THE LIFE SCIENCES AREA I  
SUGGEST DR. SYDNEY BRENNER, FRS, DIRECTOR OF THE LABORATORY  
OF MOLECULAR BIOLOGY AT CAMBRIDGE. THE SECOND NOMINATION IS  
THE REVEREND DR, ARTHUR PEACOCKE, DEAN OF CLARE COLLEGE CAMBRIDGE  
WHO WAS A UNIVERSITY TEACHER IN LIFE SCIENCES BEFORE TAKING HOLY  
ORDERS.

MY THIRD NOMINATION WILL BE A PHILOSOPHER BUT I WISH TO TAKE  
SOME FURTHER ADVICE BEFORE DECIDING WHICH NAME TO NOMINATE. I  
THOUGHT THAT IN THE MEANTIME, YOU WOULD LIKE TO KNOW THE FIRST  
TWO NAMES.

YOURS SINCERELY  
MARGARET THATCHER

ENDS.

2. SIGNED ORIGINAL FOLLOWS BY BAG.

HOWE

LIMITED  
FED  
ESSD  
PS  
PS/PUS

Subject cc: Mates  
Ops.

FCW VC  
cc: Dr. Nicholson  
FCW



10 DOWNING STREET

THE PRIME MINISTER

23 December, 1983

PRIME MINISTER'S  
PERSONAL MESSAGE  
SERIAL No. T231/83.

Dear Dr. Nakasone,

I am pleased to hear that, following your initiative at our meeting in Williamsburg, the Japan Foundation is proposing to hold a conference on "Life Sciences and Mankind". I am grateful for the opportunity to nominate three outstanding authorities from the United Kingdom whom the Japan Foundation may wish to invite to the Conference.

As an outstanding scientist in the life sciences area I suggest Dr. Sydney Brenner, FRS, Director of the Laboratory of Molecular Biology at Cambridge. The second nomination is the Reverend Dr. Arthur Peacocke, Dean of Clare College Cambridge who was a University teacher in life sciences before taking Holy Orders.

My third nomination will be a philosopher but I wish to take some further advice before deciding which name to nominate. I thought that in the meantime, you would like to know the first two names.

Yours sincerely  
Raymond Shabari

His Excellency Mr. Yasuhiro Nakasone

SH.





10 DOWNING STREET

*From the Principal Private Secretary*

22 December, 1983

I enclose a reply from the Prime Minister to the letter from Mr. Katsuji Kawamata, Chairman of Nissan, the text of which was transmitted in Tokyo Telegram No. 667 of 16 December. I should be grateful if you would ask the Embassy in Tokyo to arrange for the reply to be transmitted to Mr. Kawamata as soon as possible.

I leave it to your discretion whether to telegraph the text of the reply in advance of the letter itself. There is no special urgency about getting the reply into Mr. Kawamata's hands, but it ought to reach him early in January at the latest.

I am copying this letter with a copy of the Prime Minister's reply to John Kerr (H.M. Treasury) and Callum McCarthy (Department of Trade and Industry), with the request that it should be treated in the same way as previous letters in this correspondence.

EEA BUTLER

Brian Fall, Esq.,  
Foreign and Commonwealth Office

HL



10 DOWNING STREET

THE PRIME MINISTER

22 December, 1983

Mr. K. Kawamata,

I was grateful for your courtesy in writing to me about the delay in signing and announcing the provisional understandings reached in the discussions between your company and officials of the Department of Trade and Industry.

It is, of course, a disappointment to me that it has not been possible to get the project moving in 1983 but we have always insisted that the decision to proceed must be yours and yours alone: we therefore naturally accept your judgement that an announcement must be deferred until the New Year. I greatly hope that we can make an announcement in mid-January when our Parliament re-assembles after its Christmas Recess.

I greatly appreciated your good wishes, and send my own warm congratulations on your company's 50th anniversary, and my best wishes for 1984, both to Nissan and to you personally.

Yours sincerely  
Margaret Thatcher

Mr. Katsuji Kawamata

FILE

DA

cc: AMT.  
DTI.

SH



CF PP's

W.0871

21 December 1983

MR COLES, NO 10

Type letter to Mr. Nakasone.

MS 22.  
12

CONFERENCE ON LIFE SCIENCES AND MANKIND

I am having difficulty contacting Sir Stuart Hampshire who is presently in California. I think a reply should now go to Prime Minister Nakasone giving the names of Dr Brenner and Dr Peacock and indicating a third name will follow. I attach drafts. I will of course let you know as soon as I hear from Sir Stuart Hampshire.

I am copying this minute to Sir Robert Armstrong.

RSN

ROBIN B NICHOLSON

DRAFT LETTER FROM SIR ROBERT ARMSTRONG TO JAPANESE AMBASSADOR

In response to your letter of 31 October, I am conveying the attached letter from the Prime Minister to Prime Minister Nakasone.

As you will see it contains two names and we will be submitting a third very shortly. The addresses of our nominees are as follows:

Dr Sydney Brenner  
Laboratory of Molecular Biology  
Medical Research Council Centre  
University Medical School  
Hills Road  
Cambridge CB2 2QH

The Rev. Dr Arthur Peacocke  
Chair of Judeo-Christian Studies  
Tulane University  
University Chape,  
Newcombe College  
1229 Broadway  
New Orleans  
La. 70118  
USA

Perhaps I should mention that Dr Brenner has a leg injury from a car accident which requires him to have special arrangements for air travel but that he has visited Japan since receiving the injury and is able to make the trip without undue discomfort.

I should add that Dr Peacocke is of course normally based in England at Cambridge University but he will be in New Orleans as a Visiting Professor for the next few months.

DRAFT LETTER FROM THE PRIME MINISTER TO THE PRIME MINISTER  
OF JAPAN

I am pleased to hear that, following your initiative at our meeting in Williamsburg, the Japan Foundation is proposing to hold a conference on "Life Sciences and Mankind". I am grateful for the opportunity to nominate three outstanding authorities from the United Kingdom whom the Japan Foundation may wish to invite to the Conference.

As an outstanding scientist in the life sciences area I suggest Dr Sydney Brenner, FRS, Director of the Laboratory of Molecular Biology at Cambridge. The second nomination is the Rev. Dr Arthur Peacocke, Dean of Clare College Cambridge who was a University teacher in life sciences before taking Holy Orders.

My third nomination will be a philosopher but I wish to take some further advice before deciding which name to nominate. I thought that in the meantime, you would like to know the first two names.

JAPAN: Relations p 4



JU265

Secretary of State for Trade and Industry

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

Telephone (Direct dialling) 01-215 5422  
GTN 215 .....  
(Switchboard) 215 7877

19 December 1983

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

*Pl. type for the PM's  
signature*

*Dear Robin,*

NISSAN: LETTER FROM MR KAWAMATA TO THE PRIME MINISTER

Thank you for your letter of 16 December.

2 The telegram from Mr Kawamata to the Prime Minister confirms what has been increasingly clear over the last few days, that an announcement before Christmas will not now be possible. Parallel telegrams indicate that the debate between Nissan and Mr Shioji, the leader of their House Union, now primarily concerns general management/union relations rather than the UK project in particular; and our assessment is that it is now probably only a matter of time before Mr Shioji withdraws his objections and the project as negotiated can proceed. Lord Marsh has indicated that the company now hope for an announcement as soon as the House reassembles in January.

... I attach a draft reply from the Prime Minister to Mr Kawamata.

*Yours sincerely,*

*Ruth Thompson*

*R* M C McCARTHY  
Private Secretary



CONFIDENTIAL AND PERSONAL

DRAFT LETTER FROM PRIME MINISTER TO MR KAWAMATA

I was grateful for your courtesy in writing to me about the delay in signing and announcing the provisional understandings reached in the discussions between your company and officials of the Department of Trade and Industry.

*It is of course, a disappointment to me that it has not been possible to get the project moving ~~in~~ in 1983 but*  
We have always insisted that the decision to proceed must be yours and yours alone; we therefore naturally accept your judgement that an announcement must be deferred until the New Year.

~~I will not conceal, however, my disappointment that it has not been possible to get the project moving in 1983; and~~ I greatly hope that we can make an announcement as soon as Parliament ~~re-assembles~~ <sup>is</sup> in mid-January ~~when~~ our Parliament re-assembles after its Christmas Recess.

I greatly appreciated your good wishes, and send my own warm congratulations on your company's 50th anniversary, and my best wishes <sup>for 1984</sup>, both to Nissan and to you personally, ~~for 1984~~.



TAMM  
Relaxing PE-5

119 DEC 1983



CONFIDENTIAL



file

10 DOWNING STREET

*From the Principal Private Secretary*

16 December 1983

I have received in a personal telegram from Tokyo a letter from Mr. Kawamata, Chairman of Nissan, to the Prime Minister. I am attaching a copy of telegram no. 667, which contains the text of the letter, and of telegram no. 668, which comments on it.

Boff  
The Prime Minister ought to send a friendly and understanding reply to Mr. Kawamata's letter, and I should be very grateful if you could advise me on a draft, if possible by close of play on Monday 19 December.

I am copying this letter and the enclosures to Brian Fall (Foreign and Commonwealth Office) and John Kerr (HM Treasury), with the request that they should be treated on the same restricted basis as the previous correspondence between the Prime Minister and Mr. Kawamata.

E. E. BUTLER

Callum McCarthy Esq  
Department of Trade and Industry.

CONFIDENTIAL

CT

CONFIDENTIAL



BRITISH EMBASSY,  
TOKYO.

16 December 1983

F E R Butler Esq  
Private Secretary  
10 Downing Street

*M. file*

*Dear Robin,*

In our telegram number 667 we conveyed the text of Mr Kawamata's letter of 16 December to the Prime Minister. I now enclose the original of that letter.

*Yours ever,*

*J S Whitehead*

J S Whitehead

CONFIDENTIAL

# NISSAN MOTOR CO., LTD.

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

Katsuji Kawamata  
Chairman

16th December, 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,

It has been nearly five months since I wrote you a letter dated July 18, 1983. As you kindly recall, the letter was designed to frankly expound to you my way of thinking behind our two proposals which were deemed final ones at that time.

You are doubtless aware that a plan for a pilot plant was soon thereafter put through a series of negotiations between Under Secretary Mountfield and his colleagues versus our Mr. Kawai and feasibility study team, and with a result that they have recently arrived at a common understanding satisfactory to both parties.

While I suspect that you at Her Majesty's Government may harbour dissatisfaction over the prospect of not building up the production swiftly, I greatly appreciate your full understanding of the difficult situation in which we find ourselves.

After going through the ensuing intra-company procedure of consultations with our labour union, we were originally expected to sign the agreement in London and then to make a public announcement right before your Christmas holidays at the latest. Under the circumstances, however, it now appears quite difficult for both parties to seal the agreement before this year is out since it is actually taking more time than initially expected to make necessary coordinations with our union. While I am truly sorry for the delay, I would like you to kindly note that it is indeed indispensable and essential for our management and labour union to forge a complete consensus in successfully executing this project.

NISSAN MOTOR CO., LTD.

It really pains me to write an unpalatable letter like this to you after the five-month long interval. At this juncture, I would like to assure you that the aforementioned conclusion we have reached will in no way be put in jeopardy. I would be relieved if I could seek your gracious understanding regarding the situation at our end.

With the cold wintry season just around the corner, I certainly hope you will take good care of yourself.

With my best personal wishes for happy and prosperous 1984.

Respectfully yours,

*Katsuji Kawamata*  
Katsuji Kawamata

Anglo Japan relats.

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da

10 DOWNING STREET

*From the Private Secretary*

DR. NICHOLSON  
CABINET OFFICE

Conference on Life Sciences and Mankind

Thank you for your minute of  
15 December.

The Prime Minister agrees that you  
should invite Sir Stuart Hampshire to  
be the third member of the British team.

AJC

16 December 1983

NR.

DWF F 007/16

~~LDW NR 375/16~~

00 F C O

ADVANCE COPY

IMMEDIATE

GRS 180

CONFIDENTIAL

DEDIP

FM TOKYO 160800Z DEC 83

TO IMMEDIATE F C O LDN

TELEGRAM NUMBER 668 OF 16/12/83

M I P T.

1. WHEN KAWAI HANDED OVER THIS LETTER HE SHOWED THE SAME DEGREE OF EMBARRASSMENT ABOUT THE COMPANY'S DELAY IN REACHING AGREEMENT WITH THE UNION AS WE HAD DETECTED WHEN HE CALLED ON US EARLIER THIS WEEK (OUR TELNO INDUS 597). HE AGREED WITH US THAT THE MOST SIGNIFICANT SENTENCE IN THE LETTER CAME AT THE END WITH KAWAMATA'S ASSURANCE THAT THE UNDERSTANDING REACHED BETWEEN KAWAI AND MOUNTFIELD SHOULD 'IN NO WAY BE PUT IN JEOPARDY'.

2. KAWAI WARNED US THAT THE COMPANY'S REGULAR END -OF -YEAR PRESS CONFERENCE WOULD TAKE PLACE ON 20 DECEMBER. THERE WOULD CERTAINLY BE QUESTIONS THEN ABOUT THE UK PROJECT. ALTHOUGH THE COMPANY COULD NOT PREDICT HOW THE PRESS CONFERENCE WOULD TURN OUT, THEY HOPED THAT IT WOULD BE POSSIBLE TO HANDLE QUESTIONS IN SUCH A WAY TO SAY AS LITTLE AS POSSIBLE ABOUT THE LIKELY OUTCOME OF THE CONTINUING TALKS WITH THE UNION AND PROSPECTS FOR THE PROJECT IN THE UK.

CORTAZZI



DD  
XX

0830

DWF F 006/16

IMMEDIATE

~~WZKBDR H~~

ADVANCE COPY

~~ML~~

DD FCO (DESKBY 160900Z)

GRS 550

CONFIDENTIAL

DEDIP

DESKBY 160900Z

FM TOKYO 160800Z DEC

TO IMMEDIATE FCO

TELNO 667 OF 16 DEC 83

PLEASE PASS FOLLOWING PERSONAL TO BUTLER, PRIVATE  
SECRETARY AT NO 10.

NISSAN

1. KAWAH, SENIOR MANAGING DIRECTOR AND HEAD OF THE UK PROJECT TEAM IN NISSAN, CALLED ON WHITEHEAD THIS AFTERNOON TO PASS A PERSONAL MESSAGE FROM KAWAMATA TO THE PRIME MINISTER. THIS FOLLOWS KAWAH'S STATEMENT TO US ON 14 DECEMBER (OUR TEL INDUS 597) THAT KAWAMATA WISHED TO LET THE PRIME MINISTER KNOW PERSONALLY WHY IT HAD NOT BEEN POSSIBLE FOR NISSAN TO COMPLETE CONSULATIONS WITH THE UNION IN TIME FOR AN ANNOUNCEMENT BEFORE PARLIAMENT RISES ON 22 DECEMBER.
2. BECASUE OF KAWAMATA'S WISH THAT THE PRIME MINISTER SHOULD RECEIVE AN EXPLANATION OF THE DELAY AS SOON AS POSSIBLE, KAWAH SAID THAT HE WAS AUTHORISED TO LET US HAVE A SIGHT OF THE LETTER.

3. TEXT IS AS FOLLOWS:

DEAR MADAME PRIME MINISTER,

IT HAS BEEN NEARLY FIVE MONTHS SINCE I WROTE YOU A LETTER DATED JULY 18, 1983. AS YOU KINDLY RECALL, THE LETTER WAS DESIGNED TO FRANKLY EXPOUND TO YOU MY WAY OF THINKING BEHIND OUR TWO PROPOSALS WHICH WERE DEEMED FINAL ONES AT THAT TIME.

YOU ARE DOUBTLESS AWARE THAT A PLAN FOR A PILOT PLANT WAS SOON THEREAFTER PUT THROUGH A SERIES OF NEGOTIATIONS BETWEEN UNDER SECRETARY MOUNTFIELD AND HIS COLLEAGUES VERSUS OUR MR. KAWAI AND FEASIBILITY STUDY TEAM, AND WITH A RESULT THAT THEY HAVE RECENTLY ARRIVED AT A COMMON UNDERSTANDING SATISFACTORY TO BOTH PARTIES.

WHILE I SUSPECT THAT YOU AT HER MAJESTY'S GOVERNMENT MAY HARBOUR DISSATISFACTION OVER THE PROSPECT OF NOT BUILDING UP THE PRODUCTION SWIFTLY, I GREATLY APPRECIATE YOUR FULL UNDERSTANDING OF THE DIFFICULT SITUATION IN WHICH WE FIND OURSELVES.

AFTER GOING THROUGH THE ENSUING INTRA-COMPANY PROCEDURE OF CONSULTATIONS WITH OUR LABOUR UNION, WE WERE ORIGINALLY EXPECTED TO SIGN THE AGREEMENT IN LONDON AND THEN TO MAKE A PUBLIC ANNOUNCEMENT RIGHT BEFORE YOUR CHRISTMAS HOLIDAYS AT THE LATEST. UNDER THE CIRCUMSTANCES, HOWEVER, IT NOW APPEARS QUITE DIFFICULT FOR BOTH PARTIES TO SEAL THE AGREEMENT BEFORE THIS YEAR IS OUT SINCE IT IS ACTUALLY TAKING MORE TIME THAN INITIALLY EXPECTED TO MAKE NECESSARY COORDINATIONS WITH OUR UNION. WHILE I AM TRULY SORRY FOR THE DELAY, I WOULD LIKE YOU TO KINDLY NOTE THAT IT IS INDEED INDISPENSABLE AND ESSENTIAL FOR OUR MANAGEMENT AND LABOUR UNION TO FORGE A COMPLETE CONSENSUS IN SUCCESSFULLY EXECUTING THIS PROJECT.

IT REALLY PAINS ME TO WRITE AN UNPALATABLE LETTER LIKE THIS TO YOU AFTER THE FIVE-MONTH LONG INTERVAL. AT THIS JUNCTURE, I WOULD LIKE TO ASSURE YOU THAT THE AFOREMENTIONED CONCLUSION WE HAVE REACHED WILL IN NO WAY BE PUT IN JEOPARDY. I WOULD BE RELIEVED IF I COULD SEEK YOUR GRACIOUS UNDERSTANDING REGARDING THE SITUATION AT OUR END.

WITH THE COLD WINTRY SEASON JUST AROUND THE CORNER, I CERTAINLY HOPE YOU WILL TAKE GOOD CARE OF YOURSELF.

WITH MY BEST PERSONAL WISHES FOR HAPPY AND PROSPEROUS 1984.

RESPECTFULLY YOURS,

KATSUJI KAWAMATA

4. SEALED ORIGINAL OF LETTER FOLLOWS BY CLASSIFIED BAG LEAVING HERE ON 19 DECEMBER.

5. FCO PLEASE PASS ONE COPY PERSONAL TO MOUNTFIELD, VEHICLES DIVISION, DTI.

CORTAZZI

NNNN

Prime Minister.

Agree Sir Stuart Hampshire?

or do you prefer Professor Mary Hesse?

①

W.0848

MR COLES, No 10

15 December 1983

A.S.C. 15/12

Stuart Hampshire  
MB

MR NAKASONE'S PROPOSAL TO CONVENE A CONFERENCE ON LIFE SCIENCES  
AND MANKIND

I have made some further enquiries following receipt of your minute of 9/December. I am pleased to say that Dr Arthur Peacocke has agreed that his name may go forward to the Japanese for invitation to the Conference.

I have had more trouble with finding a suitable replacement for Mary Warnock. The only female candidate of suitable distinction is Professor Mary Hesse, Professor of the Philosophy of Science, Cambridge. The problem with her is that her scientific interests have been very much in the area of the physical sciences and it seems unlikely that she has any special interest or competence in the area of life sciences. However, as a philosopher she would certainly be a suitable candidate.

A much better choice, in my view, would be Sir Stuart Hampshire, Warden of Wadham College, Oxford and formerly Professor of Philosophy at Princeton University. He is very eminent in his field and does have a special interest in philosophy and the life sciences.

Therefore my advice must be that the third member of the British team should be Sir Stuart Hampshire, but if the Prime Minister feels that the desirability of having a female member overrides the points I make above, then I suggest that I approach Professor Hesse.

RSN

ROBIN B NICHOLSON  
Chief Scientific Adviser

JAPANESE: Relations  
p. 4



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CONFIDENTIAL

Subject

file

cc Master  
ofs

ala



cc: DTI

FCO

10 DOWNING STREET

THE PRIME MINISTER

12 December 1983

PRIME MINISTER'S  
PERSONAL MESSAGE  
SERIAL No. T 208/83

Dear Prime Minister,

I very much regret that my absences overseas to attend the Commonwealth Heads of Government meeting and the European Council prevented me replying earlier to your letter of 12 November which was kindly conveyed by Mr. Mimura when he visited London as Leader of the Japanese Market Access Mission.

To my regret other commitments made it impossible for me to meet Mr. Mimura personally. But arrangements were made for him and the members of the Mission to have discussions with Mr. Norman Tebbit, the Secretary of State for Trade and Industry, and his colleague Mr. Paul Channon, the Minister for Trade.

I should like to thank you for sending the Mission to the UK and to express my appreciation for all the other measures you have taken, many clearly requiring difficult political decisions, designed to make the Japanese market more accessible to foreign products. The lead you personally have given through your repeated public appeals to all your citizens to redouble their efforts to increase imports of foreign manufactured goods has been most welcome.

/ Although

off

Although our visible trade imbalance continues to grow at a rate which is causing serious concern, the value of British exports to Japan has shown an encouraging increase of 15% this year. I very much hope that this marks the beginning of a trend towards more balanced trade between our two countries. For my part, I will, of course, continue to encourage British industry to step up further their marketing efforts in Japan.

I look forward to seeing you in London next year both for the Economic Summit and also, I hope, on a longer bilateral visit.

Yours sincerely

Margaret Thatcher

---

His Excellency Mr. Yasuhiro Nakasone



10 DOWNING STREET

*From the Private Secretary*

DR. R.B. NICHOLSON  
CABINET OFFICE

MR. NAKASONE'S PROPOSAL TO CONVENE A CONFERENCE  
ON LIFE SCIENCES AND MANKIND

Thank you for your minute of 8 December.

The Prime Minister agrees that you may sound out the Reverend Dr. Arthur Peacocke for invitation to the proposed conference. But she would not wish you to approach Professor Williams who, some time ago, did a report for the Home Office which did not impress the Prime Minister. Mrs. Thatcher thinks it desirable that we find a female candidate to replace Mrs. Warnock.

A. J. COLES

9 December 1983

CONFIDENTIAL

SP



JH 332

PS/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

9 December 1983

David Barclay Esq  
Private Secretary to the  
Prime Minister  
10 Downing Street  
London SW1

*Type letter pl.*

*A.S.C. 9/12.*

*Dear David,*

*OK flap*  
Mr Yohei Mimura, President of Mitsubishi Corporation who led a Japanese Market Access Mission to London last month brought with him a letter (copy enclosed) addressed to the Prime Minister from the Japanese Prime Minister, Mr Nakasone.

2 It was not appropriate for the Prime Minister to receive Mr Mimura, despite intense lobbying by Japanese organisations in London, and so instead he took the opportunity of the Mission's call on Mr Tebbit to hand over the letter. Mr Tebbit delivered it shortly afterwards to No 10.

3 I imagine that the Prime Minister will wish to reply, and a draft is enclosed.

*Yours ever,*

*Ruth*

RUTH THOMPSON  
Private Secretary



Mr Yasuhiro Nakasone  
Prime Minister of Japan  
1 Nagata-Cho  
Chiyoda-Ku  
TOKYO  
Japan

I very much regret that my absences overseas to attend the Commonwealth Heads of Government meeting and the European ~~Community Summit~~ <sup>Council</sup> have prevented ~~us~~ <sup>me</sup> replying earlier to your letter of 12 November which was kindly conveyed ~~to me through~~ <sup>by</sup> Mr Mimura when he visited London as Leader of the Japanese Market Access Mission.

To my regret, ~~o~~ other commitments made it ~~impossible~~ <sup>for me</sup> to meet Mr Mimura personally, ~~but~~ <sup>but</sup> arrangements were made for him and the members of the Mission to have discussions with Mr Norman Tebbit, ~~the~~ <sup>the</sup> Secretary of State for Trade and Industry, and his colleague Mr Paul Channon, the Minister for Trade.

I should like to thank you for sending the Mission to the UK and to express my appreciation for all the other measures you have taken, many clearly requiring difficult political decisions, designed to make the Japanese market more accessible to foreign products. The lead you personally have given through your repeated public appeals to all your citizens to redouble their efforts to increase imports of foreign manufactured goods ~~is~~ <sup>has</sup> been most welcome.

Although our visible trade imbalance continues to

grow at a rate which is causing serious concern,  
the value of British exports to Japan has shown an enco-  
uraging increase of 15% this year. I very much  
hope that this marks the beginning of a trend  
towards more balanced trade between our two  
countries. For my part, I will, of course,  
continue to encourage British industry to step up  
further their marketing efforts in Japan.

I look forward to seeing you in London next year  
both for the Economic Summit and also, I hope,  
on a longer bilateral visit.

AS 9.  
12

# Japan: Anglo Relations Pt 4

grow at a rate which is causing serious concern.

the value of British exports to Japan has shown a great

rising increase of 15% this year. I very much

hope that this marks the beginning of a trend

towards a more balanced trade between our two

countries. For my part, I will, of course,

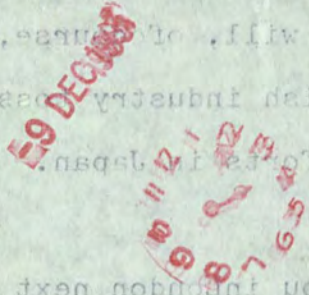
continue to encourage British industry to step up

further their marketing efforts in Japan.

I look forward to seeing you in London next year.

both for the Economic Summit and also, I hope,

on a longer bilateral visit.





Prime Minister.

①

Agree that we should sound out  
Professor Bernard Williams and Dr.  
Peacocke:

8 December 1983

A. J. C.  $\frac{8}{12}$

W.0824

MR JOHN COLLES

*Ann  
Dr. Peacocke  
mt*

MR NAKASONE'S PROPOSAL TO CONVENE A CONFERENCE ON LIFE SCIENCES AND MANKIND

Further to your minute of 25 <sup>attached</sup> November, I can report that Dr Brenner has indicated that he would be willing for the Prime Minister to put his name forward for invitation to the proposed conference on life sciences, but that both Mrs Warnock and Professor Polkinghorne have other engagements at that time which make it impossible for them to agree to their names going forward.

As substitutes I would, if the Prime Minister agrees, propose to sound out Professor Bernard Williams and the Reverend Dr Arthur Peacocke. ✓  
Dr Peacocke has had a similar career to Professor Polkinghorne's, having been a distinguished biologist and teacher in the university before taking Holy Orders about 10 years ago. He has written books and papers on science and religion. He is presently Dean of Clare College, Cambridge.

As a substitute for Mrs Mary Warnock, I would propose Professor Bernard Williams FBA, Provost of King's College, Cambridge. Professor Williams is a noted scholar and distinguished philosopher. His name was suggested to me by a number of the people I consulted before making my original recommendation. Since that time Dr Brenner, when telephoning to indicate his willingness to attend the conference, also suggested that Professor Williams would be a very appropriate person to receive an invitation. He indicated that he and Professor Williams often discussed the issues which form the agenda for the conference.

*No - he  
did -  
decided  
not to go -  
Home Office  
so we have  
to need  
a lady  
to substitute for Mrs. Warnock.*

*Red*

ROBIN B NICHOLSON

# Japan: Anglo-Japanese Relations 174



1881

1881

THE ANGLO-JAPANESE TREATY OF COMMERCE AND CONSULAR RIGHTS

The first article of the Treaty provides that the two Governments shall have full and free communication by land and sea routes, and shall not oppose the free passage of goods and persons between the ports of call of the ships of the other party.

18 DEC 1881

1881

The second article of the Treaty provides that the two Governments shall have full and free communication by land and sea routes, and shall not oppose the free passage of goods and persons between the ports of call of the ships of the other party.

The third article of the Treaty provides that the two Governments shall have full and free communication by land and sea routes, and shall not oppose the free passage of goods and persons between the ports of call of the ships of the other party.

5 December 1983

Thank you very much for your letter of 29 November to my colleague John Coles. The Prime Minister has seen and was most grateful for Mr. Watanabe's letter.

D B

Mr. A. Nagano



Japan: Anyto/Jan  
Cel P23



Lee Ho

10 DOWNING STREET

From the Private Secretary

2 December 1983

Thank you so much for your letter about your recent visit to the United Kingdom. The Prime Minister greatly enjoyed her meeting with you.

May I send you my best wishes for the future.

A J COLES

Mr. Michio Watanabe

BSP

pylofax

File

089

1 December 1983

Thank you for your letter of  
29 November. I shall bring Mr. Watanabe's  
letter to the Prime Minister's attention.

A. J. COLES

Mr. Atsushi Nagano.



4

01-493 6030.

EMBASSY OF JAPAN,  
46, GROSVENOR ST.,  
LONDON,  
W1X 0BA

*for Mr. Coles*  
*5/12*

Prime Minister.

*A.P.C. 4*  
*12.*

Mr. A.J. Coles,  
Private Secretary to  
the Prime Minister,  
Prime Minister's Office,  
No 10 Downing Street,  
London SW1

29th November 1983

*mt*

Dear Mr. Coles,

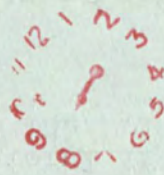
I should be most grateful if you would forward this letter  
from Mr. Michio Watanabe to the Prime Minister.

Yours sincerely,

*A. Nagano*

A. Nagano  
Counsellor - Finance

1983



*Michio Watanabe*

Member of the Japanese Parliament

2-1-2 Nagata-cho,  
Chiyoda-ku,  
Tokyo, Japan

Tel. 508-7426  
581-5111 Ext. 7426

Mr. J. Coles  
Private Secretary to the Prime Minister,  
Prime Minister's Office,  
No. 10 Downing Street,  
London SW 1,  
England.

Dear Mr. J. Coles,

This is to express my sincere gratitude for your warm hospitality and stimulating conversation I enjoyed during my recent trip to the U.K.

I am confident that the U.K., under the strong leadership of Mrs. Thatcher, will surely create a promising and resourceful society as a leader of the world politics and economy.

On my part, I will make my best efforts, taking full advantage of what I learnt on the trip, to contribute further to the closer cooperation and friendship between the U.K. and Japan.

Wishing you continued health and success,  
With best personal regards,

Sincerely yours,

*Michio Watanabe*

Michio Watanabe

*Michio Watanabe*

Member of the Japanese Parliament

2-1-2 Nagata-cho,  
Chiyoda-ku,  
Tokyo, Japan

Tel. 508-7426  
581-5111 Ext. 7426

Her Excellency Margaret Thatcher,  
The Prime Minister,  
The United Kingdom of Great Britain and  
Northern Ireland.

*MT*

Your Excellency,

I am now safely back to Japan from my recent trip to the U.K. under the Invitation most kindly extended by your esteemed Government and I hereby express my sincere appreciation for Your Excellency's invaluable kindness in having spared your precious time for me to exchange views and opinions on issues of our mutual interest.

For long time I have had a keen interest and a high respect namely for Your Excellency's political philosophy, "Neo-Conservatism" backed-up by your incomparable ability to make decision and to carry them out.

I would say, Your Excellency, that my respect has now become much greater after my close observation of your political career to date and of your plan for the future.

I am quite sure that my last visit to your esteemed Country will bring a good outcome to the future relation between the U.K. and Japan, which will surely contribute much to the World peace.

I shall be much obliged, Your Excellency, if you will kindly accept my sincere wishes for your good health and the great success in your future.

Respectfully yours,

*Michio Watanabe*

Michio Watanabe.

*Michio Watanabe*

Member of the Japanese Parliament

2-1-2 Nagata-cho,  
Chiyoda-ku,  
Tokyo, Japan

Tel. 508-7426  
581-5111 Ext. 7426

Dear Mrs. Margaret Thatcher,

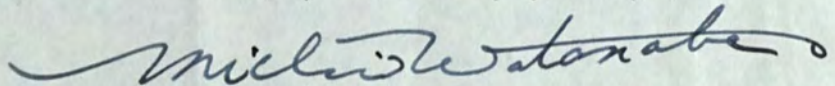
Your Excellency,

It is my pleasure to enclose photographs taken on the occasion of our last meeting on (Nov. 2 ). I hope you will accept them as additional pieces of memorial of our pleasant meeting.

I look forward to seeing you again at the earliest occasion.

With my best wishes,

Very sincerely yours,



Michio Watanabe  
Member of Parliament

PREM 19/1555

Portrait



団体記念写真・スピード写真・撮影全般  
東京都千代田区永田町  
国会議事堂内サイトウ写真店  
TEL. 衆議院店内線 3961  
参議院店内線 6178



団体記念写真・スピード写真・撮影全般  
東京都千代田区永田町  
国会議事堂内サイトウ写真店  
TEL. 衆議院店内線 3961  
参議院店内線 6178





10 DOWNING STREET

*From the Private Secretary* (in New Delhi)

SIR ROBERT ARMSTRONG

---

MR. NAKASONE'S PROPOSAL TO CONVENE A CONFERENCE  
ON LIFE SCIENCES AND MANKIND

BT 1  
The Prime Minister agrees that you should ask Dr. Nicholson to sound out Dr. Brenner, Mrs. Warnock and Professor Polkinghorne to see if they would be willing for Mrs. Thatcher to put their names forward for invitation to the proposed Conference on Progress for Life Sciences.

A. J. Gles.

25 November 1983

*Gene*

CONFIDENTIAL



JF4935

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

*27* November 1983

David Barclay Esq  
Private Secretary to the  
Prime Minister  
10 Downing Street  
LONDON  
SW1

*Pa  
Dubs  
24/11*

*Dear David,*

NISSAN

As you know, although a successful conclusion to Nissan's UK car plant project looks in prospect, it still awaits the final agreement of the Nissan Board and of the company's trade union.

2 In his minute of 16 September <sup>*P43*</sup> to the Prime Minister, Mr Parkinson said that he hoped that in encouraging Nissan's Chairman, Mr Kawamata, to come to the UK for the ceremony we could hold out the prospect of a short meeting with the Prime Minister. Michael Scholar's letter of 19 September to Jonathan Spencer replied that the Prime Minister would be glad to see Mr Kawamata if he came over for the signing ceremony. We therefore asked the Embassy to tell Nissan that we hoped a meeting could be arranged between the Prime Minister and Mr Kawamata, subject of course to her other commitments.

3 When officials from this Department last saw Nissan in Tokyo earlier this month, they emphasised the pressure on the Prime Minister's time, and explained that it would be no easy task trying to align the announcement ceremony with a meeting between the Prime Minister and Mr Kawamata. The point was not lost on the company. Nonetheless, the Tokyo Embassy have advised us that the prospect of a meeting between the Prime Minister and Mr Kawamata is likely to remain an important element in Nissan's thinking on the timing of an announcement. Nissan have continued to make it clear that they themselves hope Mr Kawamata will come to London for the announcement ceremony and believe it best that he should do so. My Secretary of State agrees that his participation would help to allay doubts about the extent to which the Nissan Board back the venture, and we believe the prospect of a meeting with the Prime Minister offers the best hope of enticing the Nissan Chairman to London for the signing of a project for which he is publicly known to have had little enthusiasm.



4 You have been very understanding about the regular approaches we have had to make on dates for this meeting, because of the uncertainty over the timing of the signing ceremony. I very much hope that we will soon be able to agree a firm date with you which will stick: in the meantime, I thought it only right to set out the background to our repeated requests, and to explain why my Secretary of State believes some awkwardness would be involved if the Prime Minister were unable to see Mr Kawamata after all.

*Yours ever*

*Ruth*

RUTH THOMPSON  
Private Secretary

Japan  
Nissa  
px 4



The day I arrived at the station  
I was met by my father and  
mother. I was very happy to  
see them. I had been away for  
so long. I was very tired but  
I was very happy to see them.  
I was very happy to see them.  
I was very happy to see them.

NOV 21 1981

NOV 21 1981

NOV 21 1981



Prime Minister.

Agree proposal 8?

MR COLES ✓

attached  
CT 1586/83

Yes not

A.F.C. 24/11

The Prime Minister of Japan, Mr Nakasone, wrote to the Prime Minister on 21 October about his proposal to convene a conference on life sciences and mankind in Japan on 19 to 22 March 1984.

2. This suggestion arose out of a brief discussion at Williamsburg, during the course of which Mr Nakasone expressed Japanese concern on some of the implications of recent progress made in genetics and other "life sciences".

3. Mr Nakasone is proposing that three people should be invited from each member country of the Summit; they would not be representatives of the Government; they would be three "outstanding authorities", to include one person from among scientists concerned in the field of life sciences and two with more general social scientific or philosophical qualifications.

4. I have discussed with Dr Nicholson whom you might recommend to attend this conference.

5. As far as the scientist member of the delegation is concerned, the best person would be Dr Sydney Brenner from the MRC Laboratory of Molecular Biology in Cambridge. Possible alternatives would be Professor Ken Murray of the Department of Molecular Biology in Edinburgh, or Professor David Weatherall, Professor of Clinical Medicine at Oxford.

6. Among philosophers who would be well qualified to take part in a discussion of this kind, perhaps the outstanding figure is Mrs Mary Warnock, who has been Chairman of a DHSS Committee on Test Tube Babies and of the Home Office Advisory Committee on Animal Experiments. Alternatives might include Professor Bernard Williams, Provost of King's College, Cambridge, Sir Stuart Hampshire, Warden of Wadham College, Oxford, and Professor Henry Harris, a Professor of Medicine at Oxford.

7. For the third member of the group, to represent a specifically religious point of view, the Archbishop of York would obviously be ideal but is perhaps unlikely to be able to spare the time. Apart from him,



a suitable candidate would be Professor John Polkinghorne, who was Professor of Physics at Cambridge before he took Holy Orders, and Mr Arthur Peacock, the Dean of Clare College, Cambridge.

8. If the Prime Minister agrees, I should like to ask Dr Nicholson to sound Dr Brenner, Mrs Warnock and Professor Polkinghorne to see if they would be willing for the Prime Minister to put their names forward for invitation to the proposed conference on progress for life sciences. If any of those suggested were unable to accept nomination, I would ask Dr Nicholson to approach the alternatives, in the order suggested in this minute.

9. Once we have identified three people who are willing to be nominated, I would then suggest a draft reply for the Prime Minister to send to Mr Nakasone's letter of 21 October.

RA

ROBERT ARMSTRONG

23 November 1983



1) cc ffo  
2) pa  
3) ms  
9/12

Prime Minister (4)

PPS

No

**NOBUSUKE KISHI**

Her Excellency  
Margaret Thatcher  
No. 10 Downing Street  
London

R26

November 22, 1983

*Dear Mrs. Prime Minister, pt 3*

Thank you so much for your kind message through your ambassador, Sir Hugh Cortazzi, to congratulate me on my 'mellow-rice' birthday.

I always admire of your great efforts to promoting better understanding and relations between our two nations, and to the cause of the world peace as well.

Sincerely yours

*Nobusuke Kishi*

ms

Tapan  
Relations  
Pxx







CC MASTER  
OPS

10 DOWNING STREET

THE PRIME MINISTER

**PRIME MINISTER'S** 19 November 1983

**PERSONAL MESSAGE**

**SERIAL No. T 185A/83**

My dear Prime Minister,

Thank you very much for your letter of 24 October which was delivered to me by your colleague, Mr. Watanabe, when he called recently.

It was a pleasure to renew my acquaintance with Mr. Watanabe, whom I met in Tokyo last September. We had an interesting and wide-ranging discussion. Mr. Watanabe was particularly informative about the complexities of the current political situation in Japan.

We in Britain are honoured to have Prince Hiro with us for his two years of study at Oxford. I am sure that he will find his time here both interesting and enjoyable, and that his stay will serve to strengthen further relations between our two countries. I hope to meet His Imperial Highness in the near future and to hear his impressions of his first months in Britain.

I look forward to meeting you again at the Summit here in Britain next year, and hope that you will also find time next year for a more extended visit to this country.

Yours sincerely  
Raymond Thatcher

His Excellency Mr. Yasuhiro Nakasone

dg

CONFIDENTIAL



*I have told the F.C.O. that  
the Prime Minister cannot  
rescind the mission. They have  
agreed to tell the Japanese.*

Foreign and Commonwealth Office

London SW1A 2AH

14 November, 1983

*A.J.C.  $\frac{14}{11}$   
p.a.*

*Dear John,*

Japanese Trade Mission

Thank you for your letter of 11 November about the renewed Japanese request that the Prime Minister should receive Mr Mimura.

We have discussed this at official level with the Department of Trade and Industry. We and they are agreed that there are no grounds for altering the earlier recommendation that the Prime Minister should not receive Mr Mimura. There are certainly no strong political reasons why she should do so. In our view and that of HM Ambassador in Tokyo the visit of the Mission to this country is very largely a public relations exercise, designed to demonstrate Japanese good faith in their intention of opening their market further to British and other European exports. We believe that the success of the Japanese attempts in this regard can only be demonstrated by results; and while the visit of the Mission is in its way welcome, we see no reason why it should be dignified by a call on the Prime Minister notwithstanding the fact that Mr Mimura is bearing a message from Mr Nakasone.

We have also spoken about the tendency of some of the Japanese to put requests direct at No 10. Mr Giffard has spoken to the Japanese Ambassador about this. I hope that they will now follow the correct procedure.

I am sending a copy of this letter to Callum McCarthy (Dept of Trade and Industry).

*Yours ever,  
Peter Ricketts*

(P F Ricketts)  
Private Secretary

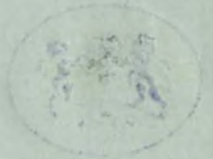
A J Coles Esq  
10 Downing Street

CONFIDENTIAL

Japan,  
Relations, 1933

Foreign and Commonwealth Office

LONDON SW1Z 9AH



OFFICE OF THE PRIME MINISTER

TOKYO

**PRIME MINISTER'S**

**PERSONAL MESSAGE**

November 12, 1983

**SERIAL No. T 181<sup>A</sup>/83** CC MASTER  
OPS

Dear Prime Minister,

I have the pleasure of introducing to you Mr. Yohei Mimura, President of Mitsubishi Corporation and Leader of the Japanese Market Access Promotion Mission, which will be visiting your country for the purpose of promoting access to the Japanese market by British enterprises. He is not only a prominent figure in Japanese business circles, but also a good friend of mine and I believe is the most suitable person to head this Mission.

This Mission is one of the import promotion measures under the Comprehensive Economic Measures which I instructed the government ministries and agencies concerned to work out and which have recently been formulated. It will hold talks with British businessmen to explain to them the characteristics of Japanese consumer demand and suggest, among other things, the ways to approach the Japanese market, in order that their interest in it may be enhanced.

The Mission will also listen with fullest attention to the views and wishes of British business circles. Upon its return to Japan, I will personally hear from it a report on its activities in your country.

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

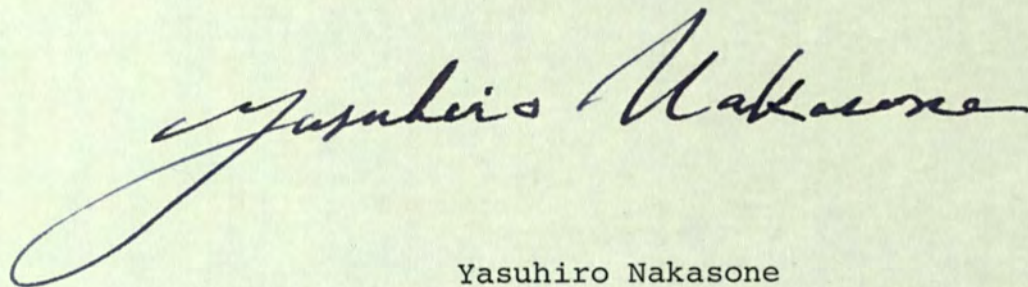
FC DTI  
PM seen  
earlier version  
File

I am strongly expecting that the Mission will give fresh impetus to the efforts by British businesses to export and by Japanese businesses to import and that by their combined efforts our mutual trade will achieve further development.

I should be very grateful, therefore, if you would be good enough to give support to the Mission in its activities during its stay in your country.

With warmest personal regards,

Yours sincerely,

A handwritten signature in cursive script, reading "Yasuhiro Nakasone". The signature is written in dark ink and is positioned above the typed name and title.

Yasuhiro Nakasone  
Prime Minister of Japan

CONFIDENTIAL



cc DTI.  
cc AW

HU

10 DOWNING STREET

*From the Private Secretary*

11 November 1983

Japanese Trade Mission

We had a word on the telephone the other day about a request which the Japanese Ambassador had put to No. 10 direct that the Prime Minister should receive Mr. Mimura, the President of Mitsubishi, who would be leading a Japanese Trade Mission which will arrive here on 13 November. The Ambassador said that Mr. Mimura would be bearing a message for the Prime Minister from Mr. Nakasone. I believe that, in my absence from London on Monday, Tim Flesher spoke to your office about this.

I also enclose a copy of a letter which Sir Alan Walters has received from Mr. Shibata of MITI on this subject.

We now need to handle this rather quickly. The Prime Minister has a very full programme on 14 and 15 November, the two days when it is suggested that she might receive Mr. Mimura. Unless you see very strong reasons why she should agree to a meeting, I doubt whether she will be able to find time. You may also think that, given the Japanese intention to vote for the Argentine resolution on the Falkland Islands, now is not the moment for a gesture of this kind. Perhaps you could let me have your advice on the telephone.

As I also told you earlier, I should be grateful if something could be done to persuade the Japanese to channel their requests properly through their own Embassy here and the Government Departments concerned. Direct approaches to No. 10 do not save time and tend to confuse matters.

I am copying this letter and enclosure to Callum McCarthy.  
(Department of Trade and Industry).

A. J. COLES

Peter Ricketts, Esq.,  
Foreign and Commonwealth Office

CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

11 November 1983

Dear John,

Type letter pl.

AR 1/11.

Thank you for your letter of 2 November recording the discussion during Mr Watanabe's call on the Prime Minister that afternoon.

I enclose, as requested, a draft reply from the Prime Minister to the letter of 24 October from Mr Nakasone, which Mr Watanabe handed to her during his call. The draft refers at the end to the likelihood of Mr Nakasone's visiting London next year not only for the Economic Summit but bilaterally; the Prime Minister extended an invitation to Mr Nakasone in this sense at Williamsburg, and he is known to wish to take it up. However the Japanese are unlikely to propose specific dates until after their forthcoming election, now expected to take place in December.

Yours ever,

Peter Ricketts

(P F Ricketts)  
Assistant Private Secretary

A J Coles Esq  
10 Downing Street

DRAFT: ~~minute/letter/teleletter/despatch/note~~  
XXXXXXXXXXXXXXXX

TYPE: Draft/Final 1+

FROM: Prime Minister

Reference

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

TO: Mr Yasuhiro Nakasone  
Prime Minister of Japan

Your Reference

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

Copies to:

PRIVACY MARKING

SUBJECT:

.....In Confidence

Thank you very much for your letter of 24 October, which was delivered to me by your colleague, Mr Watanabe, when he called recently.

CAVEAT.....

It was a pleasure to renew my acquaintance with Mr Watanabe, whom I met in Tokyo last September. We had an interesting and wide-ranging discussion, and Mr Watanabe was particularly informative about the complexities of the current political situation in Japan.

We in Britain are honoured to have Prince Hiro with us for his two years of study at Oxford. I am sure that he will find his time here both interesting and enjoyable, and that his stay will serve to strengthen further the relations between our two countries. I hope to meet His Imperial Highness in the near future and to hear his impressions of his first months in Britain.

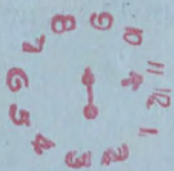
Enclosures—flag(s).....

I look forward to meeting you again at the Summit here in Britain next year, and hope that you will also find time next year for a more extended visit to this country.

*AR 1/11*



Japan  
Relations  
pt 3



1983

Japan with ATC  
DWD

Mr Johnson

Mr. Butler to see. Please copy to PS  
PS/Mr Luce  
PS/PVS  
Mr Giffard  
Mr Donald  
Mr Thomas  
Mr Crow (EC)(E)  
~~Mr Thomas~~

A.S.C. '9/3, 7

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TLDW 777/9

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NO DISTRIBUTION

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GR 900

DESKBY 091500Z

CONFIDENTIAL

FM TOKYO 091200Z NOV

TO IMMEDIATE DTI

TELNO INDUS 540 OF 9 NOVEMBER 83

[TH Di (PS Down)]

FE0 ✓  
125  
w H03

FOLLOWING PERSONAL FOR MEADWAY VEHICLES DIVISION FROM MOUNTFIELD

NISSAN

1. TALKS ENDED TODAY WITH AGREEMENT REACHED (AD REFERENDUM TO THE BOARD AND MINISTER) ON OUTSTANDING POINTS. ON UK SIDE, RESULTS WERE WITHIN THE NEGOTIATING MARGINS AGREED BY IDAB AND MINISTERS.
2. KAWAMATA SAID THE MEETING WITH THE UNION PLANNED FOR FRIDAY 4 NOVEMBER HAD BEEN POSTPONED UNTIL MONDAY 14 NOVEMBER, APPARENTLY AT KAWAMATA'S SUGGESTION. PREVIOUSLY, TWO OR THREE MEETINGS WERE PLANNED, BUT KAWAMATA HAD ARGUED THAT IT WAS BETTER TO GIVE SHIOJI TIME TO CHANGE HIS POSITION AND SELL IT TO HIS PEOPLE, AND THEN CONCLUDE THE MATTER IN ONE MEETING. KAWAMATA SAID THE PROSPECTS FOR SUCCESS ON 14 NOVEMBER WERE "QUITE GOOD"; THERE WERE INDICATIONS FROM THE GRASS ROOTS THAT SHIOJI WAS NOW PREPARING THE GROUND FOR THIS RETREAT AND EXPLAINING THAT HIS EARLIER OPPOSITION HAD BEEN TO A 200,000 UNIT PLANT. NEVERTHELESS IT WOULD BE PREMATURE TO CONCLUDE THAT THIS BATTLE IS WON.
3. WE PRESSED THE CASE FOR AN EARLY ANNOUNCEMENT TO LIMIT THE CHANCES OF PRESS SPECULATION (EG ON "SCREWDRIVER OPERATIONS") BUILDING UP IN A WAY THAT MADE A FAVOURABLE RECEPTION FOR THE EVENTUAL STATEMENT LESS LIKELY. WE STRESSED THIS AS A MUTUAL CONCERN, RATHER THAN A SPECIFICALLY UK ONE, TO AVOID DAMAGING OUR NEGOTIATING POSITION ON REMAINING POINTS. KAWAMATA ACCEPTED THE NEED FOR AN ANNOUNCEMENT AS SOON AS POSSIBLE AFTER AGREEMENT WAS REACHED WITH THE

UNION, AND APPEARED TO BE THINKING OF AN ANNOUNCEMENT WITHIN THE NEXT COUPLE OF WEEKS AS POSSIBLE. HE WAS HOWEVER RELUCTANT TO BE DRAWN ON SPECIFIC DATES. THEY HAVE HOWEVER RULED OUT 16 AND 17 NOVEMBER; AND AGREE THAT 21 NOVEMBER IS ATTRACTIVE, IF ACHIEVABLE. PLEASE THEREFORE MAKE PROVISIONAL DIARY ARRANGEMENTS INCLUDING PRIME MINISTER.

4. KAWAII SAID IT WAS FAIRLY CERTAIN THAT EITHER KAWAMATA OR HISHIHARA WOULD COME TO LONDON BUT IT WAS NOT YET CLEAR WHICH. KAWAII HIMSELF WAS URGING KAWAMATA TO COME.

5. NISSAN ARE GREATLY CONCERNED ABOUT THE PROBLEM OF SYNCHRONISING ANNOUNCEMENTS IN LONDON AND TOKYO, AS A STATEMENT AFTER QUESTIONS AT 3.30PM MEANS A 12.30AM ANNOUNCEMENT IN TOKYO, WHICH IS INCONVENIENT FOR MORNING PAPER PRINTING DEADLINES HERE. WE SHALL DISCUSS THIS FURTHER

6. ON SPECIFIC POINTS, POSITION IS AS FOLLOWS:-

A) CLAW-BACK

THIS PROVED THE TOUGHEST POINT TO RESOLVE WITH NISSAN INSISTING THAT KAWAMATA WAS NOT PREPARED TO GO BEYOND 2 YEARS. EVENTUALLY WE AGREED TO RECOMMEND THREE AND A HALF YEARS WITH TAPERING WHICH KAWAII SIMILARLY AGREED TO RECOMMEND TO KAWAMATA.

B) EARLY-START PROBLEMS

NISSAN WERE RELUCTANT TO HAVE ANY SPECIAL PROVISION FOR DEALING WITH PROJECT ACCELERATION ARGUING THAT SIGNIFICANT PULLING FORWARD OF TIMETABLE WAS INCONCEIVABLE. HOWEVER WE PROPOSED EXCHANGE OF LETTERS ESTABLISHING THAT MORE THAN SIX MONTHS ACCELERATION WOULD REQUIRE CONSULTATION BETWEEN THE TWO SIDES, INCLUDING FREEDOM ON UK SIDE TO REVIEW STATUS OF SFA. THE TEXT WAS AGREED IN PRINCIPLE BY NISSAN.

C) LOCATION

NISSAN ARE UNDECIDED HOW TO HANDLE QUESTION OF SITES IN CONTEXT OF AN ANNOUNCEMENT. THEY ARE CONSIDERING REDUCING LIST OF SITES BY ABOUT A HALF BUT ARE NOT CLEAR WHETHER TO ANNOUNCE THIS IN TERMS OF SPECIFIC SITES OR ONLY OF AREAS (EG SOUTH HUMBERSIDE). AS TO THE TIMING OF FURTHER INVESTIGATION AND LOCAL NEGOTIATIONS, NISSAN ANTICIPATE STARTING WORK WITHIN 2-3 WEEKS OF ANNOUNCEMENT ALTHOUGH PRECISE MECHANICS NOT YET DECIDED. WE HAVE OFFERED IBB HELP IF REQUIRED.

(FOR HOPE) NISSAN ARE NOT NOW PRESSING US TO KEEP REGIONAL LOBBY GROUPS AWAY AT ALL COSTS THOUGH THEY STILL WANT US TO DISCOURAGE THEM ON GROUNDS THAT VISITORS (PARTICULARLY THOSE MAKING A SPECIAL TRIP TO JAPAN) WILL BE WASTING THEIR TIME. THEY MIGHT SPEAK FIRST WITH NUTTALL OF YHDA WHO REGARDS HIS RECENT MEETING WITH ARIGA AND KOZAI AS THE MOST UNPRODUCTIVE HE HAS EVER HAD IN JAPAN.

D) STATEMENT AND NOTES FOR SUPPLEMENTARIES

STATEMENT WAS CLEARED AD REFERENDUM TO THE NISSAN BOARD WITH ONLY MINOR CHANGES. THERE WAS ALSO A LARGE MEASURE OF AGREEMENT ON THE NOTES BUT WE HAVE OFFERED TO CONSIDER CERTAIN CHANGES IN TREATMENT PARTICULARLY ON LINKS BETWEEN PHASE II AND III.

7. WE RETURN ON JL423 ARRIVING 06.15 TOMORROW, THURSDAY. I PLAN TO BE AVAILABLE FOR SECRETARY OF STATE'S MEETING WITH MESSRS DUFFY AND EVANS WHICH HAS BEEN MENTIONED TO NISSAN.

8. MEADWAY, PLEASE COPY TO PS/SECRETARY OF STATE, MR LAMONT AND USUAL OFFICIAL CIRCULATION. WE HAVE AGREED TO SEND REVISED SET OF DOCUMENTS TO NISSAN BY WEEKEND BAG. COULD GAVIN PLEASE MAKE NECESSARY PREPARATIONS

9. ADVANCE COPY PLEASE TO MEADWAY, VEHICLES DIVISION.

CORTAZZI

NNNN

CCN PARA 6 B) 1ST WORD 4TH LINE .. TIMETABLE ...



184

Ref. A083/3163

MR COLES

*Amil salt r/s*  
*A.D.C.  $\frac{9}{u}$*

I attach a letter which the Prime Minister of Japan, Mr Nakasone, has addressed to the Prime Minister, with a translation (provided by the Japanese Embassy). Mr Nakasone has invited the Prime Minister to recommend "distinguished authorities" who might be invited to attend a non-governmental conference in Tokyo next March to discuss questions arising from the recent progress made in life sciences.

2. I shall shortly be submitting advice for the Prime Minister for a reply.

*RA*

ROBERT ARMSTRONG

CONFIDENTIAL

8 November 1983

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TO ROUTINE FCO

TELNO 586 OF 7 NOV 83

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**ADVANCE COPY**

Coles. No 10. D. St

PLEASE PASS TO COLES, 10 DOWNING STREET.

INTERNATIONAL DESIGN FESTIVAL, OSAKA

1. IN VIEW OF HIGH COST OF AIR FREIGHT, WE PROPOSE TO SEND PRIME MINISTER'S AWARD CERTIFICATE AND PRIZE BY SEA BAG THIS WILL TAKE ABOUT 6 WEEKS.

2. PLEASE IGNORE PINNELL'S LETTER OF 31 OCTOBER

CORTAZZI

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E. R.

MR. COLES ✓ *Mr. M.*

The Japanese Ambassador telephoned to say that a Japanese Trade Mission was arriving on 13 November. The head of the mission, Mr. Mimura, the President of Mitsubishi, would be bearing a message for the Prime Minister from Mr. Nakasone. Could he therefore have 15 minutes to present a message?

I took delivery of the request and sought advice from the FCO and DTI. The latter have replied to the effect that from their point of view a Prime Ministerial audience for Mr. Mimura would be overdoing it. I await Foreign Office advice. Any appointment would have to be on 14 or 15 November.

*TF.*

7 November 1983

SUBJECT

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cc master



10 DOWNING STREET

From the Private Secretary

2 November 1983

Call on the Prime Minister by Mr. Watanabe

Thank you for your letter of 31 October. Mr. Watanabe called on the Prime Minister for 40 minutes at 1610 this afternoon. He was accompanied by the Japanese Ambassador and an interpreter.

Mr. Watanabe handed to the Prime Minister a letter from the Prime Minister of Japan. A copy of this is enclosed. The Prime Minister recalled her friendly discussions with Mr. Nakasone at Williamsburg. Taking up the reference to Prince Hiro in Mr. Nakasoné's letter, the Prime Minister asked how the Prince was getting on. Mr. Watanabe said that he was very pleased with the arrangements made for him at Oxford.

Mr. Watanabe then went on to explain that he was setting up a policy study group which he himself would head. Its title in Japanese meant "Getting back to first principles" and in a sense it was concerned with the policies of Thatcherism. The main area in which Japan had breached fundamental economic principles was in relation to the budget deficit. There was constant pressure on the Government to increase public expenditure. As he understood the Prime Minister's policy of "new conservatism" it was based upon the principles of defeating inflation and limiting public expenditure. The Prime Minister said that there were in fact three planks to her economic policy: the reduction of inflation, the restraint of public expenditure and the containment of the budget deficit. Only if all three were pursued consistently would the policy be sound.

Turning to the political situation in Japan, Mr. Watanabe said that the next week or so would see major political conflict. The Opposition were now proposing a resolution which would request Mr. Tanaka to resign. If Parliament did not accept this, the Opposition threatened to boycott proceedings. Parliamentary business was in limbo. On 4 November when Chancellor Kohl would leave Japan, the Liberal Democratic Party might seek to vote through every Bill unilaterally in the absence of the Opposition. The Japanese Ambassador explained that this would be a radical departure from normal procedures whereby Japanese laws were enacted by consensus. Mr. Watanabe said that there was a possibility that Parliament would be dissolved. The fact that President Reagan was due to speak to the Parliament on 9 November presented a difficulty.

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/ The Prime Minister

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- 2 -

The Prime Minister asked whether voluntary resignation by Mr. Tanaka would solve everything. Mr. Watanabe said that it would but Mr. Tanaka seemed determined to remain a Member of Parliament. The Opposition would be delighted if Parliament were dissolved. But Mr. Nakasone took a different view because if it were dissolved in present circumstances the main issue in the ensuing elections would be the morality of politics. However, the Liberal Democrats were already anticipating dissolution and making their dispositions for the election campaign.

The Prime Minister commented that it was bad to hold elections in a period of domestic crisis. In Britain the governing party would lose ground in such circumstances. Mr. Watanabe said that postponement would probably not help his party since Mr. Tanaka would probably still be a Member of Parliament.

Mr. Watanabe then asked whether the Grenada episode would damage the basic alliance between the United Kingdom and the United States. Japan was concerned because it had a Security Treaty with the United States. The Prime Minister replied that we should see to it that our alliance remained strong. Japan should have no worries on that score. Events involving a small island of 110,000 people could not upset a major alliance. The differences had arisen because of a lack of consultation.

Mr. Watanabe then asked whether, with regard to sanctions against the Soviet Union, Britain would adopt the same attitude as the United States or would co-ordinate its policy with France or Germany. The Prime Minister explained that our basic policy was to trade with the Soviet Union where this was to our mutual benefit. We did not support subsidised CAP sales to the Russians. We placed restrictions on the export of technology and we were against highly subsidised credit terms.

In conclusion, Mr. Watanabe said that he believed that Britain and Japan should stay in close consultation. The Prime Minister said that this would be very welcome. She would be grateful if Mr. Watanabe would pass her thanks to Mr. Nakasone for the explanations of Japanese policies which he had given.

I should be grateful if in due course you could let me have a draft reply to Mr. Nakasone's letter to the Prime Minister.

*AR*

Peter Ricketts, Esq.,  
Foreign and Commonwealth Office.

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Foreign and Commonwealth Office

London SW1A 2AH

1 November 1983

Prime Minister

A.J.C. 1/11

Dear John,

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The Prime Minister may care to see the attached book about her which has very recently been published in Japan. Its author, Mr Kaoru Hanaoka, has donated a copy to be presented to the Prime Minister.

The book's title is 'Prime Minister Margaret Thatcher - The Remarkable Politician'. It is published in a series on modern British political history. The book is at a glance a serious and comprehensive account of the present Conservative administration, covering in detail such aspects as relations with the EC including the budget question, the Falklands campaign, Northern Ireland, domestic economic policy, relations with the TUC and the Labour Party, the rise of the SDP and the recent General Election. The bibliography and index of names printed in English at the end (pages 505 on) give an indication of the scope of the work.

HM Embassy in Tokyo have already acknowledged the gift.

Yours ever,

Peter Ricketts

(P F Ricketts)  
Private Secretary

A J Coles  
10 Downing Street

PART 3 ends:-

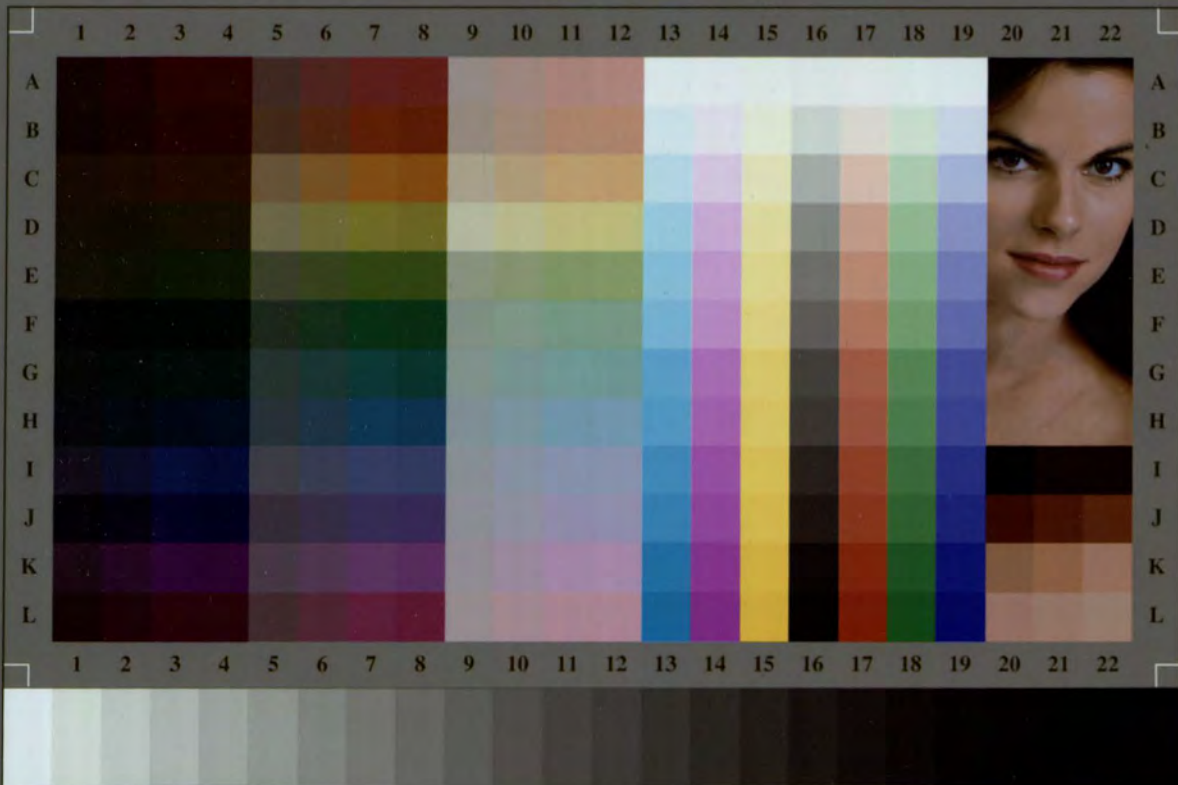
A Pinnet (British Embassy, Tokyo) to AJC  
31. 10. 83

PART 4 begins:-

Fco to AJC 1. 11. 83

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