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PREM 19/2750

MT

PART 8

SECRET.

Confidential Filing

Anglo-Japanese Relations
Effects of Japanese Imports on the European Car Industry
Nissan
Honda + TOYOTA

JAPAN
Part 1: May 1979
Part 8: July 1988

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
~~5.7.88~~		~~28.6.89~~					
~~4.7.88~~		~~30.6.89~~					
~~21.7.88~~		~~13.7.89~~					
~~10.8.88~~		15.7.89					
~~8.10.88~~		~~17.7.89~~					
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~~31.5.89~~							
~~9.6.89~~							
~~15.6.89~~							

PREM 19/2750

PART 8 ends:-

CDP to FCO 24/8/89

PART 9 begins:-

DTI to CDP 7/9/89.

FILE KK

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

24 August 1989

UK-JAPAN 2000 GROUP

Lord Jenkin is coming to see the Prime Minister on 15 September with some members of the UK-Japan 2000 Group. Particular subjects they want to cover, in advance of the Prime Minister's visit to Japan, are air services and the 1991 Japan Festival. I should be grateful for briefing on these and any other relevant points.

I am copying this letter to Roy Griffins (Department of Transport) and to Neil Thornton (Department of Trade and Industry).

(C. D. POWELL)

R. N. Peirce, Esq.,
Foreign and Commonwealth Office.

01-493 6030

EMBASSY OF JAPAN
46 GROSVENOR STREET
LONDON W1X OBA

21st August 1989

Dear Prime Minister,

I would like to refer to my letter of 14th August when I forwarded to you the English translation of a letter from Mr. Sousuke Uno, former Prime Minister of Japan.

I have now received the original letter, in Japanese, which I have pleasure in forwarding.

Yours sincerely,

Kazuo Chiba

Kazuo Chiba
Ambassador

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

Japan: Relations
P2 8

親愛なるサッチャー首相閣下

既にご承知のこととは存じますが、私は、先般行われました参議院議員選挙における与党自由民主党の敗北に自らの責任をとるため、総理大臣の職より身を引く決意を致しました。

私の総理大臣としての在任期間は極めて短期間ではありましたが、「世界に貢献する日本」を目標に外交を中心とする政策の実施に努力してまいりました。今日、国際社会は望ましい方向への変化の兆しもいくらかは見られますものの、早急に解決を要する問題が、なお多く残されています。英知と経験に富んだ貴首相閣下とも緊密な連携を図りつつこれら問題の解決に出来る限りの貢献を行っていきたいと言うのが私の総理としての理念でした。日英二国間関係につきましては、閣下を始め、日英両国政府関係者の積極的姿勢とたゆまざる努力により、近年著しく強化され、昨年一月、私とハウ外相が日英関係はか

くありたいと願って合意した如く、「ダイナミックで率直な意見交換が行えるパートナー関係」に向かって着々と進みつつあるのは、誠に喜ばしい限りであります。本年九月には、閣下の訪日も予定されておりますところ、かかる建設的関係が、今後、益々発展していくものと確信致しております。

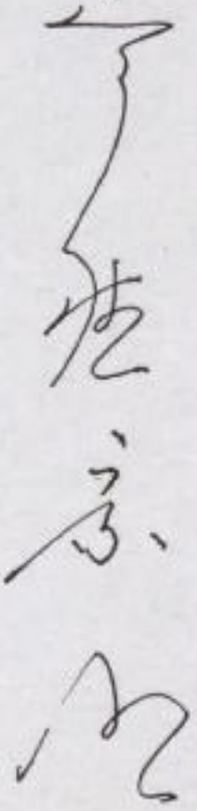
私自身、総理の職は退くことになりましたものの、今後自由民主党最高顧問の一人として党の政策決定に参画していくことになりますので、引続き日英関係の一層の緊密化のために出来る限りの努力を行っていく所存であります。

閣下の御健康と益々の御活躍を心より祈念致しております。

平成元年八月九日

連合王国首相
マーガレット・サッチャー閣下

日本国内閣総理大臣



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

15 August 1989

Your Excellency,

I am writing to acknowledge safe receipt of your letter of 14 August, enclosing the text of a letter from Mr. Sousuke Uno. I shall draw this to the Prime Minister's attention just as soon as she returns from holiday.

Yours sincerely,

C B Slocock

(CAROLINE SLOCOCK)

His Excellency Mr. Kazuo Chiba

010

ECPC

01-493 6030

EMBASSY OF JAPAN
46 GROSVENOR STREET
LONDON W1X 0BA

14th August 1989

Dear Prime Minister,

I have been asked by Mr. Sousuke Uno, former Prime Minister of Japan, to forward the text of his letter to you.

I have much pleasure in attaching this herewith.

Yours sincerely,

Kazuo Chiba

Kazuo Chiba
Ambassador

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

Dear Prime Minister,

As you may already know, I made the decision to resign as Prime Minister of Japan in order to fulfil my responsibilities for the reverses suffered by the ruling Liberal Democratic Party in the Elections to the House of Councillors held last month.

Throughout my short tenure of office as Prime Minister, I endeavoured to implement policies, so that Japan might make a global contribution commensurate with her position in the international community. Although we can see some signs of favourable change in the world, we still face numerous problems which require speedy solution. As Prime Minister of Japan, I aimed at maintaining close cooperation with you, who are endowed with great wisdom and experience. It was through such cooperation that I hoped to make a significant contribution towards resolving the problems mentioned above.

As for the Anglo-Japanese bilateral relationship, we have witnessed its further strengthening, thanks to the positive attitude and the ceaseless efforts of you, Prime Minister, and our government officials. I am very pleased to observe that our bilateral relationship is steadily maturing towards the "dynamic and frank partnership", the goal which was agreed upon by Sir Geoffrey Howe and myself in January last year. I am sure that such a constructive relationship, which will be demonstrated by your visit to Japan in September, will be further improved.

Though no longer Prime Minister, I will continue to participate actively in policy-making as senior adviser to the Liberal Democratic Party, and I shall continue my efforts towards an even closer relationship between our two countries.

I sincerely wish you good health and every success.

Yours sincerely,

SOUSUKE UNO

Jean Rob

Mem

CDM

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

12 August 1989

Thank you for your letter of 10 August to my colleague Charles Powell, who is currently on leave, concerning the planned meeting on 15 September with the UK-Japan 2000 Group. I will ensure that Charles sees this on his return.

CAROLINE SLOCOCK

The Rt. Hon. The Lord Jenkin of Roding

2

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NO. 10 DOWNING ST ON ADVICE OF FED
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RESTRICTED
FM FCO
TO IMMEDIATE TOKYO
TELNO 631
OF 111815Z AUGUST 89

YOUR TELNO 752: MESSAGES FROM THE PRIME MINISTER TO MR KAIFU AND MR UNO

1. PLEASE ARRANGE FOR THE FOLLOWING MESSAGES FROM THE PRIME MINISTER TO BE DELIVERED AS SOON AS POSSIBLE:

A) MESSAGE TO MR KAIFU.
QUOTE DEAR PRIME MINISTER, I SEND YOU MY WARM CONGRATULATIONS ON YOUR ELECTION AS PRIME MINISTER OF JAPAN. IN THE LAST FEW YEARS THE UNITED KINGDOM AND JAPAN HAVE ENJOYED AN EXCELLENT WORKING PARTNERSHIP. OUR COOPERATION HAS GROWN IN MANY FIELDS. I AM SURE THAT, AS A LONG STANDING MEMBER OF THE UK-JAPAN 2000 GROUP AND THE JAPAN-BRITISH PARLIAMENTARY LEAGUE, YOU WILL SHARE MY COMMITMENT TO DEVELOPING FURTHER THE EXCELLENT BILATERAL RELATIONS BETWEEN OUR TWO COUNTRIES.
I VERY MUCH LOOK FORWARD TO MEETING YOU DURING MY VISIT TO JAPAN IN SEPTEMBER, WHICH I HOPE WILL HELP TO STRENGTHEN ANGLO-JAPANESE COOPERATION. YOURS SINCERELY
MARGARET THATCHER. UNQUOTE.

B) MESSAGE TO MR UNO.
QUOTE DEAR MR UNO, AS YOU LEAVE OFFICE AS PRIME MINISTER OF JAPAN, I SHOULD LIKE TO EXPRESS MY BEST WISHES TO YOU FOR THE FUTURE.
I LOOK FORWARD TO WORKING WITH YOUR SUCCESSOR TO STRENGTHEN FURTHER THE PARTNERSHIP BETWEEN THE UNITED KINGDOM AND JAPAN WHICH YOU HAVE DONE SO MUCH TO PROMOTE. YOURS SINCERELY MARGARET THATCHER. UNQUOTE.

2. SIGNED ORIGINALS FOLLOW BY BAG.

MAJOR

YYYY
MAIN 133
.JAPAN POLITICAL AND ECONOMIC 1
.(BACKGROUND) 1
LIMITED 6
FED 4
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ERD 5
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MAED 6
HD/CRD 1

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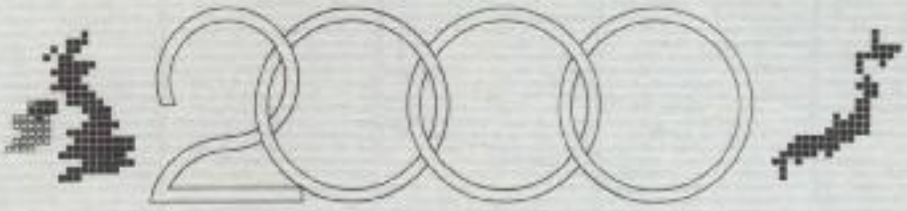
UK — JAPAN 2000 GROUP



CHATHAM HOUSE, 10 ST JAMES'S SQUARE, LONDON SW1Y 4LE. TELEPHONE: 01-930 2233. FAX: 01-839-3593

FROM THE CHAIRMAN

PLEASE REPLY TO:-
15 OLD BAILEY, LONDON EC4M 7AP
TELEPHONE: 01-329 4454

Charles Powell, Esq.,
Private Secretary to the Prime Minister,
10 Downing Street,
LONDON SW1A 2AA.

10th August 1989

Dear Charles,

Many thanks for your letter of 3rd August. A small group of us will be delighted to meet the Prime Minister on Friday, 15th September at 11.00 a.m. I will let you know nearer the date who will be coming. It will probably include Sir Peter Parker who may wish to add a word about the 1991 Japan Festival in the UK.

The Prime Minister will, of course, be aware that Mr. Toshiki Kaifu has been a member of the UK-Japan 2000 Group from its inception and has regularly attended our meetings. He will, therefore, be well aware of the air fares issue as we have raised it at every conference.

Thank you for your help in making the meeting possible.

Yours sincerely,

M A Chapman

for Lord Jenkin of Roding

(Dictated by Lord Jenkin
and signed in his absence.)

FCO
MJ

cc FCO

10 DOWNING STREET

LONDON SW1A 2AA

THE PRIME MINISTER

10 August 1989

SUBJECT cc MASTER OPS

PRIME MINISTER'S PERSONAL MESSAGE SERIAL No. T146/89

Dear Prime Minister

I send you my warm congratulations on your election as Prime Minister of Japan. In the last few years the United Kingdom and Japan have enjoyed an excellent working partnership. Our co-operation has grown in many fields. I am sure that, as a long standing member of the UK-Japan 2000 Group and the Japan-British Parliamentary League, you will share my commitment to developing further the excellent bilateral relations between our two countries.

I very much look forward to meeting you during my visit to Japan in September, which I hope will help to strengthen Anglo-Japanese co-operation.

Yours sincerely

Margaret Thatcher

His Excellency Mr Toshiki Kaifu, KBE.

FL
MJ

cc FCO

10 DOWNING STREET

LONDON SW1A 2AA

THE PRIME MINISTER

10 August 1989

Dear Mr. Uno

As you leave office as Prime Minister of Japan, I should like to express my best wishes to you for the future.

I look forward to working with your successor to strengthen further the partnership between the United Kingdom and Japan which you have done so much to promote.

Yours sincerely

Margaret Thatcher

His Excellency Mr. Sosuke Uno.

EA

Foreign and Commonwealth Office

London SW1A 2AH

9 August 1989

Dear Caroline,

New Japanese Prime Minister

Mr Toshiki Kaifu, the newly elected leader of the Liberal Democratic Party (LDP) has today been formally designated as Prime Minister.

Mr Kaifu is a member of the minority Komoto faction. At 58 he is fairly young in Japanese political terms. He has twice held office as Minister for Education. He has admitted to receiving (relatively small) sums of money from Recruit, but claims these were all declared and legal. Mr Kaifu lacks (like Mr Uno before him) a strong power base within the LDP, and he may only be a caretaker Prime Minister. Even so, his appointment has advantages from our point of view; he is the chief Japanese political representative on the UK-Japan 2000 Group, is a Director General of the Japan-British Parliamentary League, and is well disposed towards the UK. Mr Kaifu has an honorary KBE, which he received in connection with The Queen's visit to Japan in 1975.

We believe that the Prime Minister should send messages both to Mr Kaifu and, as a courtesy, to the outgoing Prime Minister, Mr Uno, whom the Prime Minister met at the Paris Economic Summit in July.

Yours sincerely,

Richard Gozney

(R H T Gozney)
Private Secretary

Miss Caroline Slocock
10 Downing Street

DSR 11 (Revised Sept 85)

DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1 +

FROM:
PRIME MINISTER

DEPARTMENT: TEL. NO:

BUILDING: ROOM NO:

Reference
TYPABY

Your Reference

SECURITY CLASSIFICATION

Top Secret
Secret
Confidential
Restricted
Unclassified

PRIVACY MARKING

..... In Confidence

CAVEAT .....

Mr Waldegrave is content
S. Adam
9/8

Enclosures flag(s) .....

TO:

HE Mr Toshiki Kaifu KBE

Prime Minister of Japan

Copies to:

SUBJECT:

I send you my warm congratulations on your election as Prime Minister of Japan. In the last few years the United Kingdom and Japan have enjoyed an excellent working partnership. Our cooperation has grown in many fields. I am sure that, as a long standing member of the UK-Japan 2000 Group and the Japan-British Parliamentary League, you will share my commitment to developing further the excellent bilateral relations between our two countries.

I very much look forward to meeting you during my visit to Japan in September, which I hope will help to strengthen Anglo-Japanese cooperation.

MT

WILLIAM WALDEGRAVE

DSR 11 (Revised Sept 85)

DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1 +

FROM:

Reference

DEPARTMENT: PRIME MINISTER

TEL. NO:

TYRAPZ

Your Reference

BUILDING:

ROOM NO:

SECURITY CLASSIFICATION

Top Secret
Secret
Confidential
Restricted
Unclassified

PRIVACY MARKING

..... In Confidence

CAVEAT .....

TO:

HE Mr Sosuke Uno

Copies to:

SUBJECT:

As you leave office as Prime Minister of Japan, I should like to express my best wishes to you for the future.

I look forward to working with your successor to strengthen further the partnership between the United Kingdom and Japan which you have done so much to promote.

WILLIAM WALDEGRAVE

Mr Waldegrave ~~to~~ is content.

S. Adam
9/8.

Enclosures flag(s) .....

dti

the department for Enterprise

cc file

(2)

Prime Minister

Agree he Uno did not move things forward sufficiently at your meeting to justify any decisions on entry to London? Yes - his replies were very poor

AT 12/7

PRIME MINISTER

FINANCIAL RELATIONS WITH JAPAN

Nigel Lawson copied to me his minute of 7 July. at flag I too endorse the report by officials on future strategy towards Japan in the financial area as a useful one, and note that you have now accepted its recommendations.

The Japanese have not been helpful over the question of Tokyo Stock Exchange membership and have yet to make any firm private commitment on a timetable for membership for BZW and James Capel, let alone a satisfactory public statement. However, I agree with Nigel that the Japanese do seem to have begun to move and that Mr Uno may be in a position to report some progress at the summit.

If he does make a satisfactory report I consider that one Japanese EBMM might be admitted. But I would be against the admission of more than one unless Mr Uno's report gave a firm commitment on BZW at least with an acceptable timetable for admission. We must maintain the pressure on the Japanese through a firm - but not rigid - policy on admissiosn to the London markets. In my view this will not undermine London's position as a financial centre. But it would do a great deal to ensure that British firms get a reasonable share of the business that will become available as the Japanese liberalise their markets.

the Enterprise initiative

PB3BIC

dti

the department for Enterprise

I am copying this letter to Nigel Lawson, Geoffrey Howe and Robin Leigh-Pemberton.

Ian Stocock.

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

D Y

July 1989

DEPARTMENT OF TRADE AND INDUSTRY

the Enterprise initiative

PB3BIC

UK/Jap Rels
Pt 8.

Perhaps: we had better [illegible] state

Dear [illegible]

with every good wish

10 DOWNING STREET

LONDON SW1A 2AA

THE PRIME MINISTER

PM. surprised. May raised orally with Mr. Uno in Paris on 14 July.

CDP.
29/7.

Thank you for your letter of 22 June.

I am delighted to confirm that I will be attending the 4th IDU Party Leaders' Conference in Tokyo in September. It is excellent news that Japan will be hosting the Conference.

I am also looking forward to the official part of my visit. I hope that we shall also have a brief opportunity to discuss this during the Economic Summit in Paris.

His Excellency Mr Sousuke Uno

8kw

file

bc: PC

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

17 July 1989

Dear Neil,

FINANCIAL RELATIONS WITH JAPAN

The Prime Minister has noted your Secretary of State's undated minute on financial relations with Japan. As you will see from the record of the Prime Minister's meeting with Mr. Uno, he had no significant progress to report. The Prime Minister does not therefore consider that there is any case yet for admitting a Japanese EBMM to London.

I am copying this letter to the Private Secretaries to the Chancellor of the Exchequer, the Foreign and Commonwealth Secretary and the Governor of the Bank of England.

Yours sincerely,

(C. D. POWELL)

Neil Thornton, Esq.,
Department of Trade and Industry.

88

cc PU

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

13 July 1989

Dear Gareth,

HONDA

The Prime Minister was most grateful for your Secretary of State's minute received yesterday concerning today's announcement of the Honda investment at Swindon and the arrangements for minority cross shareholdings. She has also noted the informal view from the Commission that the deal does not cause difficulty with last year's State Aid decision.

I am copying this letter to Stephen Wall (Foreign and Commonwealth Office), Alex Allan (HM Treasury), Steven Catling (Lord President's Office), Nick Gibbons (Lord Privy Seal's Office), Murdo Maclean (Chief Whip's Office) and Douglas Slater (Government Whips Office, House of Lords).

Yours,
Paul

(PAUL GRAY)

Gareth Jones, Esq.,
Department of Trade and Industry.

dti

the department for Enterprise

cc PU

Prime Minister

note

PRC 12/7

PRIME MINISTER

I am writing to let you know that Honda will be announcing tomorrow that they are to invest £300m in a vehicle assembly plant on their site at Swindon and that they and Rover Group will announce that they are putting their long standing collaborative arrangements on a firmer footing by taking minority cross shareholdings.

This means that the three major Japanese car companies will have investment totalling £1.8 billion in the UK by the mid-90s, creating 8250 direct jobs and at least as many again in the supplying industries.

I therefore expect there to be considerable Parliamentary interest in this announcement, not least because it disproves the notion that greenfield investment by Honda would result in their cutting their collaborative links and leaving Rover Group high and dry. Just as Nissan and Toyota were the subject of oral statements I propose, as discussed at Cabinet this morning, to make the short statement attached, welcoming Honda's decision to make this major investment in the UK and to strengthen its links with the Rover Group. I shall take the opportunity to stress that Rover Group is now fully in the private sector taking decisions independently of Government, and that it is therefore for them at their Press Conference with Honda (in which DTI officials will not be participating) to describe the details of their enhanced collaboration.

You may like to know that my officials have taken informal soundings of the Commission and have confirmed that the deal between Honda and Rover Group does not cause difficulty with last year's State Aid decision.

the Enterprise initiative

PB3BIA

dti

the department for Enterprise

I am sending copies of this letter to Geoffrey Howe, Nigel Lawson, John Wakeham, John Belstead, David Waddington and Bertie Denham.

D Y
(Approved by the Secretary of State and signed in his absence)
July 1989

DEPARTMENT OF TRADE AND INDUSTRY

the enterprise initiative

PB3BI

CONFIDENTIAL

COMMERCIAL IN CONFIDENCE

PARLIAMENTARY STATEMENT ON RG/HONDA

My Lords, with the leave of the House, I would like to make a statement on a major Japanese inward investment project in the motor sector by Honda. I shall go on briefly to set it in the context of an enhancement of the important relationship between Honda and Rover which has developed over more than 10 years. The companies will be making their own more detailed announcement about the latter aspect later this afternoon.

Since shortly after their return to full private ownership last year, Rover have been discussing with Honda how best mutually to strengthen each other's position in Europe. One element in these discussions has been Honda's site at Swindon, which has already been developed for engine manufacture. I am sure the House will join me in welcoming today's announcement that Honda are to extend that facility to full manufacture of cars for the European market. The new plant will add some 1300 jobs to Honda's existing workforce at Swindon as well as providing additional business opportunities for RG's own Swindon facility from which it will source pressings. The project will involve additional investment of around £300m and no financial assistance has been requested.

The plant is scheduled to commence manufacture at the end of 1991 with a limited volume of Honda cars in direct substitution for shipments they would otherwise make from Japan to the UK. One year later a full range of production operations will start with output rising rapidly to 100,000 cars per annum in 1994; this will include cars Honda will build there for Rover who will

continue to build cars for Honda at Longbridge. Honda have indicated their wish to achieve the maximum commercially feasible level of local content throughout the project and it is their firm intention to reach an 80% level within 18 months of the start of full commercial operations.

The companies have now decided to cement their Partnership through significant minority cross-shareholdings between Honda's UK manufacturing company and Rover Group. They believe this will have important commercial benefits for both companies, illustrating their importance to one another in joint development and production while at the same time respecting each other's individual identity. I see it as a vote of confidence by Honda in the UK, but more particularly in Rover Group, and a tribute to the efforts of Rover's management and workforce in restructuring that company to meet the exacting standards of today's market place. I am confident that today's announcement amounts to a further step in the renaissance of the UK motor industry, ensuring that it will play a significant role in the European market of the 90s. I commend it to this House.

THURSDAY 13 JULY 89

PARLIAMENTARY STATEMENT ON RG/HONDA

With permission Mr Speaker, I would like to make a statement on a major Japanese inward investment project in the motor sector by Honda.

Since shortly after their return to full private ownership last year, Rover have been discussing with Honda how best to strengthen each other's position in Europe. One element in these discussions has been Honda's site at Swindon which has already been developed for engine manufacture. I am sure the House will join me in welcoming today's announcement that Honda are to extend that facility to full manufacture of cars for the European market. The new plant will add some 1300 jobs to Honda's existing workforce at Swindon as well as providing additional opportunities for RG's own Swindon facility from which it will source pressings. The project will involve additional investment of around £300m and no financial assistance has been requested.

The plant is scheduled to commence manufacture at the end of 1991 with a limited volume of Honda cars. This will be in direct substitution for imports from Japan. One year later a full range of production operations will start with output rising rapidly to 100,000 cars per annum in 1994; this will include cars built for Rover. Rover will continue to build cars for Honda at Longbridge. Honda have indicated their wish to achieve the maximum commercially feasible level of local content throughout the project and it is their firm intention to reach an 80% level within 18 months of the start of full commercial operations.

The companies have now decided to cement their Partnership through significant minority cross-shareholdings between Honda's UK manufacturing company and Rover Group. They believe this will have important commercial benefits for both companies. We see it as a vote of confidence by Honda in the UK, and in Rover Group, and a tribute to the efforts of Rover's management and workforce in restructuring that company to meet the exacting standards of today's market place.

We are confident that today's announcement amounts to a further step in the renaissance of the UK motor industry,

ensuring that it will play a significant role in the European market of the 90's. I commend it to this House.

The National Archives

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Extract details: Coates to Powell dated 11 July 1989 with attachment	
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Use black or blue pen to complete form.

Use the card for one piece or for each extract removed from a different place within a piece.

Enter the department and series,
eg. HO 405, J 82.

Enter the piece and item references, .
eg. 28, 1079, 84/1, 107/3

Enter extract details if it is an extract rather than a whole piece.
This should be an indication of what the extract is,
eg. Folio 28, Indictment 840079, E107, Letter dated 22/11/1995.
Do not enter details of why the extract is sensitive.

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Sign and date next to the reason why the record is not available to the public ie. Closed under FOI exemption; Retained under section 3(4) of the Public Records Act 1958; Temporarily retained; Missing at transfer or Number not used.

CONFIDENTIAL

FILE DAS.

bc PC.

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

10 July 1989

Dear Alex,

FINANCIAL RELATIONS WITH JAPAN

The Prime Minister has considered the Chancellor's minute of 7 July covering a paper on our relations with Japan in the financial area. She is content with the general approach set out in the paper and, in particular, the recommendations in paragraph 11 of the summary. I imagine these will be reflected in the brief being prepared for her meeting with the Japanese Prime Minister in the margins of the Paris Economic Summit.

I am sending copies of this letter to the Private Secretaries to the Foreign Secretary, the Secretary of State for Trade and Industry and the Governor of the Bank of England.

Yours sincerely,

Charles Powell

C. D. POWELL

A.C.S. Allan, Esq.
H.M. Treasury

CONFIDENTIAL

KK

10 DOWNING STREET

Dear Minister

Were you content with the recommendations in this?

C.D.P. 9/7.

Yes

The National Archives

DEPARTMENT/SERIES PREM 19 PIECE/ITEM 2750 (one piece/item number)	Date and sign
Extract details: Lawson to PM dated 7 July 1989 with attachment	X
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dti

the department for Enterprise

NT CF SR? 01 to 16

The Rt. Hon. Lord Young of Graffham
Secretary of State for Trade and Industry

Charles Powell Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON SW1A 2AA

CDD 4/7

Department of Trade and Industry

1-19 Victoria Street
London SW1H 0ET

Switchboard
01-215 7877

Telex 8811074/5 DTHQ G
Fax 01-222 2629

Direct line 215 5422
Our ref PB4BHV
Your ref
Date 30 June 1989

Dear Charles

Thank you for your letter of 19 June enclosing a letter to the Prime Minister from the new Japanese Foreign Minister, Mr Mitsuzuka.

I understand that Bob Peirce of the FCO has already provided a draft reply to a similar but not identical letter: Mr Mitsuzuka appears to have written to the Prime Minister twice on the same day (copies of both letters are attached for ease of reference). I am sure you will agree that it is unnecessary for the Prime Minister to send two replies.

Yours ever

Ben

BEN SLOCOCK
Private Secretary

the Enterprise initiative

Pis/6

June 9, 1989

Her Excellency
Margaret Thatcher
Prime Minister
No.10 Downing Street
London SW1
United Kingdom

Dear Prime Minister:

I am honored to inform you officially of my appointment as minister of foreign affairs as a result of the formation of a new Cabinet.

It was a great pleasure to work with you during my six-month tenure as minister of international trade and industry, and I shall continue to value highly the personal ties we developed throughout that time. I am particularly happy that we were able to meet during my recent visit to Europe.

Though I am no longer with MITI, I shall work as a member of the Cabinet to see that the commitments I made as trade and industry minister are realized.

With my best wishes for your health and continued success.

Very truly yours,

三塚博

Hiroshi Mitsuzuka
Former Minister of International
Trade and Industry

EMBASSY OF JAPAN
LONDON

9th June 1989

Dear Prime Minister,

I have been asked by Mr. Hiroshi Mitsuzuka, Minister for Foreign Affairs of Japan, to forward a message to you.

I have pleasure in enclosing this message herewith.

Yours sincerely,

Kazuo Chiba

Kazuo Chiba
Ambassador

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

Dear Prime Minister,

I am writing to inform you that I have been appointed Minister for Foreign Affairs in the Cabinet of Prime Minister Sousuke Uno.

I recall the pleasure of my meeting with you when I visited London in February of this year, in my previous capacity as Minister of International Trade and Industry, and had the opportunity to exchange views on various matters including relations between our two countries.

Dialogue and exchanges between the United Kingdom and Japan have grown over recent years at various levels, not only in the economic field, but also in the political and cultural fields. It is my intention to strive for the further development of our bilateral relations.

I look forward to meeting you again in due course and to discussing international as well as bilateral affairs with you.

Yours sincerely,

Hiroshi Mitsuzuka
Minister for Foreign Affairs
of Japan

The Right Honourable Margaret Thatcher, MP,
Prime Minister and First Lord of the Treasure,
10, Downing Street,
London.

FILE PM

cc FCO

10 DOWNING STREET

LONDON SW1A 2AA

THE PRIME MINISTER

28 June 1989

Dear Mr. Kajiyama,

Many thanks for your letter of 14 June and congratulations on your appointment as Minister of International Trade and Industry. As Japan's importance in the international economic sphere continues to grow, your part will be an increasingly crucial one. I wish you well and I know that Lord Young looks forward to working with you.

Yours sincerely

Margaret Thatcher

His Excellency Mr. Seiroku Kajiyama

KK

Minister of International Trade and Industry

June 14, 1989

RQ6

Her Excellency
Rt Hon Mrs. Margaret Thatcher, FRS, MP
Prime Minister
10 Downing Street, London SW1
United Kingdom

Dear Prime Minister

I am honored to inform you officially of my appointment as Minister of International Trade and Industry.

As a member of the Diet and the Cabinet, I have taken an active part in drafting policy on international trade and industry. It will be a great pleasure to work with you at a time when international trade issues are becoming increasingly important to each country .

Throughout my long career, I have learned what a good job the free market can do in vitalizing industry. I am convinced that this is also true for the world economy, and I shall do all in my power to promote freer international trade and contribute to the realization of a vigorous world economy.

With my best regards and the hope of a long and constructive relationship.

Very truly yours,

梶山静六

Seiroku Kajiyama
Minister of International
Trade and Industry

File to

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

25 June, 1989.

Dear Bob,

The Prime Minister has signed the enclosed message to Mr. Mitsuzuka. I should be grateful if you would arrange for it to be sent to Tokyo for delivery as soon as possible.

Yours sincerely,

(C.D. Powell)

R.N. Peirce, Esq.,
Foreign and Commonwealth Office.

to

Like JRG

cc FCO

10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

24 June, 1989.

Dear Mr Mitsuzuka

Thank you for your letter telling me of your appointment as Minister for Foreign Affairs. I send you my best wishes on taking up your new office.

I well remember our meeting in February this year and look forward to meeting you again both at the Paris Economic Summit and during my visit to Japan in September.

Yours sincerely

Margaret Thatcher

His Excellency Mr. Hiroshi Mitsuzuka

The National Archives

DEPARTMENT/SERIES PREM 19 PIECE/ITEM 2750 (one piece/item number)	Date and sign
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PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. 116/89

Subject filed on Japan Relations Pt 8

cc OPS
MASTER

LIBERAL DEMOCRATIC PARTY

TOKYO, JAPAN

June 22, 1989

Dear Prime Minister:

I write on behalf of the Liberal Democratic Party, as the Party's newly elected President. My predecessor, Mr. Noboru Takeshita, with IDU Chairman Mr. Kaare Willoch, extended to you an invitation to attend the 4th IDU Party Leaders' Conference, to be held in Tokyo on the 21st-23rd of September, 1989. I would like to confirm this invitation and to express my earnest hope that you will attend in September.

I am certain that you recognize the importance of the IDU as a forum for airing issues of interest to democratic societies, and as a means for encouraging cooperation among their peoples in support of common convictions. I myself am eager to represent the LDP at an IDU Conference for the first time, and I am looking forward to participating in IDU affairs in the future.

Japan is proud to act as the first Asian host of the Party Leaders Conference, and we would be honored by your attendance.

Looking forward to welcoming you to Japan.

Sincerely yours,

Sousuke Uno

Sousuke Uno
Prime Minister
President of the LDP

Rt. Hon. Margaret Thatcher, MP
Prime Minister,
Leader, Conservative Party,
Great Britain

Foreign and Commonwealth Office

London SW1A 2AH

22 June 1989

Dear Charles

New Japanese Foreign Minister

Thank you for your letter of 15 June enclosing a letter to the Prime Minister from the new Japanese Foreign Minister.

Mr Mitsuzuka was previously Minister for International Trade and Industry. In this capacity he visited London in February this year, and met the Prime Minister.

I enclose a draft reply.

Yours ever

Bob Peirce

(R N Peirce)
Private Secretary

C D Powell Esq
10 Downing Street

DSR 11 (Revised Sept 85)

DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1 +

FROM:
PRIME MINISTER
DEPARTMENT: TEL. NO:
BUILDING: ROOM NO:

Reference

Your Reference

SECURITY CLASSIFICATION

Top Secret
Secret
Confidential
Restricted
Unclassified

PRIVACY MARKING

..... In Confidence

CAVEAT .....

Enclosures flag(s) .....

TO:

His Excellency Mr Hiroshi Mitsuzuka

Copies to:

SUBJECT:

Thank you for your letter telling me of your appointment as Minister for Foreign Affairs. I send you my best wishes on taking up your new office.

I well remember our meeting in February this year. As ~~you know, I attach great~~ importance to Anglo-Japanese relations. There are many fields in which our cooepration has grown over the last few years. It is my hope that we may further develop the close partnership ~~between our~~ two countries.

I look forward to meeting you again both at the Paris Economic Summit and during my visit to Japan in September.

MT

JAPAN: Relations
1948

RESTRICTED

file DS2AR1

bc: PC

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

21 June 1989

UK/JAPAN

The Japanese Ambassador came to see me today to ask me very informally how I thought Mr Uno should handle his first meeting with the Prime Minister.

I said that we were proposing a brief bilateral in the margins of the Economic Summit. It would be primarily an opportunity for the two Prime Ministers to get to know each other. Time for substantive discussion would be limited. It would probably be best to focus on the main issues of the Economic Summit itself, and perhaps also on China. The Ambassador seemed grateful for this unexceptionable advice.

C. D. POWELL

Stephen Wall, Esq.
Foreign and Commonwealth Office

RESTRICTED

Mr Hiroshi MITSUZUKA

3/7

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

19 June 1989

I attach a copy of a letter from Mr Hiroshi Mitsuzuka, former Minister of International Trade and Industry, Japan.

I should be grateful for a draft reply, to reach me by Monday 3 July.

Charles Powell

Ben Slocock, Esq.,
Department of Trade and Industry.

cf to B/F

mem

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

15 June 1989

I enclose a copy of a letter to the Prime Minister from the new Japanese Foreign Minister. I should be grateful for an early draft reply.

C. D. POWELL

R. N. Peirce, Esq.,
Foreign and Commonwealth Office

010

CSPC

EMBASSY OF JAPAN
LONDON

9th June 1989

Dear Prime Minister,

I have been asked by Mr. Hiroshi Mitsuzuka, Minister for Foreign Affairs of Japan, to forward a message to you.

I have pleasure in enclosing this message herewith.

Yours sincerely,

Kazuo Chiba

Kazuo Chiba
Ambassador

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

Dear Prime Minister,

I am writing to inform you that I have been appointed Minister for Foreign Affairs in the Cabinet of Prime Minister Sousuke Uno.

I recall the pleasure of my meeting with you when I visited London in February of this year, in my previous capacity as Minister of International Trade and Industry, and had the opportunity to exchange views on various matters including relations between our two countries.

Dialogue and exchanges between the United Kingdom and Japan have grown over recent years at various levels, not only in the economic field, but also in the political and cultural fields. It is my intention to strive for the further development of our bilateral relations.

I look forward to meeting you again in due course and to discussing international as well as bilateral affairs with you.

Yours sincerely,

Hiroshi Mitsuzuka
Minister for Foreign Affairs
of Japan

The Right Honourable Margaret Thatcher, MP,
Prime Minister and First Lord of the Treasure,
10, Downing Street,
London.

PL9/6

June 9, 1989

Her Excellency
Margaret Thatcher
Prime Minister
No.10 Downing Street
London SW1
United Kingdom

Dear Prime Minister:

I am honored to inform you officially of my appointment as minister of foreign affairs as a result of the formation of a new Cabinet.

It was a great pleasure to work with you during my six-month tenure as minister of international trade and industry, and I shall continue to value highly the personal ties we developed throughout that time. I am particularly happy that we were able to meet during my recent visit to Europe.

Though I am no longer with MITI, I shall work as a member of the Cabinet to see that the commitments I made as trade and industry minister are realized.

With my best wishes for your health and continued success.

Very truly yours,

三塚博

Hiroshi Mitsuzuka
Former Minister of International
Trade and Industry

file

MJ

cc FCO.

10 DOWNING STREET

LONDON SW1A 2AA

THE PRIME MINISTER

9 June 1989

Your Imperial Highness,

It was really most kind and thoughtful of you to present me with your book "The Thames as Highway". I have not yet had time to read it but shall certainly do so. But even at a glance, it is a beautifully laid out work and the illustrations are absolutely fascinating. I count it as a great privilege to be in possession of it.

We look back with great favour on your Imperial Highness' time in Great Britain and remember the occasion when you came to lunch at Chequers. It was a very great pleasure to entertain your Imperial Highness' younger brother recently.

Yours sincerely

Margaret Thatcher

His Imperial Highness the Crown Prince Naruhito

K816

01-493 6030

EMBASSY OF JAPAN
46 GROSVENOR STREET
LONDON W1X OBA

7th June 1989

Dear Prime Minister,

I am asked by the Chamberlain to His Imperial Highness Crown Prince Naruhito of Japan to transmit to you a copy of the book, written by His Imperial Highness, entitled "The Thames as Highway - a Study of Navigation and Traffic on the Upper Thames in the Eighteenth Century".

back with PM

The Crown Prince wrote his Thesis on this subject as part of his studies at the University of Oxford from 1983-85 and the work has now been published by the Oxford University Press.

I have pleasure in enclosing this book herewith.

Yours sincerely,

Kazuo Chiba

Kazuo Chiba
Ambassador

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

PA

01-493 6030

EMBASSY OF JAPAN
46 GROSVENOR STREET
LONDON W1X 0BA

CDO 31/5

31st May 1989

Dear Mr. Powell,

I have been asked by the Ambassador, who is at present abroad, to send you a copy of a speech he gave on 25th May at a Reception in Matlock organised by Derbyshire County Council.

.... I have pleasure in enclosing the text herewith.

Yours sincerely,

Katsumi Sezaki

Katsumi Sezaki
Charge d'Affaires a.i.

Charles Powell, Esq.,
Private Secretary (Overseas),
10, Downing Street,
London, S.W.1.

Speech Given by H.E. Ambassador Chiba at Luncheon Reception at Derby County Council Offices - on Thursday, 25th May 1989.

Thank you Mr Chairman, Ladies and Gentlemen: It a great pleasure for me to be with you today. It is at the kind invitation of Mr Bookbinder, Leader of the County Council, that I have come here today to acquaint myself with your county so that I will have a good idea of what is going to happen after Toyota come here - which will not be for some time to come.

It is a very important milestone not only for you but for us also because the world is very rapidly changing. You have heard that the world is a global economy. This means that the world itself will have to house all sorts of industries from other parts of the globe. And Japanese industries have been investing heavily in America . Of course, American industries have been investing heavily in Europe, we are now coming here. But it is also going to happen that British industry and European industries will go into Japan and other parts of Asia. So this is the meaning of a global economy.

And a milestone which I mentioned is that following Nissan, our biggest automobile manufacturer is coming to this country. Nissan is still No. 2 in Japan. It is settled, as you already know, in the Newcastle area of Washington for some years now. They have proved themselves a great success and they have started exporting to the European continent. And what they export are British cars, not Japanese cars. These of course might be made by a Japanese company but they are made by British labour. And the same thing will be said of Toyota once they settle and produce here.

Another thing which I would like to mention is also in connection with the Nissan Motor Company, which may sound strange to the representatives of Toyota when I talk to them about one of their competitors. But I am only talking in a sense of a general trend of Japanese industries, of which there are several in this country, and not just manufacturing operations, or sales and that sort of thing, but research and development too in this country. Nissan already has a design centre. Although it is still small, it is manned by British engineers and designers.

And I'm sure the same thing will happen around here too. If you go to Wales, you'll find lots of other Japanese companies who also have

similar operations. And certain Japanese factories in Wales have found a very novel production line, which has been installed upon the suggestion of the British workers there. That the workers themselves have volunteered the suggestion on how to improve production.

Now you read about Japanese productivity and high level of Japanese technology, but you must also realize that the Japanese management are very flexible and open to suggestion from their own labour force. I can speak with a little bit of authority because many years ago I was stationed in the United States, in the Deep South, Atlanta, Georgia. At that time (ten years ago) the same thing was happening there as is now happening here. Many Japanese manufacturers are now coming in. And also in their wake, other entities like banks and so forth. There exactly the same thing has happened.

For instance, there is a well-known fastener company. They opened a factory in Georgia, in a place called Macon . They immediately set up an R & D Centre which gradually became the Georgia Institute of Technology. The innovations which were made at this centre by Americans are now well known all over the world, by this YKK Company.

I am sure that in ten years from now you will see the same thing: the British ingenuity, the genius of the British to develop original thought will be reflected in the operations of Japanese companies. By that time the global economy, now coming to operation, I don't think that we can say just the Japanese company; it must be something bigger than that, and all the contributions of the British brain will be there. And its not just the British brain - it will be a European brain. And conversely, Japanese contributions to those operating in European enterprises. So I am very, very confident about the future, that instead of divisions, which have torn apart the world during the first half of the Twentieth Century, we are going to witness something better, mainly a grouping of nations, all fuelled by this new spirit of producing and using each other's best talents.

In other words, for the British workers, with all my countrymen settled in this country say that the British workman is undoubtedly as good as anyone in the world, as good as the Japanese, provided we

treat them well, we organize them well and we train them well.

I think that our relationship with labour trade unions and other labour organizations are very good. And I would like very much for Japanese companies coming here to not be afraid of or be antipathetic to the trade unions. We believe it is possible to achieve harmony and thereby achieve something higher, mainly contribution of the standards to which we are now accustomed, not only in living but in excellence.

So here again, I would like to end with a hope that Toyota and undoubtedly other Japanese companies come here after that. We shall be able to contribute to the Twentieth First Century, its a long time from now but I am sure we are ready for that challenge. And if there is anything the Embassy can do, please let us know so that we can help as much as we can.

AMBASSADOR CHIBA

DERBYSHIRE - 25th May 1989

24 May 1989

Dear Mrs. Thatcher,

I would like to present to you my first book 'The Thames as Highway' which was published by the Oxford University Press last April. The theme of the book is the traffic on the upper reaches of the Thames in the 18th century, which was the subject of my research at Oxford. I should be delighted if you could see the result of my researches. I still remember the happy time I spent in great Britain and the kindness you extended to me while I was there.

With best wishes.

Narihito

P.S. Thank you so much for inviting my brother to Chequers for lunch. He told me that he had a very good time with you and your guests there.

Allied London Properties Plc

Allied House, P.O. Box 2HU, 26 Manchester Square, London W1A 2HU
Telephone: 01-486 6080 Telex: 894916 ALLIED G Fax: 01-486 5428

From the Chairman

22nd May 1989

Dominic Morris Esq
10 Downing Street
London SW1

Dear Dominic.

Thank you very much for your kind help and assistance with the interview. I will be writing separately to you to thank you in more detail.

In regard to the Press Release, you did send me the proposal under cover of your letter dated 17th May (a copy of which is enclosed).

Following on the interview, they have suggested certain alterations and additions, and I have said that they must obtain your approval before release. Being "hot news" for the media they would like to get this cleared as soon as possible. Can you please oblige? Incidentally, is it public knowledge that there is to be a visit to Japan, because they said that it is, and I replied that I had to get clearance before they were able to mention this in a Press Release?

Perhaps you could telephone or FAX your reply and/or amendments.

With kind regards

Yours ever

Geoffrey Leigh

Geoffrey.

NO. 10 DOWNING STREET

PROPOSED PRESS RELEASE

On 22nd May at 2.30 p.m., Daisaku Ikeda, President of Soka Gakkai International, who is visiting Great Britain, met with the Prime Minister, Margaret Thatcher at No. 10 Downing Street. They had a wide-ranging discussion which included East-West relations and the Prime Minister's role in international politics.

Mr. Ikeda, who is author of a number of books on environmental problems, expressed great interest in the Prime Minister's views on this subject, in particular, the need to view them globally in terms of mankind and the Earth as a whole.

Emphasizing the high regard in Japan for Mrs. Thatcher's views on Anglo-Japanese relations, particularly in the field of economic exchange, Mr. Ikeda, who is leader of a world-wide Buddhist movement for peace through culture and education, discussed the importance of overcoming cultural differences to further mutual understanding. In this respect he asked Mrs. Thatcher what she most expected of Japan.

To Mr. Ikeda's question on vital elements for peace, education and environment, Mrs. Thatcher replied that the US and UK are bound together firmly and feels strongly about freedom under a law. Therefore strong defence is very important to preserve it. On education, she commented that children should be taught all the best in life as well as some values considered to be universal, adding that a good blend of tradition and modern changes is also very important. On the issue of environment, respect and the effort to preserve the thousands of systems existing on this planet for the sake of future are required.

Asked of what she expects of Japan, Mrs. Thatcher expressed that she expects Japan her hope that would continue its part as ~~to~~ be an honorable and loyal member of the democratic group of nations ~~and to be a good example~~, to live up to ~~her obligations~~.

Finally, she expressed her intention to return to Japan on a 2 day official visit in September for IDU conference.

*Also, we hope to publicize as much detailed article as possible, centered around the topics mentioned above, for our organ newspaper Seikyo Press, if possible, including the topic on parents.

Allied London Properties Plc

Allied House, P.O. Box 2HU, 26 Manchester Square, London W1A 2HU
Telephone: 01-486 6060 Telex: 894915 ALLIED G Fax: 01-486 5428

From the Chairman

22nd May 1989

Dominic Morris Esq
10 Downing Street
London SW1

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Geoffrey

Geoffrey Leigh

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PRIME MINISTER

VISIT BY MR. IKEDA, PRESIDENT OF THE SOKA GAKKAI

On Monday afternoon you have agreed to see Mr. Daisaku Ikeda, Honorary President of the Soka Gakkai (the lay organisation of the largest Japanese Buddhist sect). Ikeda is the third president of the organisation and has seen it grow from 3/4 million households in 1958 to a claim of some 8 million today (including up to 3 million adherents abroad). It is the spiritual arm of the second largest opposition party in Japan - the Komeito (or "Clean Government") party - which relies very heavily on Soka Gakkai for organising money and votes.

Ikeda is in Europe looking at the possibilities for educational and cultural sponsorship. The organisation last month gave £100,000 to the Somerville College appeal.

This is essentially a courtesy call. Mr Ikeda will be accompanied by an interpreter and by Geoffrey Leigh who has made most of the arrangements for Ikeda's visit to England. I suggest there should be a quick photocall with you in the Blue Room (mainly for the benefit of the Japanese media) and then privately tea in the White Room.

Ikeda is reported to be quite a fan of yours and will probably ask you fairly straightforward questions such as what have been your happiest and most difficult moments in your time as Prime Minister? What is your greatest remaining ambition?

His other interests are in the environment and education. Soka Gakkai runs its own university, art museum and schools in Japan, and makes some modest contributions to cultural and educational projects with the UK, including: donations of books to University libraries in London and Oxford; promotions of student exchanges between Japan and British universities,

and sponsorship of exhibition exchanges between the organisation's own art museum in Tokyo and Welsh and Scottish museums. (They will be sponsoring exhibitions in Wales and Scotland of Japanese art-works from the 13th - 19th century as part of the 1991 Japan Festival). You will of course want to take the opportunity to express appreciation of the organisation's generous recent help for Sommerville.

On the environment I think he will simply be interested to hear your thinking on the big issues such as global warming. He may also want to discuss Anglo/Japanese relations in view of your forthcoming visit this September. You ought to know that the Komeito party leader, Yano, is involved in a Recuit-type scandal and may soon have to resign, although Ikeda himself seems not to have been directly touched by it. A fuller FCO note about Ikeda and the Soka Gakkai is in the folder.

mt

AC

DOMINIC MORRIS
19 May 1989
KK1APV

MRS MARGARET THATCHER, THE BRITISH PRIME MINISTER

I should like to introduce some of the points that arose during a recent discussion I had with some official SGI interpreters.

As you already know, on 4th May Mrs Thatcher celebrated her tenth anniversary as British Prime Minister. She is the first lady Prime Minister in the United Kingdom. Since 1780, only three other prime ministers have held that office for more than ten years.

Her views on life and humanity have been very much influenced by her father, Alderman Alfred Roberts.

Mr Roberts, a grocer in the Midlands town of Grantham, was elected town councillor at a young age and later became Mayor of Grantham. He was a dedicated Methodist.

Mr Roberts, a self-made man, was very careful with money. He was a tireless user of the local library, and later Mrs Thatcher referred to him as "the best-read man" she ever knew.

Although her father passed away ten years earlier, on the very day that Mrs Thatcher moved into 10 Downing Street, she said, "I owe almost everything to my father", which illustrates her deep gratitude to him.

Discipline at home was strict. Her father was particularly severe with her when she wanted to stop something half way or at times of weak-mindedness. She also said: "Duty was very, very strongly ingrained into us." Asked by a television interviewer what it was she owed to him, she said: "Integrity. He taught me that you first sort out what you believe in. You then apply it. You don't compromise on things that matter." ("One of Us" by Hugo Young, MacMillan London Ltd.)

Never be swayed by fashion; stick to your opinion to the point of stubbornness; and once you have made up your mind, pursue your objective to the very end, regardless of what people may say. These are the lessons learned from her father and she is very proud of them. Such unswaying conviction and unyielding spirit are apparent in her attitude in politics. This is indeed her strength and greatness.

Mr Roberts left school when he was thirteen, but appears to have been determined to give his daughter the best opportunities he could for her education. From an early age there were, therefore, piano lessons, compulsory library visits and she was sent to the primary school with the best teaching.

Her father's training was strict and practical. So she was a hard worker from the time she was very small. She later said of the way her father brought her up, "I think my father did try to realise his ambitions through me."

What made Mrs Thatcher decide on a career in politics? Influenced by her father, Alderman Roberts, she had held an interest in elections, law and politics since her grammar school days. Because of her environment, she seems naturally to have aspired to a life in the political field. She was not a genius, but she studied hard and always had high marks. She excelled in debate and elocution.

She read chemistry at Somerville College and from her student days was an active member of the Conservative Association. After graduation she continued her activities in the Conservative Party and once married, she studied by herself to pass the Bar exams.

She refers to herself as a "conviction politician". She is indeed a person of strong conviction and determination and at the same time, she is a realistic and practical politician. This can be understood from the following:

"My policies are not based on some economic theory but on things I and millions like me were brought up with: an honest day's work for an honest day's pay; live within your means; put a nest egg by for a rainy day; pay your bills on time; support the police." (The Economist, 29th April 1989)

For her, politics are based on the common sense of ordinary people. She sees the economics of a nation as being based on the same principles that underlie household budget management. She once asserted "...Think of politics at our own household level." She makes politics easy for the people to understand and relate to.

She also emphasises the spirit of self-help and individual responsibility, which "helps people grow and mature; it strengthens the family; it leads to a tolerant and generous society. A generous society encourages talent and reaps the rewards for doing so." (Margaret Thatcher *The Woman Within*" by Andrew Thomson, W.H. Allen & Co. Plc.)

This demonstrates Mrs Thatcher's perception that a prosperous society is achieved as a result of the development of each individual.

Trees are supposed to represent strength, growth, stability and continuity through the ages. This is in her heart when she plants trees, which she does often. She will say for example: "We are in the business of planting trees for our children and grandchildren..." These words express her earnest belief in politics.

Now, I should like to relate to you a few episodes which illustrate some characteristics of the Prime Minister, Mrs Thatcher as a politician.

It is said that when she has meetings at 10 Downing Street, she occasionally treats government officials by doing the cooking herself. There is an American expression "kitchen cabinet", which means a group of political advisers to the president. In the case of Mrs Thatcher, this definition can be taken literally.

For the sake of the people, never waste a single second - even when cooking decide what has to be decided and put it into action without delay. Therein lies, I believe, her fundamental approach to political responsibility. In anything, bureaucracy and formalism hinder progress and development. For a true leader, whenever and wherever he finds himself is the battlefield. The path along which he walks is the conference chamber in which he works thing out in his mind and heart, giving consideration to other people and then implementing his thoughts spontaneously.

General Secretary Gorbachev of the USSR is visiting China at the moment. China and the Soviet Union are now turning a new page of history in the normalisation of Sino-Soviet relations after 30 years.

I am deeply moved by such a dramatic turning point leading to peace and stability.

A few months after my first visit to China, I travelled to the Soviet Union also for the first time. It was a time of severe tension when no one could envisage the two countries "shaking hands", which was what in fact happened very recently.

I knew that an unshakeable bond had to be made between the Soviet Union and China. Although my abilities are limited, I strongly believed that I should do my best in any way possible to enable this to happen. I discussed this belief with the leaders of both countries and also talked through my intentions with a high official of the Japanese government. I have done my best to enrich the soil of peace through my prayer for friendly ties and cooperation between the two countries and by promoting cultural and educational exchange at grass-root level. My humble wish has become a reality and the tide of friendship is spreading throughout the whole world.

Mrs Thatcher is known to have strong ties of friendship with Mr Gorbachev. In December 1984, at the time of the Chernenko administration, Mr Gorbachev led a delegation visiting Europe. This was three months before the death of General Secretary Chernenko. In some countries, Mr Gorbachev was not personally received by the head of state. Mrs Thatcher welcomed him expressing her high opinion of him with the words "we can do business together". They recognised in one another the quality of putting words into action and their heart-to-heart rapport was exceptional. It is a well-known fact that Mrs Thatcher acted as an intermediary for the subsequent historic dialogues between Mr Gorbachev and Mr Reagan, then President of the United States.

So it was from their very first encounter that mutual trust was born, their strong bond of friendship impacting not only on the bilateral relations but throughout the entire world.

Encounter between people - that creates splendid history. Therefore what matters is how seriously one regards each encounter. It is equally important to discern whether someone is going to be trusted when considering whether or not you are going to deal with him. A mistaken judgement may lead to disaster. Experience is necessary for that judgement, but above all, if you have great sincerity and conviction, then the true nature of the other party will be clearly reflected in the "mirror of your heart". By chanting the words Nam Myoho Renge Kyo we improve ourselves, polishing the "mirror of our heart" so that good people remain and the evil depart. You already know this from experience.

In March 1987, Mrs Thatcher visited the USSR where she was warmly received by the Soviet people. In an interview there she referred to General Secretary Gorbachev's policies and his character, praising his superb leadership ability. She also frankly and honestly alluded to the problems.

Responding to personal questions, she explained that all she usually had for breakfast was black coffee and vitamin C pills and a very, very light lunch before questions..."When answering questions, you don't want too much in your tummy". (Mrs Thatcher's Revolution by Peter Jenkins, Jonathan Cape Ltd). She also admitted to being a workaholic. She thus enchanted the Soviet people with her frankness.

Mr Gorbachev also seems to have been convinced of Mrs Thatcher as a frank and honest politician with whom he could truly communicate.

Openness and honesty, however, are not restricted to the world of politics - they are basic principles indispensable for fostering mutual understanding and trust between people. However elaborately disguised, an ulterior intention or ambition can easily be detected and ordinary people in particular have the wisdom and perception to sense it.

A book recently published in Japan about Mrs Thatcher introduces her behaviour and conviction as a politician. When the writer of the book asked her whether being a woman was an advantage or disadvantage, she replied that first and foremost she was a politician and would continue to be a politician until the very end, and that she just happened to be a woman. When I read these words, I could not help but nod in agreement, convinced of how a true leader should be.

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

19 May 1989

Thank you for your letter of 19 May asking whether there would be any possibility of Dr. Ishikawa being able to see the Prime Minister on 10 June. I am afraid the Prime Minister will not be in London that day.

(C. D. POWELL)

Mr. Katsumi M. Sezaki

cc PC

01-493 6030

EMBASSY OF JAPAN,
46, GROSVENOR ST.,
LONDON,
W1X OBA

May 19, 1989.

Dear Mr. Powell,

Ref Thank you very much for your letter dated 15th May concerning the Mission of the Japan Chamber of Commerce and Industry. I have informed the Head of Mission of the impossibility of arranging a courtesy call on the Prime Minister unless the Mission is able to change the itinerary in the United Kingdom.

Since the visit to the United Kingdom is the last leg of their journey, it is not possible to alter the schedule at this stage. However, Dr. Ishikawa, the Head of the Mission, would like to stay in London on 10th June [Saturday] if there is any chance of his being received by the Prime Minister.

I should appreciate it very much if you could kindly let me know whether there is any possibility of this.

Yours sincerely,

Katsumi M. Sezaki
Minister Plenipotentiary

Charles Powell, Esq.,
The Private Secretary,
10 Downing Street,
London SW1A 2AA.

Japan: Relations Pt 8

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CABLE AND WIRELESS PUBLIC LIMITED COMPANY

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Sir Eric Sharp, C.B.E.
Chairman and Chief Executive

18th May 1989.

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

Dear Prime Minister

I have just received a report from our Representatives at the IDC Ceremony on 18th May for which you kindly provided a video message.

Your message became the focal point of the ceremony and won admiration from many leading members of the Japanese business community. They were particularly impressed by your reference to Britain's welcoming attitude to overseas investment and to the special international partnership symbolised by IDC. There were leaders from companies in Japan's industrial, financial and commercial sectors representing some 30% of Japan's GDP who heard your remarks and took note.

We, at Cable and Wireless, are deeply grateful to you and your Press Office for the time and care you devoted to promoting the cause of IDC and of Britain in Japan. I hope very much that the impact you were able to make will have lasting benefits both for Cable and Wireless and British industry generally, both at home and in Japan. I am personally most appreciative of your support for British enterprise.

With all good wishes.

Yours sincerely

Eric Sharp

dti

the department for Enterprise

ECPC

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Prime Minister

CDP 17/5

PRIME MINISTER

JAPANESE INVESTMENT IN THE UK

I share the concerns expressed by Peter Walker in his minute to you of 11 May about apparent Commission attitudes to Japanese investment in the UK, and its influence on the Japanese.

We have recently learned that some Commission officials - not, as far as I am aware, any individual Commissioner - have been arguing informally for a more even spread of Japanese investment within the Community. This probably reflects in part pressures from the Italians and others who have hitherto discouraged but now want Japanese investment, and partly a view that it will be easier for EC-Japan trade policy in the 1992 context if all Member States develop a more positive relationship with Japan. This kind of pressure on the Japanese clearly constitutes a real risk to the flow of investment to the UK. As I explained to colleagues at the OD(E) Committee on 4 May, I wrote on that day to Vice President Andriessen seeking his agreement to the proposition that potential Japanese investors should be free to take decisions on the merits of investing in the different Member States on the basis of their own commercial judgement, and that the Japanese Government should not intervene. I also sought his agreement that during my forthcoming visit to Japan I should say that this is the view of the Commission and the British Government.

I enclose a copy of my letter and of Andriessen's reply. The latter is satisfactory in some respects but not in others. On the positive side, it states clearly that investment decisions are for the companies concerned, not for Governments. Less

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the department for Enterprise

helpfully, the fourth paragraph implies that companies should somehow take into account that Japanese investment could be beneficial to all Member States. But this is a political issue, which an individual company cannot be expected to reflect when taking a specific investment decision; and it is inconsistent with the rest of the letter for Andriessen to suggest otherwise.

I therefore intend to continue the debate with Andriessen on my return from Japan. It will be easier to do so in the light of the assurances I expect to get from Japanese Ministers that they would not intervene in the investment decisions of their private companies. Our Ambassador in Tokyo has already spoken to senior officials in MITI and the Foreign Ministry who assured him that Japanese policy was that companies should be free to invest wherever they thought best. When talking to Japanese Ministers and industrialists I will emphasise the many attractions of the UK as a location for future Japanese investment, and the favourable economic and tax environment which Japanese investors enjoy in this country.

I am sending copies of this minute to Geoffrey Howe, Peter Walker, and, together with a copy of Peter Walker's minute, to Malcolm Rifkind.

D Y

17 May 1989

DEPARTMENT OF TRADE & INDUSTRY

the Enterprise initiative

MM3AKN

F. H. J. J. Andriessen
Vice-President of the Commission
of the European Communities

1049 Brussels
Rue de la Loi 200
Tel. 235 38 98

Dear Lord Young,

Thank you for your message on Japanese investment in Europe.

I can understand your concern at reports which have reached you that MITI are steering Japanese companies away from locations in the United Kingdom. We had not previously heard such reports (except from what your own staff have told us) ; certainly MITI have never given us any such indication. It would not of course be unusual, in Japanese terms, for companies to discuss their investment plans with the government authorities ; nor, I fear, for companies to hide behind "advice" from the authorities when it suits their book to do so.

The Commission has not been called on to take an official position on this issue. I myself in public statements take the view that Japanese investment in the Community is to be welcomed, especially when it is accompanied by a high degree of integration into the Community's economy. It is not for government, however, to direct investment decisions ; these must be taken by the companies concerned after careful assessment of the different factors - commercial, economic and political - involved.

Our application is therefore very similar to that set out in your letter.
I think however that it is in the interest of a balanced development of EC/Japan relations that Japanese investment should be beneficial to all member States.
It is therefore from my point of view legitimate to take the position that this overriding interest should be part of the elements considered when investment decisions are taken.

If the Japanese authorities were to ask you about the Commission's views, please feel free to refer them to me and I will put their minds at rest.

I look forward to hearing from you the results of your discussions on investment with the Japanese.

Yours sincerely

The Rt. Hon. Lord
Young of Graffham
Secretary of State
for Trade and Industry

dti

the department for Enterprise

The Rt. Hon. Lord Young of Graffham
Secretary of State for Trade and Industry

Vice-President Frans Andriessen
Commission of the European Communities
Rue de la Loi 200
1049 BRUSSELS

Department of
Trade and Industry

1-19 Victoria Street
London SW1H 0ET

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01-215 7877

Telex 8811074/5 DTHQ G
Fax 01-222 2629

Direct line 215 5422
Our ref PS3AEV
Your ref
Date 4 May 1989

Dear Frans,

I am due to visit Japan later this month, and investment questions will come up in my talks with Japanese Ministers and in reply to press questions. I am, therefore, writing to you about one aspect of the issue which has recently come to my attention, because I should like to be sure we see eye to eye on this point.

I understand that the Japanese Ministry of International Trade and Industry (MITI) are taking the line with some Japanese companies which are currently contemplating investment in Europe that there would be advantage in steering away from locations in the United Kingdom. MITI deny this, but the evidence from the Japanese companies themselves is convincing.

We would all agree, I am sure, that potential Japanese investors should be free to take their own decisions on the merits of investing in the different Member States of the Community. Indeed, while a number of Japanese companies have come to the United Kingdom, a good many others have gone elsewhere in the EC - to the Federal Republic of Germany and to other Member States. I have no problem with this. But the essential point, in my view, is that Japanese companies should be free to take investment decisions on the basis of their own commercial judgement; and that MITI, whose influence in matters of this kind can be significant, should not intervene.

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the department for Enterprise

That is the line I will be taking with my Japanese interlocutors. In addition, if asked about the views of the Commission, I should like to be able to reply in the following terms:

- that, following my recent contacts with you, I can reaffirm the Commission and the British Government share the same opinion;

- that decisions on where to locate an investment within the Community are solely a matter for the commercial judgement of the Japanese companies themselves;

- and that the Japanese Government should not try to influence the companies' decisions, any more than the Commission would intend to do.

This approach does not affect, of course, the Commission's right and duty under the Treaty to ensure Member States conform to the regulations on state aids and related elements of competition policy, which I fully recognise.

There is one other point I should make to you, though not - needless to say - to my Japanese interlocutors. There are, of course, other dangers if MITI continue to intervene in the location of Japanese investment. This could prompt some Member States to bargain promises of a more liberal attitude on trade relations in the context of 1992 against the prospect of Japanese investment in their country. This would not help the Community in its wider relations with Japan.

I trust that you will have no difficulty with this line of argument. I leave for Japan on 17 May, and should be grateful, before I depart, to have your confirmation that this is so.

Yours

Norman

the Enterprise Initiative

JAPAN: Relations
pg 8

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10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

15 May 1989

Thank you for your letter of 28 April in which you requested my assistance in arranging a courtesy call by the Economic Mission of the Japan Chamber of Commerce and Industry which will be visiting the UK from 7-9 June.

I was already aware of the plans for the Japan Chamber of Commerce and Industry's mission to visit the UK as part of their European tour and of their wish to call on the Prime Minister. Your Embassy's earlier request had been passed on to me by the Foreign Office. As they have already informed you, it will, unfortunately not be possible for the Prime Minister to see the mission during their visit to the UK. She will be out of London on two of the days in question and is fully committed on the third.

I can understand your disappointment at the response to your earlier request conveyed to you by the Foreign Office. This was made only after full consideration and consultation. It does not mean that we do not recognise the importance of the Japan Chamber of Commerce and Industry mission. We do. That is why Lord Young will receive the delegation on Thursday 8 June at 1630. But the Prime Minister is simply not available on the dates in question. Is there any possibility of their changing their dates?

CHARLES POWELL

Mr. Katsumi M. Sezaki.

Foreign and Commonwealth Office

London SW1A 2AH

15 May 1989

Dear Charles

Request for Call on the Prime Minister by Japanese Chamber of Commerce and Industry Delegation

Thank you for your letter of 28 April enclosing one from the Minister at the Japanese Embassy, Mr Katsumi Sezaki, in which he asked that the Prime Minister spare a few moments to receive the Japan Chamber of Commerce and Industry (JCCI) delegation which will be visiting the UK from 7-9 June.

As you know the Japanese Embassy have already made a request for a call on the Prime Minister by the JCCI delegation through the FCO. In my letter to you of 21 April I explained that, although we were conscious of the heavy pressure on the Prime Minister's programme at the time of the visit, we believed that a call would be worthwhile should the Prime Minister's diary permit. In your reply of 21 April you informed us that there was no question of the Prime Minister being able to see the delegation. We informed the Japanese Embassy immediately.

Mr Sezaki should be discouraged from behaving in this way; this is not the first time that he has refused to take no for an answer. I attach a draft letter to Mr Sezaki, which has been cleared with the DTI.

I would like to clarify one point about the earlier request that the Prime Minister should see the JCCI delegation if time permitted. There was evidently a misunderstanding. We knew from the Diary Secretary that the Prime Minister was heavily committed and that the chance of a call was slim, but had not understood that it was excluded. We had thought you would want the opportunity to decide whether time could be found to fit

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in a brief call, in particular because the leader of the JCCI delegation, Dr Ishikawa, will be one of the Prime Minister's hosts during her visit to Japan later this year.

I am copying this letter to Neil Thornton (DTI).

Yours ever

Robin

(R N Peirce)
Private Secretary

C D Powell Esq
10 Downing Street

DSR 11 (Revised Sept 85)

DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1 +

FROM:
PS/No 10
DEPARTMENT: TEL. NO:
BUILDING: ROOM NO:

Reference

Your Reference

SECURITY CLASSIFICATION

Top Secret
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PRIVACY MARKING

..... In Confidence

CAVEAT .....

Enclosures flag(s) .....

TO:

Mr Katsumi Sezaki
Minister Plenipotentiary
Embassy of Japan
46 Grosvenor Street
LONDON W1X 0BA

Copies to:

cc 3 BHC

SUBJECT:

Thank you for your letter of 28 April in which you requested my assistance in arranging a courtesy call by the Economic Mission of the Japan Chamber of Commerce and Industry which will be visiting the UK from 7-9 June.

I was already aware of the plans for the Japan Chamber of Commerce and Industry's mission to visit the UK as part of their European tour and of their wish to call on the Prime Minister. Your Embassy's earlier request had been passed on to me by the Foreign Office. As they have already informed you, it will, unfortunately not be possible for the Prime Minister to see the mission during their visit to the UK. She will be out of London on two of the days in question and is fully committed on the third.

I can understand your disappointment at the response to your earlier request conveyed to you by the Foreign Office. This was made only after full consideration and consultation. It does not mean that we do not recognise the importance of the Japan Chamber of Commerce and Industry mission. We do. That is why Lord Young will receive the delegation on Thursday 8 June at 1630. But the Prime Minister is simply not available on the date in question. Is there any possibility of their changing their dates?

CDP..

You can assume that requests of this nature, including any special pleas, will be properly handled when they are channelled through the Foreign and Commonwealth Office.

CND

Foreign and Commonwealth Office

London SW1A 2AH

12 May 1989

Dear Dominic

Call on Prime Minister by Daisaku Ikeda: 22 May

Thank you for your letter of 18 April. I enclose a short personality note on Mr Ikeda.

The Soka Gakkai (Value Creating Society) was founded in 1930 as a lay organisation of the Japanese Nichiren Shoshu sect of Buddhism. The sect teaches salvation by faith in Nichiren's teachings.

Soka Gakkai grew rapidly after the War. Its simple doctrine appealed to those left behind by rapid economic and social change. Membership rose to six million by the 1980s. Soka Gakkai runs its own schools, universities and a daily newspaper with a circulation of over four million copies. The movement has also expanded abroad especially in North and South America and claims to have three million foreign members. The British arm of the movement, Nichiren Shoshu of the UK, was founded 20 years ago and has 4,000 members.

The Soka Gakkai founded a political party, the Komeito (Clean Government Party), in 1964. The party aims to create a welfare state through "humanitarian socialism". The party became nominally independent of the religious movement in 1970 although it is still heavily dependent on its support. Komeito is the second largest opposition group, with 81 members in the two Houses of the Diet.

In the 1960s the Soka Gakkai was criticised for its militant proselytising. There were fears that the discipline, intolerance, puritanism and nationalism of the movement could lead to the revival of undemocratic and authoritarian tendencies in Japanese politics. These fears have not been realised. Membership of the Soka Gakkai

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peaked in the 1970s. Since then the movement has lost some of its missionary fervour. It has also been hit by a series of scandals involving attempts to suppress public criticism of the movement and allegations that its honorary President, Daisaku Ikeda, was building a personality cult, womanising, squandering funds and distorting Buddhist teachings.

Yours ever

Bob Peirce

(R N Peirce)
Private Secretary

Dominic Morris Esq
PS/10 Downing Street

DAISAKU IKEDA

Honorary President of Soka Gakkai and President of Soka Gakkai International.

Born 1927. Service briefly in the Navy during the Pacific War. Graduated from the Tokyo Commercial School, 1946. Disciple of Josei Toda, then President of Soka Gakkai, the militant Nichiren Buddhist lay organisation, 1947. Chief of the General Affairs Section of Soka Gakkai, 1958; President, 1960.

A brilliant organiser, he played an essential part in the rapid growth of Soka Gakkai. He was the guiding light of the Soka Gakkai's political extension, Komeito; but has never held office in the Komeito and on 3 May 1970 made an important announcement declaring the functionsof Soka Gakkai and the Komeito as being separate.

He enjoys considerable royalties from his book "The Human Revolution". He has visited Britain three times, in 1972, 1973 and 1975. On the first two occasions he held extensive discussions with Professor Arnold Toynbee, whom he considered a personal friend and whose works have influenced Ikeda's thinking.

Married with three sons; the youngest of whom died suddenly in September 1984. Speaks no English.

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DTI FOR COOKE, OT

(FRAME EXTERNAL)

UK/JAPAN INWARD INVESTMENT

1. FOLLOWING EARLIER REPRESENTATIONS AT WORKING LEVEL TO MITI, I CALLED YESTERDAY ON MURAOKA, ADMINISTRATIVE VICE MINISTER OF MITI, TO EXPRESS OUR STRONG CONCERN ABOUT EVIDENCE THAT JAPANESE OFFICIALS, APPEARED TO BE DISCOURAGING INVESTMENT IN THE UK.

2. I SAID THAT INWARD INVESTMENT WAS ONE OF THE MAJOR SUCCESS STORIES IN A FLOURISHING UK/JAPAN RELATIONSHIP, AND WE WOULD NOT WISH TO SEE THIS JEOPARDISED. WE WERE AWARE THAT, FOLLOWING COMPLAINTS FROM THE ITALIANS AND FRENCH, SOMETHING OF A MOOD WAS DEVELOPING HERE TO THE EFFECT THAT JAPANESE INVESTMENT WAS OVER CONCENTRATED IN THE UK, AND THAT THERE WOULD BE POLITICAL PROBLEMS IF IT WERE NOT SPREAD MORE DELIBERATELY THROUGHOUT THE COMMUNITY. SINCE MITI OFFICIALS WERE IN A POSITION OF CONSIDERABLE INFLUENCE VIS A VIS INDUSTRY, WE WERE DISTURBED AT EVIDENCE THAT THEY HAD BEEN SAYING THINGS, EVEN IF PRIVATELY, WHICH WOULD CLEARLY HAVE THE EFFECT OF DISCOURAGING INVESTMENT IN THE UK. ON ANY CALCULATION THE UK DID NOT HAVE A MONOPOLY OR EVEN A PREPONDERENCE OF JAPANESE INVESTMENT. SECONDLY, FOR COUNTRIES WHO HAD HITHERTO NOT WELCOMED JAPANESE INVESTMENT TO COMPLAIN THAT THEY WERE NOT GETTING THEIR FAIR SHARE WAS HARD TO UNDERSTAND. IF THEY WON THEIR INVESTMENT BY HAVING AN ATTRACTIVE ENVIRONMENT, WE COULD HAVE NO COMPLAINT. THERE WAS NO SUBSTANCE TO SCARE STORIES ABOUT POLITICAL DIFFICULTIES. THE ONLY DIFFICULTY TO DATE HAD CONCERNED NISSAN EXPORTS TO FRANCE, WHICH HAD BEEN RESOLVED THROUGH HMG'S EFFORTS. THE WHOLE POINT ABOUT A SINGLE MARKET WAS THAT GOODS WITH EUROPEAN ORIGIN WOULD FLOW FREELY, WHEREVER THEY WERE PRODUCED INSIDE THE COMMUNITY. WE WELL UNDERSTOOD THAT MITI WOULD WISH TO APPEAR RECEPTIVE TO OTHER COUNTRIES' EFFORTS TO ATTRACT JAPANESE INVESTMENT, AND WERE GRATEFUL FOR THE HELP THAT WE OURSELVES RECEIVED, BUT WE COULD NOT ACCEPT STATEMENTS OR ACTIVITIES WHICH HAD THE EFFECT OF TURNING INVESTMENT AWAY FROM THE UK.

3. MURAOKA SAID THAT JAPANESE GOVERNMENT POLICY WAS VERY CLEAR: THEY ENCOURAGED ALL JAPANESE OVERSEAS INVESTMENT, IN WHATEVER COUNTRY, SECTOR, OR AMOUNT. IT WAS A FACT THAT THE UK WAS ATTRACTIVE TO A LARGE NUMBER OF COMPANIES, AND THAT THIS HAD AROUSED COMPLAINTS FROM OUR PARTNERS. SOME OF THESE COUNTRIES WERE NOW EXPRESSING THEMSELVES VERY KEEN TO HAVE JAPANESE INVESTMENT, AND MITI COULD NOT NEGLECT TO PASS THIS ON TO JAPANESE INDUSTRY. HOWEVER, HE REGRETTED IT IF THERE HAD BEEN INSTANCES SUCH AS WE HAD SUGGESTED, AND, WHILE IT WAS INCONCEIVABLE THAT A JAPANESE OFFICIAL COULD SO HAVE SPOKEN IN AN OFFICIAL CAPACITY, MITI WOULD ALSO TAKE STEPS TO ENSURE THAT ANY SUCH REMARKS, EVEN ON A PRIVATE BASIS, WERE STRICTLY FORBIDDEN.

4. I THANKED MURAOKA FOR THIS, AND SAID THAT LORD YOUNG WOULD BE MAKING CLEAR DURING HIS VISIT THAT MUCH MORE JAPANESE INVESTMENT WOULD BE VERY WELCOME IN THE UNITED KINGDOM. WE DID NOT ASK MITI TO RECOMMEND THE UK, BUT WE HOPED THAT THEY WOULD PASS ON TO JAPANESE INDUSTRY THE UK'S POSITION AS WELL.

5. I THEN CALLED ON KUNIHIRO, DEPUTY MINISTER FOR FOREIGN AFFAIRS, AND SPOKE SIMILARLY. HE SAID THAT HE HAD TOLD RUGGIERO, IN RESPONSE TO THE LATTER'S COMPLAINTS, THAT IF MANY JAPANESE COMPANIES HAD CHOSEN BRITAIN, IT WAS BECAUSE OF THEIR OWN EVALUATION OF INVESTMENT CONDITIONS. COMPANIES SHOULD REMAIN FREE TO INVEST WHEREVER SUITED THEM BEST.

6. COMMENT. MURAOKA'S RESPONSE WAS AS MUCH AS WE COULD HAVE HOPED FOR IN THE CIRCUMSTANCES. WE MAY NOT HAVE ENTIRELY CHANGED THE VIEWS OF JAPANESE OFFICIALS, BUT BY TAKING UP THE MATTER ROBUSTLY AND AT THIS LEVEL WE SHOULD HAVE HELPED ENSURE THAT THEY INFILTRATE LESS INTO THE INDIVIDUAL DECISIONS OF COMPANIES.

7. WHEN LORD YOUNG IS HERE NEXT WEEK, I HOPE HE WILL BE ABLE TO GIVE THE JAPANESE SOME REASSURANCE ABOUT EC COMMISSION ATTITUDES (FCO TELNO 125 TO UKREP BRUSSELS), BUT HE WILL NOT NEED TO REFER TO OUR DEMARCHE TO MITI AND THE MFA. A BULLISH PRESENTATION OF THE UK ECONOMY AND A WELCOME FOR FURTHER JAPANESE INVESTMENT IS ALL THAT IS NEEDED. HOWEVER THE REFERENCE TO THIS MATTER IN HIS SEMINAR SPEECH SHOULD STAND.

WHITEHEAD

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CONFIDENTIAL

cc/c

Prime Minister

It is a very good point.

CDP 11/5

PRIME MINISTER

JAPANESE INVESTMENT IN THE UK

I have followed with interest recent FCO telegrams concerning apparent attempts by Commission officials to persuade the Japanese to locate in other parts of the Community.

I am very concerned at these developments and there is no doubt from my many conversations with the heads of Japanese business houses that the message that it is to the political advantage of the Japanese to spread their investments around Europe is getting through very clearly.

Knowing the Japanese, they are always keen to avoid political problems and I do believe that the attitude of the Commission, obviously fully supported by a number of other European Governments, will have a considerable adverse effect unless we counteract it.

I think we should give all our connections in Japan a strong and clear message about the considerable advantages of coming to Britain, advantages which have already been recognised by many sensible Japanese companies who have concentrated investment here. I think we should also see that all questions and queries by Japanese companies in this sphere are very effectively and ruthlessly answered.

It would appear that if the Commission pursue their usual position, it will be that Europe is all one market with the efficient prevailing, except for agriculture because that would be good for Britain; and it is all one market for inward investment except for Britain because if we are too successful that would be bad for the rest of Europe.

I am copying this to Geoffrey Howe and David Young.

11 May 1989

PW

cst.ps/10jm2.5/lets

COMMERCIAL IN CONFIDENCE

NBPL
Rec
4/5

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Tony Newton OBE MP
Chancellor of the Duchy of Lancaster
Department of Trade and Industry
1 - 19 Victoria Street
London
SW1H OET

9th May 1989

Dear Tony

RSA: FUJITSU

Thank you for your letter of 13 April. at flap.

First, on the review of the RSA guidelines, which I proposed on 16 December, I look forward to your substantive reply very soon so that the review can inform the Survey preparations. I, too regard the Bosch and Fujitsu cases as relevant, particularly in regard to the need to reduce companies' grant expectations and to strengthen the concept of lower state aids and a level playing field in the Community. In this context, may I say that I warmly welcome your announcement of 18 April that Toyota is to establish a £700 million plant near Derby with no Government cash assistance. As David Young helpfully pointed out on the day of the announcement, it is highly encouraging that Toyota chose to locate in an area of above average unemployment without a Government financial inducement. This underlines graphically the strong non grant advantages which even the less prosperous regions have to offer. I hope that just as the Nissan case may have inflated grant expectations somewhat in the past, so the Toyota case will help set the scene for the future.

I am grateful that you were able to implement most of the conditions attaching to the grant to Fujitsu. On the £2.4 million offset arising from the breach of the guidelines you suggest that this should be phased in line with payments to the company. I understand these payments are to be phased from 1990 to 1997; I am afraid that phasing an offset over this period (well beyond the Survey period) would be impracticable. The terms of the procedure established in 1985 for breaches in the guidelines referred to cash limit offsets. I do feel that this procedure should be followed here. I suggest that your officials agree with mine where and how the reduction in 1989-90 provision should be made.

COMMERCIAL IN CONFIDENCE

JAPAN
Anglo Jap Rels Pt 8.

I am glad that you expect the use of indicative RSA offers to continue to be rare. I know that you appreciate the problems such offers present for the Treasury and I look forward to your separate reply to my suggestion that officials should discuss this further.

I do hope that grant expectations will be reduced as you say. But the fact that the grant as a percentage of capital spend was only 5 per cent, while undoubtedly welcome, reflects the capital intensity of the project and does not demonstrate value for money in relation to the RSA scheme's regional employment objectives. Our regional assistance objective is linked primarily to the scale of employment creation rather than of capital invested. By contrast, less capital intensive projects have much higher subsidy percentages e.g. over 20 per cent for Bosch, not much lower than the very high rates quoted for Southern EC states. On additionality, Fujitsu regarded the UK as a favourable location for many reasons apart from the RSA grant and in alternative locations such as West Germany there must be some doubts on whether a comparable grant would have been forthcoming to a semiconductor manufacturer. As regards the industrial case, I was aware of your Industrial Development Advisory Board's comments. While it would be wrong to ignore their advice, I also took into account the less positive views of your officials who have had a long and detailed involvement with the case.

I am copying this letter to the Prime Minister, Malcolm Rifkind and Peter Walker.

Yours ever
John

JOHN MAJOR

Mr. K. SEZAKI
1215

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

28 April 1989

I enclose a copy of a letter the Prime Minister has received from Mr. Katsumi Sezaki of the Embassy of Japan.

I should be grateful for advice and a suitable draft reply, in conjunction with the Department of Trade and Industry to whom I am copying this letter and enclosure, to reach this office by Friday 12 May.

(C. D. POWELL)

R. N. Peirce, Esq.,
Foreign and Commonwealth Office.

CC PGR

01-493 6030

EMBASSY OF JAPAN,
46, GROSVENOR ST.,
LONDON,
W1X OBA

28th April 1989

C D Powell Esq.,
Private Secretary to the Prime Minister
No. 10, Downing Street
London SW1A 2AA

Dear Mr Powell,

I am writing to inform you that the Japan Chamber of Commerce and Industry will be sending an Economic Mission to Europe. The Mission will be in Europe from Saturday, 27th May to Friday, 9th June 1989, and in London from 7th - 9th June. In this respect, I should like to request your kind assistance in arranging a courtesy call by the Mission on the Prime Minister, The Rt. Hon. Margaret Thatcher.

The Japan Chamber of Commerce and Industry is a very august organization first established in 1878, which represents the nation's Chambers of Commerce and Industry, with a total membership of 1.283 million. I should like to emphasize that the JCCI has as influential a role as the "Keidanren" (The Federation of Economic Organizations.)

Dr Ishikawa, the Head of the Mission, is himself the Chairman of Kajima Corporation, Japan's leading Civil Engineering (Construction) company. Numbered in the Mission, will be the following: Mr K Saji, President, Suntory Ltd., Mr S Muramoto, Former President, The Dai-Ichi Kangyo Bank Ltd., and Mr T Yamazaki, Former Ambassador to the U.K. (1985-1988.)

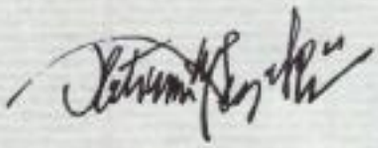
Dr Ishikawa would be most grateful if the Prime Minister, could spare a few moments, as the Mission would like to hear her views regarding Anglo-Japanese economic relations and in particular, the 1992 E.C. Single Market integration. In this respect, they would like to learn any message that the Prime Minister might have for the future role of Japanese industry in relation to 1992.

continued/...

Finally, I should like to assure you that such a meeting would be of paramount symbolic importance for the Mission, and the Japanese business community in Europe, and would also be tremendously encouraging for the Mission in fostering a closer partnership between our two nations.

While the Mission is in the Federal Republic of Germany, Chancellor Khol will receive it for discussion on matters of mutual interest. Should the Mission fail to meet another outstanding leader in Europe, it would be deeply disappointed. Our initial approach through normal channels was not successful; and, as usual, I have to make a final plea and seek your assistance in this regard.

Yours sincerely,



KATSUMI M. SEZAKI
Minister Plenipotentiary

JAPAN CHAMBER'S ECONOMIC MISSION TO EUROPE
(May 27 - June 10, 1989)

As of 20/4/89
* Accompanied spouse

Dr. Rokuro Ishikawa(Leader)*
Chairman, The Japan and Tokyo Chambers of Commerce and Industry
Chairman, Kajima Corporation

Mr. Keizo Saji *
Vice-Chairman, The Japan Chamber of Commerce and Industry
Chairman, The Osaka Chamber of Commerce and Industry
President, Suntory Ltd.

Mr. Yutaka Uyeno *
Vice-Chairman, The Japan Chamber of Commerce and Industry
Chairman, The Yokohama Chamber of Commerce and Industry
Chairman, K.K. Uyeno Unyu Shokai

Mr. Koichi Tsukamoto *
Vice-Chairman, The Japan Chamber of Commerce and Industry
Chairman, The Kyoto Chamber of Commerce and Industry
Chairman, Wacoal Corporation

Mr. Shuzo Muramoto *
Special Advisor, The Japan Chamber of Commerce and Industry
Vice-Chairman, The Tokyo Chamber of Commerce and Industry
Member, Secretariat of the Policy Board, The Bank of Japan

Mr. Shigeru Suzuki *
Chairman, The Sapporo Chamber of Commerce and Industry
President, The Hokkaido Takushoku Bank, Ltd.

Mr. Osamu Hashiguchi *
Chairman, The Hiroshima Chamber of Commerce and Industry
President, The Hiroshima Bank, Ltd.

Mr. Toshiaki Yamashita *
Chairman, The Fukuoka Chamber of Commerce and Industry
Chairman, The Fukuoka Bank, Ltd.

Mr. Masami Ishii
Chairman of Committee on International Economic Affairs,
The Japan Chamber of Commerce and Industry
Chairman of Divisional Group on Foreign Trade,
The Tokyo Chamber of Commerce and Industry
Senior Adviser(Former Chairman), Mitsui & Co., Ltd.

Mr. Taiichiro Matsuo
Chairman of Committee on International Economic Affairs,
The Tokyo Chamber of Commerce and Industry
Senior Corporate Advisor(Former Chairman), Marubeni Corporation

Mr. Yataro Tezuka
Chairman, The Kawasaki Chamber of Commerce and Industry
Advisor, Toshiba Physical Distribution Co., Ltd.

Mr. Akito Naito
Vice-Chairman, The Nagoya Chamber of Commerce and Industry
President, Rinnai Corporation

Mr. Yutaka Ohnishi *
Vice-Chairman, The Kobe Chamber of Commerce and Industry
Counsellor, Kawasaki Heavy Industries, Ltd.

Mr. Masao Sawaki *
Special Advisor,
The Japan and Tokyo Chambers of Commerce and Indsutry
Executive Advisor, Tokyu Corporation
(Former Japanese Ambassador for International Organization in Geneve)

Mr. Kenichi Kajii *
Chairman of Committee on Industrial Policy,
The Nagoya Chamber of Commerce and Industry
Vice-Chairman, Nagoya Railroad Co., Ltd.

Mr. Shunji Ueda *
Vice-Chairman of Divisional Group on Foreign Trade,
The Tokyo Chamber of Commerce and Industry
Chairman, Nichimen Corporation

Mr. Ariyoshi Okumura
Vice-Chairman of Committee on Promotion of Internationalization,
The Tokyo Chamber of Commerce and Industry
Managing Director, The Industrial Bank of Japan, Ltd.

Mr. Toshio Yamazaki *
Executive Adviser, The Tokyo Chamber of Commerce and Industry
Adviser, Mitsubishi Corporation
(Former Japanese Ambassador to U. K.)

Mr. Jiro Aiko
Executive Adviser, The Tokyo Chamber of Commerce and Indsutry
Executive Managing Director, Sony Corporation.
(Former Japanese Ambassador to

Mr. Hiroshi Ikawa *
President, The Japan and Tokyo Chambers of Commerce and Industry

file

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bc PC

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

21 April 1989

VISIT BY JAPAN CHAMBER OF COMMERCE AND INDUSTRY

Thank you for your letter of 21 April asking the Prime Minister to see the Japan Chamber of Commerce and Industry delegation when they are in London from 7 to 9 June. I am rather surprised that you have written this letter since you were informed when you checked with our diary section that there was no question of the Prime Minister being able to do it. I confirm that she cannot see the delegation. She is out of London altogether on two of the days in question and the other is already full with engagements of even higher priority.

I am copying this letter to Neil Thornton (Department of Trade and Industry).

(CHARLES POWELL)

R.N. Peirce, Esq.,
Foreign and Commonwealth Office.

Charles
PM is out of London on the 7th and 9th. The 8th is extremely busy with Cabinet, Question etc. No chance of fitting in any more
AP 21/4

cc

Foreign and Commonwealth Office

London SW1A 2AH

21 April 1989

Dear Charles

Visit by Japan Chamber of Commerce and Industry: Request for Call on the Prime Minister

The Japan Chamber of Commerce and Industry (JCCI) will be visiting the UK from 7-9 June as part of a wider European tour taking in France, the EC Commission, the FRG and Italy. The mission will be led by Dr Ishikawa, Chairman of the JCCI and also Chairman of Kajima, a major construction company. He will be accompanied by up to 25 other members, including several chairmen of regional Chambers of Commerce and chairmen and chief executives of Japanese firms. I enclose a provisional list of members of the delegation.

The mission have requested a courtesy call on the Prime Minister. We are conscious of the very heavy pressure on her programme at that time, but believe that, should her diary permit, it would be worthwhile for the Prime Minister to receive Dr Ishikawa; along with the Vice Chairman of the mission, Mr Saji, President of Suntory; Mr Yamazaki, an advisor to Mitsubishi Corporation and former ambassador to London; and Mr Chiba, the Japanese Ambassador. Alternatively, the Prime Minister might prefer to receive the full delegation since all its members are senior Japanese businessmen.

The call would provide a useful opportunity for the Prime Minister to emphasise to an influential group of Japanese businessmen our welcome for Japanese investment, at a time when our EC partners, concerned at our success in attracting the lion's share of Japanese investment to date, will be redoubling their efforts. This could be particularly useful in so far as the members of the mission represent smaller regional industries which are increasingly the source of inward investment. The Prime Minister could also put across a firm message on 1992 and the Single Market. She may also wish to re-emphasise the need for Japan to make renewed efforts to redress the structural imbalances in the economy and to press ahead with market opening, including access to the Tokyo Stock Exchange.

/We

TS4AAK

We understand that the mission will be calling on Chancellor Kohl in Bonn and have requested calls, so far unconfirmed, on Mr Delors in Brussels, President Mitterrand and Prime Minister Rocard in Paris, and Prime Minister De Mita in Rome.

When the Prime Minister visits Japan in September one of the central events proposed for her visit is a speech at a luncheon to be hosted jointly by the JCCI and the three other major economic organisations (the Keidanren (CBI equivalent), the Japanese Employers' Federation and the Japan Association of Corporate Executives (Keizai Doyukai)). Dr Ishikawa, the leader of the JCCI mission, is likely, therefore, to be one of the Prime Minister's hosts during her visit to Japan; and he is an influential figure in his own right.

The entire JCCI mission will be calling on Lord Young on 8 June at 16.30. The DTI support the recommendation that the Prime Minister should also receive the mission.

I am copying this letter to Neil Thornton (DTI).

Yours ever

Bob Peirce

(R N Peirce)
Private Secretary

C D Powell Esq
PS/10 Downing Street

TS4AAK

JAPAN CHAMBER'S ECONOMIC MISSION TO EUROPE
(May 27 - June 10, 1989)

As of 5/2/89
* Accompanied spouse

Dr. Rokuro Ishikawa(Leader)*
Chairman, The Japan and Tokyo Chambers of Commerce and Industry
Chairman, Kajima Corporation

Mr. Keizo Saji
Vice-Chairman, The Japan Chamber of Commerce and Industry
Chairman, The Osaka Chamber of Commerce and Industry
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Mr. Yutaka Uyeno *
Vice-Chairman, The Japan Chamber of Commerce and Industry
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Chairman, K.K. Uyeno Unyu Shokai

Mr. Koichi Tsukamoto *
Vice-Chairman, The Japan Chamber of Commerce and Industry
Chairman, The Kyoto Chamber of Commerce and Industry
Chairman, Wacoal Corporation

Mr. Hideichi Sasaki *
Special Advisor, The Japan Chamber of Commerce and Industry
Vice-Chairman, The Tokyo Chamber of Commerce and Industry
Chairman, Sasaki Glass Co., Ltd.

Mr. Shuzo Muramoto *
Special Advisor, The Japan Chamber of Commerce and Industry
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Mr. Toshiaki Yamashita *
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The Japan Chamber of Commerce and Industry
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Mr. Hiroshi Toyama
Vice-Chairman of Committee on International Economic Affairs,
The Tokyo Chamber of Commerce and Industry
Counsellor, Sumitomo Corporation

Mr. Ariyoshi Okumura
Vice-Chairman of Committee on Promotion of Internationalization,
The Tokyo Chamber of Commerce and Industry
Managing Director, The Industrial Bank of Japan, Ltd.

Mr. Kenichi Kajii *
Chairman of Committee on Industrial Policy,
The Nagoya Chamber of Commerce and Industry
Vice-Chairman, Nagoya Railroad Co., Ltd.

Mr. Toshio Yamazaki
Executive Adviser, The Tokyo Chamber of Commerce and Industry
Adviser, Mitsubishi Corporation
(Former Japanese Ambassador to U. K.)

Mr. [illegible]ruki Motono
[illegible]ecutive Adviser, The Tokyo Chamber of Commerce and Indsutry
Execitive Adviser, Nomura Securities Co., Ltd.
(Former Japanese Ambassador to France)

Mr. Hiroshi Ikawa *
President, The Japan and Tokyo Chambers of Commerce and Industry

Remarks:
This is only a provisional list as of March 2, 1989.
We anticipate that the number of participants will increase.
The final number including staff and wives is expected to be around 60.

(2)
R24/4 regstd

NISSAN MOTOR CO., LTD.

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

YUTAKA KUME
President

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

Prime Minister
OBR 24/4

20th April, 1989

Dear Prime Minister,

I am enclosing a letter I have written to Lord Young expressing our thanks for the effort of successful resolution of the problems surrounding the export of our British built cars to France.

The support and encouragement of Her Majesty's Government was fundamental to the establishment of our U.K. operation, and continues to be essential in its growth, and I would like to record our deep gratitude for the Government's efforts.

Yours sincerely,

Y. Kume

Y. Kume
President
Nissan Motor Co., Ltd.

NISSAN MOTOR CO., LTD.

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

YUTAKA KUME
President

The Rt. Hon. Lord Young of Graffham
Secretary of State of Trade and Industry
1-19 Victoria Street,
London SW1H 0ET
The United Kingdom

20th April, 1989

Dear Lord Young,

I was pleased to hear on 18th April of the resolution of the difficulties regarding the export of our Sunderland built cars to France. Export of our vehicles forms a key part of our business plans, particularly in view of the scale of our U.K. exports from 1991 and I am grateful for the support of you and your Department.

The establishment of our U.K. manufacturing operation with the support of your government was the major step in our fully participating in the European Motor Industry and the founding of our design capability in the U.K. and confirmation of our commitment to Europe; our full acceptance as European is therefore essential.

I am aware of your personal involvement in, and commitment to the timely and successful resolution of the problem we encountered in France and of your efforts on our behalf, and cannot over-stress the importance of the conclusion. Again, I would like to express our thanks to you and your government for the support and assistance you have given us, without which we would have been unable to achieve the present success of our U.K. project.

Yours sincerely,

Y. Kume

Y. Kume
President
Nissan Motor Co., Ltd.

from other branches of state power, as the office of the Lord Chancellor itself demonstrates.

Lord Campbell of Alloway: My Lords, does my noble and learned friend agree that the scope of judicial review cannot be extended further without an Act of Parliament? Cannot the judge grant a full hearing, which is the point of the Question? Does my noble and learned friend agree?

The Lord Chancellor: My Lords, having regard to developments over the years, I think it would be unwise to say that the judges could not develop judicial review any further.

Business

3.2 p.m.

Lord Denham: My Lords, it may be for the convenience of the House if I announce that the Report stage of the Official Secrets Bill will be adjourned at approximately 7.30 p.m. for approximately one hour and that during this adjournment the Second Reading of the Brunei (Appeals) Bill, the Advice and Assistance (Financial Conditions) (Scotland) Regulations 1989 and the Civil Legal Aid (Financial Conditions) (Scotland) Regulations 1989 will be taken.

Control of Smoke Pollution Bill

Brought from the Commons; read a first time, and to be printed.

Toyota: UK Plant

3.3 p.m.

The Secretary of State for Trade and Industry (Lord Young of Graffham): My Lords, with the leave of the House, I should like to make a Statement on investment by the Toyota Motor Corporation.

I told the House on 26th January that Toyota was considering setting up a car plant in Europe and that the United Kingdom was the lead candidate as a location for the project. I am pleased to be able to return to the House today to report that the company has now made a final decision to proceed with the project in the United Kingdom. The president of the company, Dr. Toyoda, and I are today signing a document setting out the heads of agreement reached between us, copies of which I am placing in the Library of the House.

Toyota has chosen a 280-acre site at Burnaston near Derby. The project will be in two phases. In phase one, after a short period of pilot production starting in December 1992, commercial production will begin in August 1993 and will rise gradual thereafter to the maximum capacity of 100,000 cars per year. When economic and commercial circumstances allow, the project will move into phase two, in which capacity will be expanded to 200,000 cars per year. The plant will then employ some 3,000 people, and will involve a total investment of about £700 million.

The company has decided to proceed with the project without government financial assistance. And it is its firm intention to achieve a local content level of 60 per cent. from the start of commercial production in August 1993 and an 80 per cent. level within a further two years.

Toyota's decision was probably the largest mobile industrial investment still to be won and it represents a major vote of confidence in the United Kingdom. I have no doubt that it will make a significant contribution to the local economy in the area around Derby, to the United Kingdom economy and indeed to the European economy as a whole. I wish the company every success here.

3.6 p.m.

Lord Williams of Elvel: My Lords, the House will be grateful to the Secretary of State for making the Statement, which we welcome. We welcome the presence of Toyota as an investment. With the noble Lord, we wish the company well provided that it meets its targets of local sourcing, which the noble Lord spelt out in his Statement as 60 per cent. after a certain period and 80 per cent. in the next period.

The fact that the Secretary of State has made his announcement and that he has signed heads of agreement between Toyota and the British Government indicates that the Government are prepared to intervene to secure beneficial inward investment. We welcome that. In our view it is the proper function of government to do so. We are glad to see that the doctrines propounded by the Secretary of State for Wales have been adopted by the Secretary of State opposite.

I wonder whether the noble Lord can comment on a statement on the one o'clock news, which I should like to quote in a genuine spirit of inquiry. It said:

> "A Japanese news agency has quoted company sources as saying that a formal announcement will be made simultaneously in the two countries at two o'clock this afternoon".

I am sure that that was not an official statement. However, in the light of the words of the noble Lord the Leader of the House about statements, I should be grateful if the noble Lord would make some inquiries to see whether in fact a statement was made in Japan at two o'clock our time rather than at the time of the noble Lord's Statement.

Is it true that there will be no government help towards infrastructure investment? I understand from Derbyshire County Council that £8 million will have to be invested in infrastructure investment around the new plant. I understand from the council that this will have to be found by Derbyshire ratepayers, or Derbyshire poll tax payers, as the case may be. Is that the case? Is it not a little penny-pinching on the part of the Government to put the whole onus for investment on Derbyshire County Council? Are there no kind words from the Secretary of State for the Derbyshire workforce? After all, Toyota has placed an enormous vote of confidence in the Derbyshire workforce; otherwise, it would not be investing there.

Furthermore, are there no kind words for Derbyshire County Council, which entered the race

[LORD WILLIAMS OF ELVEL.]

for this investment rather late, had no government financial help to make its pitch and succeeded in carrying off the prize? Is it pure coincidence that Derbyshire County Council is Labour controlled? Is this not a good example of a county council, regardless of party, doing what it is meant to do and getting good investment for its own area? In other words, are the efforts of Derbyshire County Council, which is Labour controlled, those which we would all wish to encourage? If that is so, will the Secretary of State now be good enough to congratulate the county council on its efforts?

Lord Ezra: My Lords, I welcome the Statement and congratulate the Secretary of State for the part he undoubtedly played in bringing this about. It will mean 3,000 jobs in an area which badly needs them and an investment of £700 million. The noble Lord referred to local sourcing. How many additional jobs will be created as a result of the 60 per cent. and 80 per cent. local content level? It is an important point.

I should also like to refer to the longer term. We in this country have welcomed—and I hope that we shall continue to do so—enterprising concerns from abroad which want to set up here, to employ British labour and join their skills with ours. However, does the Toyota Motor Corporation intend to link us with its research and development for the future? I ask that question because what I believe is important is that we should not only look for short-term benefits from inward investment, but that we should also look for a long-term partnership, so that we can combine our skills and our innovative possibilities with those of the corporation. I should not like to feel that firms like Toyota are here just for the time being, which might be five to 10 years, and that they will then look elsewhere. Could this perhaps be a lasting relationship in which we can combine our research and development, so that we not only have the benefit of employing more people as a result of the arrangement of having an inward investment, but that we also have the opportunity of joining together with the corporation in those skills and research when we look to the long term?

Lord Young of Graffham: My Lords, I am grateful to the noble Lord, Lord Williams of Elvel, for what he said. I am sure the noble Lord will understand me fully when I say that I cannot claim responsibility for anything which is broadcast on the radio news at one o'clock, neither can I do so in respect of a report from an agency in Tokyo. I said on 26th January in your Lordships' House that I would come back to the House when I had a statement to make on the matter. This is the first statement I have made on the position and I am sure that your Lordships will not expect me to do otherwise.

Of course I congratulate the Derby City authority, which happens to be Conservative, as indeed I congratulate Derby County, which happens to be Labour-controlled. However, the important point in the matter is that the Toyota Motor Corporation told us that it had chosen the United Kingdom because it was this country which actually provided the best industrial climate in Europe. Further, the corporation knew that there was no financial help which the Government could give. That is not because the Government are unwilling to do so, but because very sensibly, and very properly, the European Community has entered into new guidelines (as from 1st January of this year) which impose rigorous tests to prevent unnecessary subsidies being given to car manufacturers elsewhere.

I would join, as I am sure would all Members of your Lordships' House, in congratulating the people in Derby on having the plant situated in their county. I also congratulate them on the creation of 3,000 jobs. Those jobs will be enjoyed by the people of Derby. Derby County and others would have welcomed them. It was a contest in which 40 local authorities entered. I congratulate the people of Derby on winning their "Derby".

I must say to the noble Lord, Lord Ezra, that in addition to the 3,000 jobs I am told that component suppliers will see a further 3,000 jobs being created as a result of the arrangement. In my view this is a significant landmark for our country. Not only is this the largest internationally mobile car plant—indeed, the third largest car company in the world after Ford and General Motors—but it happens, by coincidence, to be the 100th Japanese company to settle within our shores.

I should like here to stress a point which I made to Dr. Toyoda of the Toyota Motor Corporation. So far as we are concerned, Toyota is a British company. It happens to be a Japanese-owned British company, just as Ford happens to be an American-owned British company and, indeed, just as General Motors is an American-owned British company. However, it is British workmen, and it will be British wealth creation, that will actually benefit from this arrangement.

Dr. Toyoda also told us that the corporation has not, in its entire history, ever closed a plant. By coming into the Single European market, and into the industrial climate of this country, I hardly think that it will find any cause to change its policy in the future.

So far as concerns research and development, let us proceed step by step. Perhaps we can take a parallel from another Japanese car company which came to this country a few years back. That company has already opened its own research and development plant.

3.15 p.m.

Lord Taylor of Gryfe: My Lords, from these Benches we should like to congratulate the Minister unreservedly on the Statement which he has just given to the House. There is occasion today for a double celebration, because as a result of the activities of his department I note that the French have conceded that the Nissan imports will now be permitted duty free into the EC. That is a considerable achievement by the Minister and all those concerned in that matter.

Of course we associate ourselves with the congratulations which have already been expressed by the Labour Party Front Bench. We particularly

welcome the statement that there will be no government financial assistance involved in this investment. Bearing in mind the fact that during the period between 1985 and 1988 30 per cent. of inward investment attracted 59 per cent. of all the regional selective assistance, I think that we have a breakthrough in this case. A company is coming to this country without the inducement and incentive of regional assistance. That should leave a good deal more of the regional selective assistance budget for indigenous companies. As I said, on behalf of Members on these Benches, this is an occasion for celebration and congratulations.

Lord Young of Graffham: My Lords, I am most grateful to the noble Lord, Lord Taylor of Gryfe, for what he said. I am sure that his congratulations to the people of Derby are shared by Members from all sides of your Lordships' House. Further, I am glad to be able to confirm that Commissioner Bangemann of the European Community has now formally confirmed to me that the French Government will now count the Sunderland-built Nissan cars as being cars of European and British origin, and that they will be allowed to circulate freely. I regard that matter as no more than one of the growing pains of the European Community. It is a matter which is now behind us. I look forward to the future. I also look forward to welcoming all those companies which may come to settle within our shores and which undertake to obey the rules which we have set, so that their products may be circulated throughout Europe as British products.

Lord Boyd-Carpenter: My Lords, is it not immensely encouraging to all those of us who are interested in the British economy that this great company, with the whole of Europe to choose from, decided to set up its major plant in this country? Further, is my noble friend aware of the fact that many of us who have been informed as to what has been happening know that he himself played a major part in bringing about this particular investment? This country should therefore feel great gratitude towards him for that fact.

Lord Young of Graffham: My Lords, I am most grateful to my noble friend for what he said. I do not think that I should add anything to his last remark.

Lord Taylor of Blackburn: My Lords, I congratulate all the people involved in the matter. Let us not nitpick on who has done what, and who has got what; I think that it has been a team effort on behalf of many people. Indeed, anyone who has had anything to do with the matter ought to be congratulated on having succeeded. Many local authorities are doing everything that they can to try to encourage industry, whether it is in this country or from abroad, to come into their areas. We are only too delighted when they achieve what they set out to achieve.

However, in this particular case, perhaps I may ask the Secretary of State whether he will co-operate and work with his colleague, the Secretary of State for the Department of Education and Science, because additional money needs to be spent in the technical colleges and in the schools in that particular area. Much additional training and retraining must be carried out. Perhaps the noble Lord would be kind enough to have a word with his colleague and point out to him that fact, so that additional moneys, which are so badly needed, will be made available in those particular institutions.

Lord Young of Graffham: My Lords, I fully understand what the noble Lord has said. The car plant will be coming into gradual production over the early years of the next decade. Further, it is a matter at which my right honourable friend the Secretary of State for Education and Science will no doubt be looking. It is also a matter at which I very much hope the local education authority will be looking, because that is where the primary responsibility lies. It is a matter which a combination of effort from the private and public sector will undoubtedly solve.

We have had a stream of overseas investors coming to the United Kingdom. Indeed, over the past few days we have seen Fujitsu coming to this country, we have seen Bosch coming to this country and, now, we have the Toyota Motor Corporation. Why do they come here? They come here because this country provides the best industrial climate in Europe. That is the most powerful argument; it is not regional aid nor subsidies which create the right environment.

Viscount Caldecote: My Lords, it is very good news indeed that such a big investment will be made by Toyota. We all congratulate my noble friend on the matter, especially in regard to the large effect it will have on job creation. However, perhaps I may ask my noble friend the Secretary of State two questions. First, is he confident that such jobs will not in time lead to a reduction in employment in other parts of the British motor car industry?

Secondly, will my noble friend agree that Toyota has been able to make this vast, very good investment in this country only because of its huge investment elsewhere in new product development? Further, will he, to the best of his ability, encourage British industry to follow that good example?

Lord Young of Graffham: My Lords, there are many reasons, but one of the additional reasons we welcome Toyota is that at a time when the demand for cars in this country far outstrips our capacity to produce them—last year 57 per cent. were imported—it is safe to say that we can see a substantial increase in the car industry in this country without affecting any jobs here. Although last year we sold about 85 per cent. of the total theoretical car capacity of Europe, there is room for further expansion. Secondly, I am sure that industry has learnt its lesson. It took some decades to learn that without investment there can be no future.

Lord Northfield: My Lords, is the Minister aware that there are other issues about which he might say a word? As he will be aware, the recruitment of

[LORD NORTHFIELD.]
industry from Japan has played a large part in my life over the past 10 years. I may be slightly jealous that this plant has not gone to Telford. As we now have 13 Japanese companies in Telford, including some as big as Toyota, I may be able to temper my jealousy in the friendliest way.

Does not the Minister need to add two further assurances? First, it is important to assure the British people that these Japanese companies are not just proud of being British when they set up here. They want to be good citizens of Britain. They make generous contributions to charity. They take part in local life, and they do everything they can to show that they want to be part of Britain and not just a foreign import. Secondly, does not the Minister need to reassure people, as I have to do all the time when recruiting in Japan, that when such companies come they do not bring large numbers of Japanese people who put British people at disadvantage in their factories? When a Japanese company comes here, employing, say, 100 or 200 people, the total number of Japanese employees at the beginning is usually six or a dozen. That number is phased out as fast as the company can train British managers to take over the running of the factory.

Is it not important to reassure British people on those two points as well as on the point that the Minister mentioned—that such companies are British companies?

Lord Young of Graffham: My Lords, I am the first to pay tribute to the sterling work that the noble Lord, Lord Northfield, has done in Telford in securing the settlement of a large number of Japanese companies there. I believe that the British people do not need such reassurance. Many Japanese companies, and other companies from overseas which have settled within these shores, have given positive proof of their desire to be good citizens. We have seen that time and time again. I hardly think that Totyota will be an exception. I look forward to a time when we shall wonder whether a Toyota is a Japanese company or whether it has always been a good British company.

Lord Harmar-Nicholls: My Lords, my noble friend has said that Mr. Bangemann has said he is prepared to give this new firm access to the European Community. Is that agreed by the French Government? Has he removed completely the risk that while they may not have tariff barriers they may resort to non-tariff barriers because of their past prejudices, which may interfere with the smooth development of that company?

Lord Young of Graffham: My Lords, I am happy to confirm that Commissioner Bangemann told me he has been informed by the French Government that there were no further impediments. He of course had always held that view. I do not believe that we shall see any further difficulties in that regard. I regard the matter as now closed. It has been firmly established that those cars, and other cars established here within the criteria, will have access throughout Europe.

Lord John-Mackie: My Lords, on a slightly different point, if the 280-acre site is coming out of agriculture will the owner be allowed to claim the set-aside grant, which will come to something like £17,000 a year?

Lord Young of Graffham: My Lords, I had always understood that industrial land was used for industry. If there is a change of use, other considerations will apply; but I believe that it is industrial land.

Lord Williams of Elvel: My Lords, before we finish with the matter, will the Minister answer my questions about the infrastructure investment? I understand from Derbyshire County Council that infrastructure investment of the order of £8 million is to be made. I understand that the Government are not giving any help. Is that the case?

Lord Young of Graffham: My Lords, what is the function of Derbyshire County Council but to put in a certain amount of infrastructure to welcome 3,000 jobs and all the wealth-creation processes in its area? There were 40 other authorities which were happy to do so. It seems to me to be a proper function for Derbyshire. I am sure it is something that the people of Derbyshire will welcome. I see no case for doing anything other than what we are doing at present.

The Earl of Selkirk: My Lords, is there any simple way of saying whether a car, either in part or in whole, is manufactured in this country?

Lord Young of Graffham: My Lords, we are reaching a stage where a car is no longer made solely in one country, with the exception of some minor speciality cars. One can look at the cars produced by the Ford Motor Company. It has an engine plant in Bridgend which produces cars for a large part of Europe; and the bodies of some cars that it sells in this country are made in Germany. We are rapidly reaching the stage where we are internationalising the car manufacturing industry. It is extraordinarily difficult to say who does what.

Official Secrets Bill

3.26 p.m.

Report received.

Clause 1 [*Security and intelligence*]:

Lord Mishcon moved Amendment No. 1:

Page 1, line 5, at beginning insert ("Subject to the provisions of section (*public interest defence*) below,").

The noble Lord said: My Lords, I wish to speak also to Amendments Nos. 2, 8, 12, 14 to 17 and 25. The amendments revolve around the public interest defence. That defence has reached its last ditch at the Report stage of the Bill.

Perhaps I may remind your Lordships of the wording of Clause 1. Your Lordships will see that it is an absolute offence, without a necessity to prove

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Prime Minister
Confirmation of doubtful good news.
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PRIME MINISTER

JAPANESE VEHICLE ISSUES: TOYOTA AND NISSAN

I am writing to let you and colleagues know that tomorrow I shall be announcing to the House Toyota's formal decision to set up a car assembly plant in the UK at Burnaston near Derby. I attach a copy of my draft statement.

This is clearly very good news indeed. It will give a significant boost to UK car production capacity, offer valuable opportunities to our component manufacturers and of course provide a significant number of good quality jobs in the Derby area. I am particularly pleased that we have been able to secure the investment without offering Government financial assistance.

I am also glad to report that we have just had final confirmation that the French have climbed down on the question of Nissan UK's exports to France. The French Ministry of Industry have passed on the straightforward instruction that Nissan UK cars are not to be included in the company's share of the French import quota.

I am bound to be asked about the dispute in the Toyota context on 18 April. To avoid turning the occasion into a post-mortem on Nissan, I propose to put the position on record through an arranged Parliamentary Question today. I attach a copy of the draft.

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I am copying this minute to Nigel Lawson, Geoffrey Howe, John Wakeham, John Belstead and Peter Walker.

ATTACHMENTS: draft statement on Toyota
draft arranged PQ on Nissan

D Y
(Approved by the Secretary of State and signed in his absence)
April 1989

DEPARTMENT OF TRADE AND INDUSTRY

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DRAFT PARLIAMENTARY STATEMENT

My Lords. I told the House on 26 January that Toyota were considering setting up a car plant in Europe and that the United Kingdom was the lead candidate as a location for the project.

I am pleased to be able to return to the House today to report that the company have now made a final decision to proceed with the project in the United Kingdom. The President of the company, Dr Shoichiro Toyoda, and I are today signing a document setting out the Heads of Agreement reached between us, copies of which I am placing in the Library of the House.

Toyota have chosen a 280-acre site at Burnaston near Derby. The project will be in two phases. In Phase I, after a short period of pilot production starting in December 1992, commercial production will begin in August 1993 and will rise gradually thereafter to the maximum capacity of 100,000 cars per year. When economic and commercial circumstances allow, the project will move into Phase II, in which capacity will be expanded to 200,000 cars per year. The plant will then employ some 3,000 people, and will involve a total investment of about £700 million.

My Lords, the company have decided to proceed with the project without Government financial assistance. And it is their firm intention to achieve a local content level of 60 per cent from the start of commercial production in August 1993 and an 80 per cent level within a further two years.

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Toyota's decision was probably the largest mobile industrial investment still to be won and it represents a major vote of confidence in the United Kingdom. I have no doubt that it will make a significant contribution to the local economy in the area around Derby, to the United Kingdom economy and indeed to the European economy as a whole. I wish the company every success here.

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MONDAY, 17 APRIL 1989

LORD BROUGHAM AND VAUX : TO ASK HER MAJESTY'S GOVERNMENT WHAT IS THE PRESENT POSITION WITH REGARD TO THE IMPORTS OF CARS INTO FRANCE FROM THE NISSAN PLANT AT SUNDERLAND.

LORD YOUNG OF GRAFFHAM

I wrote to Dr Bangemann, the European Commissioner responsible for industry and the internal market, on 6 March asking him formally to clarify with the French Government that cars produced at Sunderland by Nissan Motor Manufacturing UK Ltd are allowed to enter France quite independently of the level of car imports into France from Japan. Dr Bangemann has just replied to me saying that the Commission have now received a formal assurance from the French Government that this will be the case. On this basis, Nissan Motor Manufacturing UK Ltd expect that their business with France will continue unimpeded. I welcome this resolution of the position and look forward to discussions with France and other Member States on future policy in the European Community on the range of vehicles issues that will have to be considered in the context of completion of the single market.

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COMMERCIAL IN CONFIDENCE

The Rt. Hon. Tony Newton OBE, MP
Chancellor of the Duchy of Lancaster and
Minister of Trade and Industry

Rt Hon John Major MP
Chief Secretary
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Direct line 215 5147
Our ref
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Date 13 April 1989

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17/4

Dear John,

RSA: FUJITSU

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Thank you for your letter of 16 March agreeing to the proposed RSA grant to Fujitsu.

There are a number of points to which I should like to respond. First, you said that you had real doubts about whether the project met the additionality criterion. I was surprised at this because my officials have never had any doubt that the Company would go elsewhere in Europe unless a substantial grant offer was made. Indeed, as recently as 30 March my officials were concerned that the whole agreement might collapse because we appeared to have wrung more concessions out of the Fujitsu negotiators than their senior management were prepared to endorse. The Company came back to us several times seeking to vary the agreement and we had to take a very firm line in resisting their requests.

Against this background, I do not accept your implication that our negotiating tactics resulted in a higher grant having to be offered to secure the project than was strictly necessary. It is our consistent objective to ensure that any grants we offer represent value for money and are at the minimum necessary level. The use of indicative offers has been rare and I would expect it to continue to be rare, but in circumstances like those we encountered both with Fujitsu and Bosch we must be

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prepared to use them. It is coincidental that we have dealt with two such cases over the past four months although it is possible that in the run up to 1992 we may see more. I will comment further when I reply substantively to your letter of 3 April about indicative offers.

The proposed grant represents very good value for money. As a proportion of capital spend (5%) the grant is undeniably low. That we were able to secure the project for such a low grant is a reflection of Fujitsu's preference for the UK as its European location, though they would certainly not have come here for no grant at all. Texas Instruments are understood to be receiving grants worth 30% of capital costs for a similar project in Italy. Each case must be considered on its merits and I certainly could not guarantee that, in current conditions, we shall be able to secure other valuable projects for such a low percentage grant. Meanwhile, however, in line with our common desire, the grant will help reduce expectations about grant levels.

You will know from reading the case papers that the Industrial Development Advisory Board (IDAB) was much more positive than my officials on the merits of the industrial case. Indeed, IDAB saw the industrial case as clearly positive. Although I recognise your judgement differs from theirs, I hope you will accept that we should ignore or overturn the advice of our Industrial Advisory Boards only in exceptional cases.

Throughout our negotiations with Fujitsu my officials were very open with yours, appreciating that this major case might require a fairly quick decision. I must observe that it would have been more helpful if the Treasury's proposed conditions on the offer had been discussed with my officials in advance. They were not as straightforward to implement as might have appeared.

I should point out that my offer to find the excess £2.4m over and above the cost per job limit from an equivalent reduction in non-RSA cash limited budgets was made orally to avoid delay in correspondence losing us this project. My offer for this particular case does not imply that I accept such offsets in principle and I certainly did not offer to find the £2.4m offset during 1989-90. In previous cases we have agreed to phase the offset in line with payments to the Company, as is the natural course, and I hope you will accept the same approach in this case also.

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Recent experience with the Bosch and Fujitsu cases is relevant to your proposal for a review of the RSA guidelines. I will write substantively on that in the near future.

As previously, I am copying this letter to the Prime Minister, Malcolm Rifkind, and Peter Walker.

Yours ever,
Tony.

TONY NEWTON

WHEABJ

JAPAN: Relations Pt8

Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

7 April 1989

Richard Gozney Esq
PS/Secretary of State for Foreign
and Commonwealth Affairs
Foreign and Commonwealth Office
Downing Street
LONDON
SW1A 2AL

Dear Richard

CHANCELLOR'S MEETING WITH GOVERNOR SUMITA

Mr Satoshi Sumita, the Governor of the Bank of Japan, paid a courtesy call on the Chancellor yesterday. He was accompanied by the Deputy Governor for International Relations, Mr Takeshi Ohta. Sir Terence Burns (Treasury) was also present.

The Chancellor welcomed Governor Sumita. Anglo Japanese relations were now closer than ever, and we looked forward to yet further improvements. We welcomed Japanese investment in this country; and Japanese companies also found it worth while. Governor Sumita said he was most encouraged by the Chancellor's remarks. Japanese companies were seeking to intensify and increase their overseas activities. The UK's policy was really encouraging, and would lead to a further tightening of our already close relations.

The Chancellor said there was one area of imbalance in our trade relations with Japan. Although there was a large Japanese presence in the City, it had not proved as easy for our financial firms to establish themselves in Tokyo. In particular, BZW and James Capel were continuing to be denied seats on the Tokyo Stock Exchange. The Chancellor was sure that Sumita was aware of this problem: the Prime Minister had raised it with Prime Minister Takeshita. But it was a matter which concerned us greatly. He hoped that Sumita could use his influence to ensure that seats were granted to BZW and James Capel as soon as possible. It would also be helpful to BZW and James Capel to have some indication of when they could expect these seats.

Governor Sumita said that he had to admit regretfully that, as the Chancellor said, although the Japanese financial institutions were welcomed here there were problems for UK firms in Japan. These related in particular to the Tokyo Stock Exchange, and he knew that the Prime Minister had raised this with Mr Takeshita. It was not something within his direct jurisdiction. But he was fully aware of the importance of the problem, and would be pleased to convey our views to the appropriate authorities in Japan. As a central banker he recognised the importance of providing a date to BZW and James Capel. He would personally devote his best efforts to assisting us. The Chancellor said he was most grateful for this.

Governor Sumita asked about the prospects for a European Central Bank and a single European currency, after 1992. He doubted, personally, whether either of these could be easily achieved. The Chancellor said that although we were most anxious to make a success of the single European market - with no impediments to trade, movement of labour, or capital movement - this was quite different from establishing a single Central Bank and a common European currency. As long as there were separate nation states, separate Central Banks and currencies would be required. We looked forward to a "Europe des patries". We did not think that a single Central Bank and a common European currency were practical political propositions. The Chancellor noted that, although some other member states were in favour of these propositions, they would require Treaty amendment: and this required unanimity.

The Chancellor said that in Washington Sumita had given the impression that it might be necessary for Japanese interest rates to increase in the near future. Was this correct? Governor Sumita said that there had been some tightening of the supply side in Japan recently; wage inflation was expected to increase this year; oil prices had increased; and the Yen had weakened. Although the Japanese authorities had no intention of changing their policy stance and, in particular, were maintaining the same approach to monetary management, they would need to be ready to take appropriate measures - including increasing interest rates - if circumstances made that necessary.

I am copying this letter to Charles Powell (No.10), Neil Thornton (DTI), and John Footman (Bank).

Yours ever

J M G TAYLOR
Private Secretary

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FRAME INDUSTRIAL/EXTERNAL

NISSAN MOTORS UK

SUMMARY

1. FRENCH HAVE TOLD COMMISSION THAT NMUK CARS WILL NOT (NOT) COUNT AGAINST THEIR 3 PERCENT JAPANESE QUOTA, AND THAT THEY HAVE SO INFORMED THE IMPORTER (RICHARD). BANGEMANN WILL REPLY TO LORD YOUNG'S LETTER OF 6 MARCH WITHIN THE NEXT FEW DAYS.

DETAIL

2. THE COMMISSION REACTED TO LORD YOUNG'S LETTER OF 6 MARCH TO BANGEMANN IN THE FIRST INSTANCE BY MEANS OF INFORMAL CONTACTS WITH SENIOR FRENCH OFFICIALS. BRAUN (DIRECTOR GENERAL DGIII) MADE IT CLEAR TO THE FRENCH THAT THEIR BEHAVIOUR OVER THE NISSAN AFFAIR WAS SHORT-SIGHTED, INSOFAR AS A LEGAL CHALLENGE WOULD NOT ONLY BE BOUND TO LEAD TO A JUDGEMENT THAT THEIR ACTION WAS IN BREACH OF ARTICLE 30, BUT COULD ALSO BRING DOWN THE WHOLE OF THEIR 3 PERCENT QUOTA AGAINST JAPANESE IMPORTS (AS OPPOSED TO SECURING AN ORDERLY PHASING OUT OF THE QUOTA). BRAUN SOUGHT TO PERSUADE THEM THAT THIS PRICE WAS NOT WORTH PAYING OVER A FEW THOUSAND NMUK CARS, AND THAT THEY SHOULD CLIMB DOWN.

3. AT THE SAME TIME, AND AS A MEANS OF MOUNTING FURTHER PRESSURE ON THE FRENCH, SIR L BRITTAN INSTRUCTED THE (FRENCH) DEPUTY DIRECTOR GENERAL OF DGIV TO REPORT TO HIM ON THE STATE OF PLAY OVER COMPLAINTS BY THE SECONDARY JAPANESE MANUFACTURERS THAT THEIR EXCLUSION FROM THE 3 PERCENT QUOTA WAS ANTI-COMPETITIVE.

4. AFTER INITIAL CONTACTS, BRAUN SENT A TELEX TO THE FRENCH IN MID MARCH SEEKING THEIR CONFIRMATION THAT THE NMUK IMPORTS WOULD NOT COUNT AGAINST THE 3 PERCENT QUOTA. BRAUN HAS NOW TOLD US THAT HE RECEIVED A POSITIVE REPLY EARLIER THIS WEEK. HE QUOTED TO US THE KEY PHRASE IN THE FRENCH RESPONSE AS FOLLOWS:

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''THE LEVEL OF NMUK IMPORTS WILL NOT AFFECT TRADITIONAL TRADE FLOWS FROM JAPAN.''

RECOGNISING THAT EVEN THIS LEFT SOME AMBIGUITY, HE SPOKE TO DE BOISSIEU, WHO SAID THAT THE DRAFTING OF THE REPLY HAD BEEN THE SUBJECT OF CONSIDERABLE DISPUTE IN PARIS: THAT IT WAS AIMED AT TRYING TO AVOID A LOSS OF FACE: BUT THAT IT DID INDEED MEAN THAT ALL THE NMUK CARS COULD BE IMPORTED WITHOUT COUNTING AGAINST THE 3 PERCENT QUOTA: AND THAT THE FRENCH IMPORTER OF NISSAN, RICHARD, HAD BEEN INFORMED OF THE NEW INSTRUCTIONS. DE BOISSIEU HAD GONE ON TO CONFIRM THAT, IF THE COMMISSION ASKED FRENCH MINISTERS WHAT THE POSITION WAS, THEY WOULD BE GIVEN THE SAME INTERPRETATION AS HE HAD GIVEN.

5. BRAUN TOLD US THAT THE NEXT STEP WOULD BE FOR DGIII TO DRAFT A REPLY FOR BANGEMANN TO SEND TO LORD YOUNG. MEANWHILE, BRAUN ASKED THAT WE DID NOT ''MAKE TO MUCH'' OF THE RESULT IN THE BRITISH PRESS.

COMMENT

6. THE DTI WILL WISH TO CHECK WITH NMUK WHETHER THEIR FRENCH IMPORTER HAS INDEED BEEN TOLD OF THE NEW SITUATION.

7. BRAUN TOLD US THE ABOVE BEFORE WE HAD SEEN PARIS TELNO 452. HE MADE NO REFERENCE TO ANY LINK BETWEEN RESOLUTION OF THE NMUK PROBLEM (WHICH HE CLEARLY BELIEVES HAS BEEN ACHIEVED) AND MORE GENERAL DISCUSSIONS ON INWARD INVESTMENT ETC, BUT HE DID MENTION THAT THE FRENCH HAD SAID THAT THEY WERE PROVIDING THE COMMISSION WITH A NOTE ON THE LATTER ASPECTS (WHICH HE DESCRIBED AS A SEPARATE MATTER).

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FRAME EXTERNAL
NISSAN (UK) EXPORTS TO FRANCE
SUMMARY

1. MINISTER SUMMONED TO MATIGNON TO HEAR ROCARD'S SUGGESTIONS FOR A DEAL. NMUK BLUEBIRD TO BE EXCLUDED FROM NISSAN QUOTA IF FRENCH CAN COUNT ON UK SUPPORT IN COMMUNITY DISCUSSIONS ON LOCAL CONTENT, INVESTMENT INCENTIVES AND QUANTITIVE RESTRICTIONS IN THE VEHICLE SECTOR, AND IF EC CONTENT OF BLUEBIRDS WILL BE 80 PERCENT BY EARLY 1990. 'GENTELMAN'S AGREEMENT' ON 'DESTABILISATION' OF FRANCO/JAPANESE VRA ALSO SOUGHT. MINISTER REJECTED LINKAGE OF THESE ISSUES BUT UNDERTOOK TO SEEK CONSIDERED REACTION. INSTRUCTIONS NEEDED.

DETAIL

2. IN MY ABSENCE, LYON-CAEN, DIRECTEUR ADJOINT OF ROCARD'S CABINET, ASKED TO SEE THE MINISTER ON 4 APRIL TO DISCUSS THE ISSUE OF NISSAN (UK) EXPORTS TO FRANCE. CHOOSING HIS WORDS CAREFULLY, HE EXPLAINED THAT CONSIDERATION OF THE ISSUE WITHIN THE FRENCH GOVERNMENT HAD REACHED A POINT WHERE IT WOULD BE USEFUL FOR THEM TO KNOW THE UK POSITION ON A NUMBER OF POINTS. HIS FIRST QUESTION WAS WHEN NMUK BLUEBIRDS WERE EXPECTED TO REACH AN EC LOCAL CONTENT OF 80 PERCENT. COULD THE MINISTER CONFIRM THAT THIS WAS LIKELY TO BE LATE 89/EARLY 90? SECONDLY, DID THE UK SHARE THE FRENCH VIEW THAT IT WAS DESIRABLE FOR THE EC TO HAVE A LOCAL CONTENT REGIME FOR INWARD INVESTMENTS IN THE VEHICLE SECTOR? IF AND WHEN THE COMMISSION WERE TO PROPOSE SUCH A REGIME COULD THE FRENCH COUNT ON THE UK EXPRESSING SUPPORT FOR IT? THIRDLY, DID THE UK AGREE THAT THERE SHOULD BE SOME SORT OF MECHANISM FOR LIMITING FINANCIAL INCENTIVES TO INWARD INVESTMENT IN THIS SECTOR AND PREVENTING MEMBER STATES FROM OUTBIDDING ONE ANOTHER? FOURTHLY, WOULD THE UK BE IN FAVOUR OF THE REGULATION OF DIRECT IMPORTS INTO THE COMMUNITY FROM JAPAN AND ELSEWHERE?

EFTA in 60%

3. LYON-CAEN CONTINUED THAT IF IT WERE THE CASE THAT THE UK AND FRANCE HAD A COMMON VIEW ON THE THREE ISSUES OF LOCAL CONTENT, INVESTMENT INCENTIVES AND QUANTITIVE RESTRICTIONS, AND ALSO THAT NMUK COULD BE EXPECTED TO REACH 80 PERCENT LOCAL CONTENT BY EARLY 1990, THE FRENCH GOVERNMENT WOULD BE READY TO CONSIDER THAT NMUK

BLUEBIRDS SHOULD NOT COUNT AGAINST NISSAN'S FRENCH QUOTA. A BILATERAL UNDERSTANDING COULD BE FORMALISED IN WHATEVER WAY WE THOUGHT DESIRABLE.

4. THE MINISTER SAID THAT WE DID NOT ACCEPT THAT THERE WAS ANY CONNECTION BETWEEN ACCESS TO THE FRENCH MARKET FOR NMUK PRODUCTS AND THE WIDER ISSUES OF LOCAL CONTENT ETC. IRRESPECTIVE OF OUR VIEW ON THE WIDER ISSUES, THERE SHOULD BE NO OBSTACLE TO THE FREE CIRCULATION WITHIN THE EC OF VEHICLES WHICH WERE CLEARLY OF EC ORIGIN. THAT WAS WHY WE HAD HAD TO SEIZE THE COMMISSION OF THE ISSUE. THAT SAID,
A) EC CONTENT OF NMUK BLUEBIRDS WAS CURRENTLY AROUND 70 PERCENT. NMUK WERE FORMALLY COMMITTED TO REACHING 80 PERCENT IN THE FIRST HALF OF 1991. THEY MIGHT REACH IT EARLIUER, BUT WERE NOT COMMITTED TO DOING SO.
B) THE WIDER ISSUES OF A POSSIBLE EC LOCAL CONTENT REGIME AND EC QUANTITIVE RESTRICTIONS WERE CURRENTLY UNDER CONSIDERATION IN WHITEHALL. IT WAS NOT POSSIBLE TO SAY WHAT LINE THE UK WOULD TAKE IF THE COMMISSION WERE TO PROPOSE A LOCAL CONTENT REGIME OR A QR.
C) HE HAD THE IMPRESSION THAT MINISTERS SHARED THE FRENCH VIEW THAT IT WAS WASTEFUL FOR MEMBER STATES TO GET INTO A POSITON WHERE THEY WERE OUTBIDDING ONE ANOTHER TO ATTRACT INWARD INVESTMENTS BUT HE WAS NOT IN THE POSITION TO CONFIRM THAT WE WOULD FAVOUR SOME SORT OF MECHANISM FOR LIMITING SUCH INCENTIVES.

THE MINISTER SAID HE WOULD REPORT THE QUESTIONS PUT TO HIM AND LET LYON-CAEN HAVE CONSIDERED ANSERES IN DUE COURSE. HE REPEATED THAT WHATEVER OUR VIEWS ON THESE ISSUES MIGHT BE, WE COULD NOT ACCEPT THAT THERE WAS A CONNECTION BETWEEN THEM AND ACCESS TO THE FRENCH MARKET FOR NMUK.

5. LLEWELLYN SMITH ASKED WHETHER THE FRENCH WERE AWARE OF GERMAN VIEWS ON THESE ISSUES. LYON-CAEN SAID THAT THE GERMANS HAD NOT SO FAR TAKEN A PUBLIC POSITION ON THEM, BUT THAT INFORMAL CONTACTS SUGGESTED THAT THEY WERE NOT CLOSED TO THE CONCEPTS OF A LOCAL CONTENT REGIME, CONTROLS ON INVESTMENT INCENTIVES AND QUANTITIVE RESTRICTIONS. THE ITALIANS, FOR THEIR PART, WERE ENTIRELY OPEN TO THEM, BUT CLEARLY THEIR INTERESTS DIFFERED FROM THOSE OF THE GERMANS.

6. LYON-CAEN EMPHASISED THAT ROCARD DID NOT WANT THE NMUK ISSUE TO DOMINATE BILATERAL EXCHANGES ON INDUSTRIAL MATTERS . THERE WERE PLENTY OF OTHER OTOPICS ON WHICH IT WOULD BE MORE FRUITFUL FOR US TO FOCUS. THIS WAS WHY HE WAS KEEN TO RESOLVE OUR DIFFERENCES. HE

PRESUMED IT WOULD BE USEFUL TO US TO HAVE THE ISSUE RESOLVED BECAUSE IT HAD A BEARING ON THE POSSIBLE TOYOTA INVESTMENT IN THE UK. WHAT HE WAS PORPOSING WAS A POLITICAL UNDERSTANDING: THERE WAS NO NEED TO LOOK TOO CLOSELY INTO SUCH TECHNICAL ISSUES AS THE DEFINITION OF LOCAL CONTENT.

7. THE DISCUSSION MOVED ON TO THE ISSUE OF EMISSION STANDARDS FOR SMALL CARS (OUR TELNO 435). LYON-CAEN THEN SAID THERE WAS A THIRD SUBJECT THAT HE WISHED TO RAISE. THIS WAS THE FUTURE OF THE FRENCH 3 PERCENT VRA WITH THE JAPANESE. IF WE WERE ABLE TO RESOLVE OUR DIFFERENCES OVER NMUK, THE FRENCH HOPED THERE COULD BE 'GENTLEMAN'S AGREEMENT' TO AVOID ANY 'DESTABILISATION' OF THIS VRA IN ADVANCE OF CONSIDERATION WITHIN THE COMMUNITY OF A POSSIBLE EC WIDE QUANTATITIVE RESTRICTED. THE MINISTER TOOK NOTE.

COMMENT

8. IT IS USEFUL THAT FOR THE FIRST TIME THE FRENCH HAVE ACKNOWLEDGED THERE IS A PROBLEM TO BE RESOLVED: AND THE IMPLICATION THAT THEY ARE WORRIED ABOUT THE TENABILITY OF THEIR POSITION ON NMUK AND THE FUTURE OF THEIR VRA WITH THE JAPANESE IS ENCOURAGING. THIS IS BORNE OUT BY THE FACT THAT IT IS THE PRIME MINISTER'S OFFICE AND NOT THE MINISTRY OF INDUSTRY WHICH HAS MADE THE APPROACH. ROCARD IS CLEARLY SENSITIVE TO THE WIDER ASPECTS. BUT WE CANNOT ASSUME THAT THEY WILL CLIMB DOWN IF THEY DO NOT GET THE ASSURANCES THEY ARE LOOKING FOR. IT REMAINS MY VIEW THAT THE DOMESTIC POLITICAL SENSITIVITY OF COMPETITION IN THE AUTOMOBILE INDUSTRY WILL LEAD THEM TO CONTINUE PLAYING FOR TIME.

9. CLEARLY WE MUST MAINTAIN THE POINT THAT THERE IS NO JUSTIFICATION IN EC LAW FOR THEIR POSITION ON NMUK AND THEREFORE A LINKAGE IS UNACCEPTABLE. IT MAY BE HELPFUL, HOWEVER, TO LET THEM HAVE ANSWERS TO THE FOUR QUESTIONS THEY AHVE RAISED AND LEAVE THEM TO JUDGE WHETHER THESE ANSWERS GO FAR ENOUGH TO JUSTIFY A CLIMB DOWN. MEANWHILE, WE SHOULD KEEP THE PRESSURE ON THE COMMISSION, COUNTER ANY FRENCH ARGUMENT IN BRUSSELS THAT THE COMMISSION SHOULD GO SLOW NOW THAT THE FRENCH HAVE PUT FORWARD IDEAS FOR A SETTLEMENT.

FERGUSSON

YYYY

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10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

3 April 1989

Dear Mr. Toyoda

Thank you very much for your letter of 17 March, which arrived here while I was away in Africa.

I too enjoyed our meeting last month.

I am glad to take this opportunity to reaffirm the welcome and support that this country would give to Toyota's investment.

I look forward to hearing your company's decision on the site.

Yours sincerely

Margaret Thatcher

Mr. Shoichiro Toyoda

ls

• TOYOTA

TOYOTA MOTOR CORPORATION
1, Toyota-cho, Toyota, Aichi, Japan
Cable: Toyota Motor Toyota Japan
Telex: J59915
Phone: 0565-28-2121

SHOICHIRO TOYODA
PRESIDENT

March 17, 1989

R25/3

The Rt. Hon. Margaret Thatcher FRS, MP
10 Downing Street
London SW1A 2AA
United Kingdom

Dear Mrs. Thatcher,

I was greatly honored and pleased to have the opportunity of meeting you early this month. It was very impressive to hear your views on business and politics, backed up with outstanding career as the leader of the nation and the world.

At the same time I was convinced that the government and the people of the United Kingdom would welcome our possible location of a car plant in the country and give us a full support to the operation of the plant once it was established.

Immediately after the meeting with you, I flew by helicopter to the proposed sites for a plant, enjoying a splendid bird's eye view of your beautiful country under a cooperative fine weather.

Our feasibility study on the project including the site selection is now going on and you will be informed of our decision shortly.

Hoping I may have a chance to meet you again,

Yours very truly,

Shoichiro Toyoda

Shoichiro Toyoda
President

CF - pe.
(No need for any No 10 letter out).
PRCB
17/3

PRIME MINISTER

REGIONAL SELECTIVE ASSISTANCE - FUJITSU

You will wish to see the attached exchanges on the level of RSA to be given to Fujitsu for a project to create 1,626 jobs in Newton Aycliffe. The papers are:

Flag A - letter from Tony Newton proposing an offer of £30 million, which is above the normal guidelines.

Flag B - letter from John Major, very reluctantly agreeing to the offer, but suggesting the need to consider such offers more carefully in future.

Flag C - note from George Guise, expressing his serious concern at the way DTI have been handling the recent run of RSA proposals for large inward investments.

Given that DTI have, it would seem, virtually entered into a commitment on this particular case, it might be difficult for you to block it - particularly as John Major is prepared to let it go. But you will want to look carefully at George Guise's comments at flag C, and consider whether you want to support John Major in putting down a marker for the handling of future cases.

The range of options is:

(i) resisting the Fujitsu proposal;

(ii) noting the agreement now reached between DTI and the Treasury on Fujitsu, but urging the need to consider future proposals carefully and to ensure that high offers of RSA are not made too readily;

(iii) simply noting the agreement reached without comment. ✓

MT.

Content with option (ii)?

PRCB.

PAUL GRAY

16 March 1989

cst.ps/5jm15.3/drfts

COMMERCIAL IN CONFIDENCE

B B cc

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Tony Newton OBE MP
Chancellor of the Duchy of Lancaster
Department of Trade and Industry
1 - 19 Victoria Street
London
SW1H OET

16th March 1989

Dear Tony,

RSA: FUJITSU

Thank you for your letter of ~~10~~ March. with PC.

When I wrote to you on 8 February on your outline proposal, I noted the importance which I attach to adhering to the terms of the agreed RSA guidelines and I urged you to negotiate a figure within the guidelines. I am therefore disappointed that you propose a grant of £30m, which is beyond the agreed cost per job limits.

In the light of the details which your department has made available since I wrote, I am afraid that I have real doubts as to whether this project meets the additionality criterion. It seems clear that the company view the project as a profitable and worthwhile investment in the EC with or without grant. Beyond this, the UK has a large number of advantages to the company which is likely to make the Aycliffe site attractive notwithstanding RSA grant. More generally, as I indicated earlier we should not reinforce any tendency by foreign companies to suppose that EC partners are willing to bid against each other to attract investment on non-economic criteria, or that substantial state aid is the norm and theirs by right. By indicating an offer of RSA above the guidelines at an earlier stage of the negotiations, this expectation is likely to have been reinforced. You present no evidence that the West German or Eire governments would offer more assistance. In the German case that assistance is unlikely given the negative impact of the plant on important German domestic manufacturers. Even if there were such evidence, this would indicate that they had a more interventionist approach to industrial subsidies, which the UK Government (and the Commission) does not support.

As regards the industrial case, this is surely no more than neutral. In offering a large grant, you will wish to weigh up very carefully the reaction of the Commission and EC manufacturers (including the UK's) to the charge that the Government is insensitive to the development of the EC semi-conductor industry, particularly in the context of the proposed JESSI programme. I recognise the force of the regional arguments, though the area does not have an abnormal unemployment rate for the region and there will be an adverse displacement of skilled engineers from local companies in the short term.

It is not clear to me, therefore, that the company should have any reasonable expectation of RSA grant in these circumstances. This would point towards no offer of grant. However if you judge that, having offered indicative grant levels above the guidelines, there is now a substantial risk that the company will not invest in the UK without grant (notwithstanding the company's stated preferences for the UK), I am reluctantly prepared to accept your judgement.

On the level of grant to be offered, it is regrettable that negotiations with the company have given rise to an expectation of a grant of £30 million which is just beyond the cost per job limits. But if it is your view that despite this gap being so small you judge that there is still a substantial risk that the company would turn elsewhere, I would be prepared to accept this on the basis of your offer to find the excess £2.4 million from an equivalent reduction in your 1989-90 non RSA cash limit in recognition of the breach of the cost per job limit.

Given the extra uncertainty of the long investment period and of the nature of this market, I suggest that officials should ensure that the offer of grant should be tied to maintaining jobs for a substantial period (subject to a grant repayment clause if not met). The offer should also make clear that no further grant will be forthcoming for further phases and that it is conditional on there being no substantial change in the nature of the project.

For the future, this case illustrates the need to dispel the psychological expectation that RSA will be readily available for inward investment cases and any expectation that maximum internal guidelines should form the basis for average external norms. We must instead emphasise the Government's commitment to reducing state aids in the Community. Given the UK's wider competitive advantages (which Fujitsu acknowledge) this taut approach should not be to the UK's detriment in the build-up to 1992. We should aim for a position where a company should not expect RSA grant if it is likely to invest anyway and where the UK has no overwhelming strategic reasons for not relying on its competitive advantages (including training, higher education and other local facilities) to secure the investment in the UK. This would be in line with our stance on a competitive single market; we will need to pursue this further in our review of RSA guidelines.

Finally I should be grateful in future if the Treasury could be consulted before any indicative offer outside the guidelines is made.

I am copying this letter to the Prime Minister, Malcolm Rifkind and Peter Walker.

Yours Ever
John

JOHN MAJOR

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PAUL GRAY

15 March 1989

FUJITSU

My concern about this is neither in the detailed figuring nor the undoubted value of a £600m inward investment for the North East. It is that a pattern is developing whereby Tony Newton either initiates or supports maximum or even extended RSA guidelines when it is probably time to revise these downwards. As the country's industrial performance improves, there should be less cases for special pleading. Since August 1988 there have been five detailed overleaf.

Newton's argument is always that the investment is highly mobile and without special action may go elsewhere. However, investments of hundreds of millions of pounds are rarely dependent on small "critical" sums from Government, in some cases of under £10m. Businesses like Ford, Bosch and Fujitsu examine their return on capital and do not go ahead unless that makes sense. Bonanzas from host governments are likely to be regarded as icing on top of the cake and any competent company will try to get the most out of the taxpayer with threats of alternatives.

Such amounts are rarely critical in the investment decision. But, if the host government is considered soft, the tougher will be the special pleading. My worry is not that the sums of money are vast in themselves, particularly at a time of Treasury surplus, or whether they are found out of this or that allocation. I do however, suspect that we are being taken for a ride through the DTI not negotiating toughly enough with the inward investor. The attitude at the outset of the negotiation is all important and it seems as though Newton has a tendency to proffer the maximum straight away.

Andrew Duguid

pp. GEORGE GUISE

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DATE	PROJECT	CAPITAL	EMPLOYMENT
9/88	FORD ENGINE PLANT IN WALES	£627m	Safeguarding 2510 jobs

RSA limit £26.5m. Newton proposed £29m despite HMT doubts of additionality for <u>any</u> RSA.

11/88	VAUXHALL PAINT SHOP IN LIVERPOOL	£56m	Safeguarding 1613 jobs

RSA limit of £8m offered, despite HMT doubts on additionality and economic viability in terms of GM's own criteria, because GM chairman threatened otherwise to run down plant.

12/88	FREIGHT ROVER IN EAST BIRMINGHAM	£131m	768 new jobs

RSA limit of £4.6m offered despite HMT opposition on additionality

89	BOSCH ALTERNATORS IN WALES	£100m	1200 new jobs

Indicative offers already made at maximum cost per job limit (£7m or £20m depending on location in intermediate or dev area). Formal HMT application not made but both Newton and Walker already suggesting that cost per job limits may have to be breached because Bosch are also looking at Spain!

89	FUJITSU SEMICONDUCTORS IN NORTH EAST	£600m	1626 new jobs

RSA limit would be £27m if jobs were additional which HMT doubt. Newton wants to offer £30m.

file

SLH

cc DTI
FCO

10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

13 March 1989

Dear Prime Minister

You wrote to me on 23 February in reply to my letter of 2 February to President Mitterrand about imports into France of cars produced in the United Kingdom by Nissan. We also discussed the matter briefly during the recent Anglo-French Summit.

Neither your letter nor the various discussions of the issue during the Anglo-French Summit provide the assurance which we need that the Nissan (UK) cars will enter France quite independently of the level of direct imports from Japan. I thought I should let you know that in the light of this the Secretary of State for Trade and Industry, Lord Young, wrote to Dr. Bangemann on 6 March indicating the real commercial problems created for Nissan (UK) by the approach of the French authorities and asking the European Commission to take up the issue as a matter of urgency.

With best wishes

Yours sincerely

Margaret Thatcher

Monsieur le Premier Ministre Michel Rocard

cc

file

SWH

cc DTI
FCO

10 DOWNING STREET

LONDON SW1A 2AA

THE PRIME MINISTER

13 March 1989

Dear Prime Minister,

You wrote to me on 23 February in reply to my letter of 2 February to President Mitterrand about exports into France of cars produced in the United Kingdom by Nissan. We also discussed the matter briefly during the recent Anglo-French Summit.

Neither your letter nor the various discussions of the issue during the Anglo-French Summit provide the assurance which we need that the Nissan (UK) cars will enter France quite independently of the level of direct imports from Japan. I thought I should let you know that in the light of this the Secretary of State for Trade and Industry, Lord Young, wrote to Dr. Bangemann on 6 March indicating the real commercial problems created for Nissan (UK) by the approach of the French authorities and asking the European Commission to take up the issue as a matter of urgency.

With best wishes

Yours sincerely

Margaret Thatcher

Monsieur le Premier Ministre Michel Rocard

ECL

bc PC

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

12 March 1989

I enclose the Prime Minister's letter to M. Rocard about Nissan (UK). I should be grateful if you could arrange for it to be delivered as soon as possible.

I am copying this letter to Neil Thornton (Department of Trade and Industry).

(CHARLES POWELL)

Richard Gozney, Esq.,
Foreign and Commonwealth Office.

A A CLPO

CONFIDENTIAL
COMMERCIAL IN CONFIDENCE

dti

the department for Enterprise

The Rt. Hon. Tony Newton OBE, MP
Chancellor of the Duchy of Lancaster and
Minister of Trade and Industry

Rt Hon John Major MP
Chief Secretary
HM Treasury
Parliament Street
LONDON
SW1P 3AQ

Department of Trade and Industry

1-19 Victoria Street
London SW1H 0ET

Switchboard
01-215 7877

Telex 8811074/5 DTHQ G
Fax 01-222 2629

NoBPM
with Treasury
expert.
PRCG
13/3

Direct line 215 5147
Our ref
Your ref
Date 10 March 1989

Dear Chief Secretary,

FUJITSU

(will request if req'd)

I explained in my letter to you of 30 January that we were negotiating a major inward investment project with Fujitsu. I now seek your agreement to my making an offer of £30m Regional Selective Assistance to secure the project which will create 1626 jobs at Newton Aycliffe in the North-East of England by the end of 1995 with the prospect of more jobs to follow.

I would be grateful for your early reply as the company have asked for a firm offer by 17 March 1989. We have kept your officials in touch with the progress of negotiations and they have been sent advance copies of the case papers.

The original RSA application put to us by Fujitsu would have created 1972 jobs by the end of 1999. We believe that the company will still achieve that number of jobs and on that basis the cost per job of a £30m grant would be £15.2k, within the cost per job limit for a Development Area of £17k. In the IDU's negotiations with Fujitsu, we pressed them to shorten their timescale for job creation to 1995. In response they have said they would be prepared to commit themselves to creating 1626 jobs by that time. This equates to £18.45k per job, marginally

MA2ABD

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beyond the £17k cost per job limit. I am convinced that our negotiators have secured the best possible deal and that for this exceptional case it is worth paying slightly over the normal limit, particularly bearing in mind the prospect of further jobs to follow.

IDAB considered the case while negotiations were in progress and provided our negotiators with valuable advice. You will see from the attached letter to me from the Chairman of IDAB, Sir Ronald Halstead, that IDAB strongly recommends that a grant be offered at the proposed level.

The regional case is very strong. IDAB considered the industrial case to be clearly positive. The economic efficiency test is satisfied. Additionality is satisfied on the basis that the project is internationally mobile within Europe and that assistance is necessary to secure it for the UK. At present the UK appears to be Fujitsu's preferred choice, although they have investigated the availability of grants in Eire and West Germany. But IDAB's firm view, which I share, is that Fujitsu will look elsewhere if we are not prepared to offer assistance and in that case we have little doubt that they would find generous assistance forthcoming.

We have considered the position of UK manufacturers and users of the proposed products as well as our collaboration in European semiconductor programmes. Since the current level of manufacture in the UK is low, there would be little displacement effect. Users would benefit from a major new source of supply although similar benefits might also accrue were the plant to be located elsewhere in the EC. IDAB felt that UK industry would benefit from Fujitsu's presence here. In the short-term, Fujitsu would compete with other manufacturers for engineers although in the longer term the UK skills base would be strengthened. This seems to me to be another powerful argument in favour of support. It could also be expected that we would benefit from Japanese management, manufacturing techniques and quality/delivery discipline diffusing into UK industry. We have secured Fujitsu's commitment to increased UK R&D which is not taken account of in the employment figures given above. We would also expect to benefit from valuable links being established with higher education institutions. As regards European programmes, I would feel confident in defending our position to my European colleagues should the need arise.

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Effects on the balance of trade have not formed part of the economic appraisal, nor have they figured in the other arguments put to me justifying support. My own view, however, is that such a major investment by this highly regarded electronics company would be presentationally very attractive. A recurrent theme in discussions about our trade in manufactures is the adverse balance in electronics and the implication that we are falling behind in this area. If we were to succeed in attracting Fujitsu, as I believe we can, this would help to provide a very strong counter to these claims.

I am convinced that this proposed grant represents very good value for such a major inward investment project. The North-East still has the highest unemployment rate of any region in Great Britain. Such a long-term strategic commitment by a major international company would be a real morale booster for the area. The project would make a significant contribution towards diversifying the local economy and it would help to attract other high technology companies relocating within the UK or considering inward investment.

The grant level proposed is well within the EC limit but to avoid any difficulties we would inform the Commission of the details of any offer before a decision is announced. I can confirm that I would be able to find the proposed £30m assistance from within my existing provision.

I am copying this letter to the Prime Minister, Malcolm Rifkind and Peter Walker.

Yours sincerely,

Peter Smith

pp TONY NEWTON

(Approved by the Chancellor and signed in his absence)

MA2ABD

[redacted]

dti

the department for Enterprise

COMMERCIAL IN CONFIDENCE

Rt Hon Tony Newton OBE MP
Chancellor of the Duchy of Lancaster
& Minister of Trade and Industry
Department of Trade and Industry
1-19 Victoria Street
London
SW1H 0ET

Department of Trade and Industry

Kingsgate House
66-74 Victoria Street
London SW1E 6SW

Switchboard
01-215 7877

Telex 936069 DTIKH G
Fax 01-931 0397

Direct line
Our ref
Your ref
Date March 8th 1989

Dear Tony,

FUJITSU

You will be aware that last week the Industrial Development Advisory Board (IDAB) considered the application by Fujitsu for Regional Selective Assistance to undertake a major project at Newton Aycliffe. We considered this project while negotiations were still in progress and so were able to provide our negotiating team in Japan with advice and guidance on the kind of deal they should seek to make.

I am now writing to comment on the outcome of those negotiations on behalf of the Board. The deal which our negotiators have secured is for 1626 jobs to be created in a full-process semiconductor manufacturing plant by the end of 1995 for a grant of £30m. This will involve Fujitsu investing £600m in buildings, land, and equipment in a depressed area with high unemployment south-west of Durham.

Fujitsu are among the leaders in the semiconductor field and they presently have only one full-process manufacturing plant outside Japan at Gresham, Oregon in the USA. They now propose to establish an EEC manufacturing plant and our objective is to secure this at minimum cost for a Development Area in the UK rather than see it go elsewhere in the Community.

The Board fully considered all the factors and came to the conclusion that this project represented an exceptional opportunity for the UK and that a grant at the level now proposed should be made.

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I feel that our team have negotiated a good deal particularly as other EC countries would probably have offered a larger grant to secure this attractive proposition. In addition Fujitsu have agreed to expand their UK R&D base which can be regarded as a bonus.

Fujitsu have inspected a number of sites in the UK and if the proposition is agreed would propose to start work at Newton Aycliffe in April with a view to completing the building for phase 1 in September of this year. They have asked for a firm proposition by March 17th so that a final decision can be taken at their Board on March 20th.

On behalf of the Board I would recommend strongly that the proposed grant be offered. If you have any hesitation at all in making such an offer please consult me without delay. I would regard it as, without question, one of the most important projects I have seen in my six years on IDAB.

Yours sincerely

Ron

SIR RONALD HALSTEAD
Chairman - Industrial Development Advisory Board

dti

the department for Enterprise

The Rt. Hon. Lord Young of Graffham
Secretary of State for Trade and Industry

Charles D Powell Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON
SW1A 2AA

Department of
Trade and Industry

1-19 Victoria Street
London SW1H 0ET

Switchboard
01-215 7877

Telex 8811074/5 DTHQ G
Fax 01-222 2629

Direct line 215 5623
Our ref PS4BXY
Your ref
Date 9 March 1989

Dear Charles.

NISSAN

As you know, my Secretary of State wrote to Dr Bangemann about this on 6 March asking the Commission to intervene urgently with the French authorities.

One loose end remains to be tied up. Although M.Rocard's unsatisfactory letter of 23 February to the Prime Minister was in effect dealt with at the Anglo-French summit, we think that a short reply to it would be worthwhile - partly as a matter of courtesy but, more important, to avoid giving the French the chance of muddying the waters with the Commission by saying that Rocard had written to us but had received no reply.

... I attach a draft letter for the Prime Minister's consideration.

Yours,

GARETH JONES
Private Secretary

the Enterprise initiative

M le Premier Ministre
Michel Rocard

DRAFT LETTER FROM THE PRIME MINISTER TO M ROCARD

You wrote to me on 23 February in reply to my letter of 2 February to President Mitterrand about imports into France of cars produced in the United Kingdom by Nissan. We also discussed the matter briefly ~~over lunch~~ during the recent Anglo-French Summit.

~~I think you will understand why~~ Neither your letter nor the various discussions of the issue during the Anglo-French summit provide the assurance which we need that the Nissan (UK) cars will enter France quite independently of the level of direct imports from Japan. I thought I should let you know that in the light of this the Secretary of State for Trade and Industry, Lord Young, wrote to Dr Bangemann on 6 March indicating the real commercial problems created for Nissan (UK) by the approach of the French authorities and asking the European Commission to take up the issue as a matter of urgency.

CR.

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JAPAN - Relations
Pt 8

CF - Pr
Rec 8/3

B.

CCPR

CCBUP

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the department for Enterprise

Note
Discussed briefly at today's Sidelines Seminar PM and Lord Young.

The Rt. Hon. Lord Young of Graffham
Secretary of State for Trade and Industry

Charles Powell Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON SW1

Department of
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1-19 Victoria Street
London SW1H 0ET

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01-215 7877

Telex 8811074/5 DTHQ G
Fax 01-222 2629

Rec 8/3

Prime Minister

This follows from discussion in Cabinet last week.

CDP 8/3

Direct line 215 5422
Our ref MM2AFD
Your ref
Date 7 March 1989

Dear Charles,

NISSAN

... You will wish to see the enclosed letter which my Secretary of State has written to Commissioner Bangemann about the Nissan problem. The letter was prepared in close consultation with UKREP Brussels.

My Secretary of State is hopeful from past exchanges with Dr Bangemann that he will be personally sympathetic to the UK's approach, and will be ready to pursue it energetically within the Commission and with the French.

We have let it be known publicly that the Secretary of State has written to Dr Bangemann, though we do not feel it appropriate to release the full text of his letter.

I am sending copies of this letter to Stephen Wall (Foreign and Commonwealth Office) and to Roger Lavelle (Cabinet Office), Brian Bender (UKREP Brussels), and Michael Jay (Paris).

Yours ever,

Neil Thornton

NEIL THORNTON
Private Secretary

dti

the department for Enterprise

The Rt. Hon. Lord Young of Graffham
Secretary of State for Trade and Industry

Dr M Bangemann
Vice President of the Commission
of the European Communities
Rue de la Loi 200
1049 Brussels
BELGIUM

Copies to:
PS/CDL
PS/Mr Clark
PS/Mr Atkins
PS/Sir B Hayes
Mr Williams
Mr Roberts
Mr Cochlin CVM
Miss Neville-Rolfe IEP
Mr Hutton EEP
Mr Moorey Inf
Mr Stow IEP1
Mr Bridge CVM5a
Mr Aylett Inf
Mr Arthur ECD(I) FCO
Mr Alty Cabinet Office
Mr Bender UKRep Brussels
Mr Jay BE Paris
Mr Perceval BE Rome
Mr Christopher BE Madrid
Mr Gomersall BE Tokyo

t of
ndustry

Street
10ET

HQ G

Direct line 215 5422
Our ref PB2APL
Your ref
Date 6 March 1989

Dear Martin,

NISSAN MOTOR MANUFACTURING (UK) LTD

As I explained to you in January, Lord Cockfield and the Commission services were helpful last year in clarifying the position over imports into France of Nissan (UK) cars. On 23 November Lord Cockfield wrote to me saying that, in the light of certain assurances received by the Commission from the French authorities, "The Commission would expect imports of the models in question manufactured by Nissan UK Ltd on to the French market to proceed normally. Nevertheless perhaps you would keep the Commission informed if any difficulties arise which might cast doubt on this expectation." In response to a further letter from me, he wrote again on 22 December and included the following helpful clarification of the legal situation:

> "In the present state of Community law, however, there would be no justification, as far as the free circulation of goods is concerned, for treating Nissan (UK) production differently from other cars produced in the Community."

You will recall that, when we briefly discussed the matter in Brussels on 30 January, I said that we were in bilateral contact with the French authorities but that I might need to come back to the Commission if we failed to obtain satisfactory assurances that their treatment of sales of Nissan (UK) cars was fully consistent with the views on Community law expressed by the Commission.

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the department for Enterprise

The situation now appears to be as follows. It is indeed the case that United Kingdom-built Nissans - which incidentally now have around 70 per cent EC content - are currently being allowed into France without obstruction. But this solves only part of the difficulty. The problem which remains is that Nissan's distributor in France, M Richard, has been told that until an 80 per cent level of local content is reached United Kingdom-built Nissans are to be counted against his overall quota for Nissans imported from Japan. This requirement was spelt out clearly 22 December - as recorded in the Fax at Attachment 1 which he sent to Nissan (UK) on 5 January - and has been confirmed subsequently in contacts we have had with the French administration. This is of course not consistent with the view expressed in Lord Cockfield's letter of 22 December that, in the present state of Community law, there is no justification for treating these cars differently from other cars produced in the Community.

While I am in favour of inward investment projects achieving genuine integration into the EC economy, the French position on 80 per cent local content seems to me misguided and irrelevant. The central issue is the free circulation of goods in the single market. The requirement of the French authorities operates as a restriction on intra-Community trade. The French importer of Nissan cars is forced to make a choice between the number of cars he takes from Japan and the number manufactured in the UK, so as to stay within his overall quota limit. Nissan (UK) have now informed my Department about their commercial plans for this year. As the letter at Attachment 2 makes clear, the instructions given by the French authorities to the importer would not allow him to carry out these plans and the indications are that he will react by reducing the number of cars which he intends to take from the UK.

The requirement imposed by the French administration would therefore mean that United Kingdom-built Nissans will be treated less favourably than other cars built within the European Community or indeed in EFTA. I should be grateful if the Commission would now take this issue up with the French authorities as a matter of urgency, with the aim of getting a categorical assurance from them that, contrary to the present position, United Kingdom-built Nissan cars will be able to be delivered to the French market without restriction and quite independently of the level of imports from Japan.

dti

the department for Enterprise

I am copying this letter to Leon Brittan, in view of the relationship between this problem and certain complaints from Japanese manufacturers and French importers with which I understand DGIV are dealing, and to Frans Andriessen.

Yours ever,

Ian

the Enterprise initiative

Attachment 2

NISSAN MOTOR MANUFACTURING (UK) LIMITED

WASHINGTON ROAD,
SUNDERLAND,
TYNE & WEAR
SR5 3NS.
Telephone (091) 415 0000
Telex: 538113 NMUKWG
538214 NMUKWG
Facsimile: (091) 417 7896
(091) 417 8406
(091) 417 8416

REF: BC/ecd

6 March 1989

Mr S J Bowen
Department of Trade & Industry
Ashdown House
Room 335 123 Victoria Street
LONDON
SW1E 6RB

Dear Mr Bowen

Further to our telephone conversation, I am pleased to provide you with details of Nissan's planned sales in France.

During 1989 the Distributor, Nissan Richard, plan to sell the following vehicles:

Japanese Passenger Cars	18,813
Japanese Commercial Vehicles	1,400
NMUK Bluebirds	5,500

The figure of 18,813 passenger cars represents the quota allocation from the French Ministry and is based on 0.875% of the estimated 2,150,000 car sales in France. We understand that this figure will be reviewed in June.

At the present time, demand in the French market for the NMUK Bluebird is in line with our planned export volumes. However, the Bluebird which NMUK is currently producing is the oldest model in the 1989/90 line up. It is therefore the least attractive in terms of marketing and profitability for our Distributor. If the French Ministry again confirm that the Bluebird is to be counted against quota in June, then our Distributor will cancel his order for our vehicles. This would result in the loss of 2,000 Bluebirds for the remaining six months of 1989. In addition, it would seriously jeopardise our planned 4,000 vehicles for the French market in 1990 which could result in short time working at the Plant.

If you require any further information regarding the above, please do not hesitate to contact me.

Yours sincerely

B Carolin
MANAGER - MD's OFFICE

Attachment 1

NISSAN

Fax (1) 30 62 04 04

SOCIETE RICHARD

Page 1 / 1

De : Mr.Jean Pierre RICHARD
President

A : Mr.Ian GIBSON
Deputy Managing Director
N.M.U.K.

Date : 5.1.89

Fax N° 051/D

OBJET : YOUR FAX REF.A10/RP OF 4.1.89

MR.HERVE DE VILLEPLEE HAS PASSED ON TO ME YOUR ABOVE MENTIONNED FAX.

ON DECEMBER 22ND 1988, A ROUTINE MEETING REGARDING A FIRST ESTIMATION OF QUOTAS FOR JAPANESE CARS FOR 1989, TOOK PLACE IN MINISTERY OF INDUSTRY, REPRESENTED BY MR.LE MAROIS (DEPARTMENT OF MR.BUFFET).

THE QUOTAS HAVE BEEN ASSIGNED TO EACH IMPORTER, I.E. 18.823 UNITS FOR NISSAN.

I ASKED TO MR. LE MAROIS IF THE N.M.U.K. IMPORTATIONS SHOULD BE ATTRIBUTED ON THIS VOLUME.

MR.LE MAROIS ANSWERED ME : "YES, FOR THE TIME BEEING".

I ADVISED HIM THAT THIS WOULD BE REFERED TO TOKYO, WHICH WAS DONE THE SAME DAY, THROUGH MR.A.OKABE, VIA MR.KATO IN BRUSSELS.

REMAINING TO YOUR DISPOSAL.

BEST REGARDS.

Jean Pierre RICHARD
President

R7/3.

CONFIDENTIAL
COMMERCIAL IN CONFIDENCE

dti

the department for Enterprise

The Rt. Hon. Tony Newton OBE, MP
Chancellor of the Duchy of Lancaster and
Minister of Trade and Industry

Dominic Morris Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON
SW1A 2AA

→, cc JSP
Pers Office
2 + return.

Department of Trade and Industry

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London SW1H 0ET

Switchboard
01-215 7877

Telex 8811074/5 DTHQ G
Fax 01-222 2629

Direct line 215 5147
Our ref
Your ref
Date 7 March 1989

Dear Dominic,

FUJITSU INWARD INVESTMENT

The Chancellor has asked me to let you have the attached background note and line to take in case this matter is raised by the press during the Prime Minister's visit to the North East later this week.

Yours,

Linda

LINDA JOYCE
PRIVATE SECRETARY

MA1ACC

FUJITSU INWARD INVESTMENT

Question

Whether there is any truth in press reports that the Government has offered a grant to Fujitsu to build a large semi-conductor factory in the North-East.

Line to take

I understand that Fujitsu are still considering where in Europe to locate a major semi-conductor manufacturing plant. We would of course very much welcome them if they decided to come to the UK. We are making every effort to make them aware of the advantages of possible sites in this country. However, I cannot comment on matters, including grants, which are properly regarded as commercially confidential.

Industrial Development Unit

6 March 1989

VJCACK

FUJITSU INWARD INVESTMENT PROJECT

Question

Are Fujitsu coming to the UK?

Line to take

We are aware that Fujitsu are considering a semi-conductor project somewhere in Europe. However, we understand that no decision has been taken by the company about which country it should be sited in, let alone which part of the UK, should the project come here. We would warmly welcome any decision to come to the UK.

Question

Have there been discussions between Fujitsu and the UK Government?

Line to take

Yes, there have been discussions but the nature of the discussions is confidential.

Question

Has the UK Government offered Fujitsu grant money to come to the UK?

Line to take

We always look carefully at applications for selective financial assistance if companies are considering projects to take place in an Assisted Area. However, I cannot comment on specific matters which are properly regarded as commercially confidential.

Question

Which areas of the UK are being considered?

Line to take

We understand that the company is considering several different sites including sites in the North-East of England and in Scotland.

Industrial Development Unit
6 March 1989

VJCACK

COMMERCIAL IN CONFIDENCE
CONFIDENTIAL

Background

It is essential that press speculation be minimised as publicity about the true size and importance of the project could cause considerable difficulties in completing any deal. The recent press reports have correctly speculated about a location in the North-East but have reported capital investment of £60m.

Publicity must be avoided because the local council is still negotiating to purchase the required land for subsequent re-sale to Fujitsu if they decide to go ahead. In addition we know that Fujitsu is averse to premature publicity and we need to manage an announcement carefully to avoid adverse industrial and European reaction.

Fujitsu have stated publicly that they are considering establishing a semi-conductor manufacturing plant somewhere in Europe. They have recently applied for Regional Selective Assistance for their preferred UK site at Newton Aycliffe near Durham. They had previously considered another site at Cumbernauld in Scotland and we believe that this is not yet entirely excluded from consideration within the company.

This would be a very substantial inward investment project. Fujitsu have applied for £45m Regional Selective Assistance for a project involving investment of £900m and creating nearly 2000 jobs by 1999. In their application Fujitsu have stated that unless a satisfactory grant is offered they will take further their consideration of alternative locations in Eire and the Federal German Republic.

A team of IDU negotiators led by a private sector secondee was in Japan from 27 February 1989. The IDU team is returning to the UK via a Fujitsu factory in the USA. They are understood to be preparing papers which recommend that Fujitsu be offered £30m for a modified project which involves investment of £600m and would create 1626 jobs by the end of 1995. Their recommendation will be put to DTI Ministers probably on 10 March.

Fujitsu have asked for a formal UK offer by 17 March which their Main Board will consider on 20 March. If approved they would like to make an announcement and start work on site in mid-April.

Industrial Development Unit (IDU)
6 March 1989

VJCACK

SUBJECT cc MASTER file

CONFIDENTIAL

JD

cc PU

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

3 March, 1989.

Dear Neil,

TOYOTA

Thank you for your letter of 2 March enclosing a brief for the Prime Minister's meeting with Dr. Toyoda, President of Toyota, and his colleagues. That meeting duly took place this morning in an atmosphere of mutual warmth and admiration.

Welcoming the visitors, the Prime Minister said she understood that they had had successful talks with your Secretary of State. She was extremely pleased to welcome another "Japanese-owned British company". The partnership was a good one; the combination of Japanese business skill and the British character worked extremely well, and to the advantage of all concerned. She was therefore very pleased that Toyota were coming to this country. She wished to assure Dr. Toyoda that existing difficulties with Europe were being sorted out, as would be any further problems that cropped up in the future.

Dr. Toyoda said that his company was currently selling some 400,000 cars in Europe, but to grow in that market they had now concluded that it was necessary to build their own plant somewhere in the European market. They had decided - amended the second time it was said to "almost decided"! - to come to the United Kingdom. He was extremely grateful for the support the company had received so far from the British Government. The Prime Minister interjected that the company would continue to have her support both publicly and privately. Dr. Toyoda said the company was determined to make the new plant successful, but would be grateful for the Government's continued support in coping with any difficulties that cropped up. The present plan was to produce a 1.8 litre car in a UK plant, with annual production capacity of 200,000 units. The aim was to start production before the end of 1992. A team from the company had already made an extensive survey of possible sites; and Dr. Toyoda himself was today going to visit some of them. If all went well, he hoped it would be possible to make a decision before mid-April; there then might be a joint

official announcement by the company and the Government. The Prime Minister welcomed this plan, but suggested that, in order to ensure maximum publicity for the announcement, the company should avoid making this during Mr. Gorbachev's visit to the UK from 5-7 April.

Dr. Toyoda said that the new plant would need a lot of support from component suppliers. They planned to work closely with UK component producers to build up to the necessary local sourcing percentages. But, although the company was aiming to use UK manufacturers in most cases, there would be some instances where they require specialist help from Japanese component manufacturers. He hoped they would receive Government recognition of and support for this requirement. But in any event the company would do its best to become a good British citizen working within the European Community. The Prime Minister said that, while she welcomed the plan steadily to build up to the 60% and 80% local saving percentages, she recognised there may be a need, especially in the initial stages, to make arrangements with specialist Japanese suppliers. She was sure that the company would succeed in becoming good British citizens. In her constituency she had quite a lot of Japanese residents, most of them working in the financial sector, and they had proved to be marvellous local citizens.

The Prime Minister said that her experience was that large Japanese companies had discovered an important secret for business success; namely, setting out clearly the high standards that people were expected to work to. She recalled that during a visit to a Japanese-owned company in this country one of the workforce had proudly said "Here each one of us is given responsibility". It was clear that this approach encouraged the workforce to give of their best.

Dr. Toyoda said that the company had already entered into a joint production arrangement with Volkswagen in Germany for small trucks, together with a joint venture at a small plant in Portugal. With the approach of the European Single Market, it would be important for the company to utilise and build on these cooperative relationships in Europe. The Prime Minister said there should be no doubt that the Single Market would be achieved, with most of the necessary directives being in place on time. But she would continue to emphasise that completion of the Single Market did not require unified taxation. The reason some countries wanted this was that their taxes were too high, and they wanted us to harmonise at that level; we were not prepared to do that, and wanted taxes to be at a level which maximised incentives. The UK was also a leader in Europe in the free movement of capital, reflecting the outward looking UK tradition. The UK was keen to develop investment in the Japanese market to complement the very welcome inward investment of Japanese companies in Britain.

Dr. Toyoda said that the proposed plant was likely to employ some 2,500 to 3,000 people. The company was determined to ensure that it utilised the talents of a

British workforce. The Prime Minister said this level of employment would be a most welcome contribution, and she was sure that the project would proceed extremely well. She concluded by urging that, if the company encountered any problems as their plans proceeded, they should make early contact with your Secretary of State or her office, so that difficulties were nipped in the bud and quickly sorted out. She also asked Dr. Toyoda to pass on her warm regards to Mr. Takeshita when he next met him.

I am sending a copy of this letter to Bob Peirce (Foreign and Commonwealth Office).

Yours,
Paul

Paul Gray

Neil Thornton, Esq.,
Department of Trade and Industry.

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cc/c

AMBASSADE DE FRANCE
LONDRES

L'AMBASSADEUR

6 March 1989

translation below
see Paris Tel No 258

CDP
6/3

Dear Prime Minister

I have just received the text of a message addressed to you by Monsieur Michel Rocard, Premier Ministre.

I enclose it herewith.

Yours ever

Luc de La Barre de Nanteuil

The Rt. Hon. Margaret Thatcher, M.P.
Prime Minister
10 Downing Street
London, SW1

The Economist

25 ST JAMES'S STREET, LONDON SW1A 1HG
Telephone: 01-839 7000
Telex: 24344
Fax: 01-839 2968

CDD
3/3

DEPUTY EDITOR

The Rt Hon Margaret Thatcher MP
10 Downing Street
London SW1

-4 MAR 1989

March 2, 1989

Dear Prime Minister

Thank you for your briefing to the UK-Japan 2000 group. We'll keep pressing the case for Japanese spending on imports. To my own surprise, this little forum has had influence in Japan, largely because, a) it is unbureaucratic and unstuffy, b) Mr Nakasone put some influential trade liberals onto it, who, c) fed our protests in 1985-86 straight into the Maekawa report on Japan's need to open up just when, d) Japan went through its exchange rate trauma. Good timing by you.

Its cost-effectiveness has lessons for the moribund Franco-British council, which utterly failed to become a French-British Konigswinter. A small, high-powered group, set up by, and answering to, the two heads of government could clear a lot more air between the two countries than big dinners and unwieldy plenaries.

I have one other powerful suggestion. Carla should be your next ambassadress in Washington. She would do much to keep the troops in Europe, and her husband, by happy chance, is unbeatably equipped to convey your views over there.

Yours sincerely

Nico Colchester

Nicholas Colchester

dti

the department for Enterprise

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The Rt. Hon. Lord Young of Graffham
Secretary of State for Trade and Industry

Paul Gray Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON SW1

Department of
Trade and Industry

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Prime Minister

You agreed earlier in the year to receive Dr. Toyoda and his team in order to underline the UK's advantages to the company. Briefing is attached. I suggest you receive them in the Cabinet Room. As you will see, Mr. Nunoka, the project team leader, will act as interpreter.

AC 6 2/3

Direct line 215 5422
Our ref MM4ADL
Your ref
Date 2 March 1989

Dear Paul,

TOYOTA

I attach a brief for the Prime Minister's meeting tomorrow with Dr Toyoda, President of Toyota.

Whilst the formal position is that Toyota have yet to reach a final decision, we expect that Dr Toyoda will be ready to confirm privately to the Prime Minister that the decision has in fact been made even though no site has yet been chosen and there are other substantial loose ends. You will note also that Toyota will not require any subsidy.

Yours ever,

Neil Thornton

NEIL THORNTON
Private Secretary

the Enterprise initiative

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the department for Enterprise

PRIME MINISTER'S MEETING WITH DR SHOICHIRO TOYODA, PRESIDENT, TOYOTA MOTOR CORPORATION: 3 MARCH 1989

Objective

Confirm Government welcome for Toyota. Reassure them about European opposition. Underline UK interest in component manufacture as well as car assembly.

Points to make

- Welcome the project. UK now excellent European base for making cars.

- Glad agreement reached on local content (60:80%). No question at these levels of genuine European origin.

- Toyota should disregard European criticism. Normal competitor reaction. Some sign that positive UK stance leading others to re-think their protectionist attitudes to investment.

- Determined to reach satisfactory outcome to Nissan dispute. French trying to re-write European law. Confident of Commission support.

- Toyota decision not to seek state aid commendable and major plus for company when announcing project.

- Would like UK location for engine plant but recognise this a commercial decision for Toyota. But hope company will ensure major component activity in UK.

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BACKGROUND

1 Studies going well. Provisional date for final announcement set for 18 April. Toyota meantime anxious that their thinking and activities stay confidential.

The Project

2 A £600m assembly plant on 250-350 acres eventually producing 200,000 cars pa. Newport and Derby short-listed but company also looking around M4/M5 interchange near Severn Bridge. Timetable for two-phase project would be:

- December 1992 : Start pilot production
- August 1993 : Full commercial production

  Phase I: 100,000 units
- Later (timing undecided): Capacity increase to 200,000 units.

Local content would be 60% at start-up of commercial production. 80% within 2 years.

European Reaction

3 European Government reaction has been muted, except Italy. European manufacturers, driven by Peugeot and Fiat, have been hostile. But recent signs that UK success in scooping pool for Japanese car investment may be causing re-think eg Italian Foreign Trade Minister has indicated that Italy may decide to promote Japanese investment. Views also now divided in France.

Engine Plant

4 For commercial reasons - but probably with an eye also on the politics - Toyota would prefer to build engines in a joint venture with a European manufacturer, probably Renault. If this is their decision we shall have to accept it. But we do not want UK perceived as "assembly-only" and have pressed Toyota to ensure generally that UK secures good proportion of components business and related investment.

Financial Assistance

5 Toyota have been persuaded that state aid would involve long and controversial examination by the EC Commission. They have decided not to seek Government assistance for the main project. At Toyota request, DTI is looking separately at assistance for associated components investment where UK will be in competition with other European locations and where we have more national room for manoeuvre.

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the department for Enterprise

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Industrial Relations

6 Toyota still to decide whether to opt for a non-union or single union plant (Nissan's judgment was that latter was preferable because non-union plant would invite continuing jockeying for recognition when plant operational).

7 ACAS have offered good offices in this area. Toyota may choose Sir Pat Lowry ex-ACAS Chairman as consultant on industrial relations.

The Toyota Team

8 Dr Shoichiro Toyoda is President of company. He does not speak English. He will be accompanied by Mr Tatsuro Toyoda, Vice President (Overseas) and Mr J Numata the project team leader who will act as interpreter.

DTI
2 March 1989

888-273

SUBJECT.
cc MASTER.

RESTRICTED

FILE SRW

cc PC

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

2 March 1989

UK/JAPAN 2000 GROUP

The Prime Minister saw the British members of the UK/Japan 2000 Group yesterday, before their departure for Tokyo. The Prime Minister handed over her message to Mr. Takeshita to Lord Jenkin for delivery.

I did not take a note of the ensuing discussion which was lively if rather incoherent. Points which I recall are:

- the Group expressed appreciation for the initiative being taken by the DTI to support additional Japanese language training in this country. But they thought more still needed to be done. It would cost only £500,000 to double the number of university students taking Japanese (from 70 to 140). The Prime Minister commented that one difficulty was that sufficient applicants did not come forward.

- the Prime Minister urged the Group to continue to press their Japanese contacts on the need for further steps to open up the Japanese market, both in goods and services. The most pressing specific problem was the question of seats on the Tokyo Stock Exchange. But beyond that there remained the obstacles to purchasing foreign goods inherent in the cultural differences between Japan and the West. We recognised the contribution made by the Japanese in allowing the yen to rise and in expanding domestic demand. But their trade surplus remained very large. The Prime Minister said that she intended to raise the issue of structural surpluses once more at the Paris Economic Summit. Comments by members of the Group suggested that they were more inclined to give the Japanese the benefit of the doubt, and to think that we were pushing at an opening door.

- the Prime Minister suggested that the Group should say how much we welcomed Japanese investment in the UK. They could point to the battle we were fighting with the French over the import of Nissan (UK) cars to France. We hoped to secure a major investment from Toyota. She would also like to see more UK investment in Japan.

- the Group were grateful for the paper on aid prepared by the Minister for Overseas Development, who will accompany

RESTRICTED

them to Tokyo. While it was welcome that the Japanese were greatly expanding their aid programme, it was noted that they continued to focus on Asia rather than the poorest countries in Africa. They were also seeking more top posts in international development and financial institutions, without however putting forward candidates of adequate quality. The Prime Minister said that the Japanese should be urged to untie their aid. At present they used it as a way of capturing our markets in the developing countries.

- the Prime Minister said that she remained firmly opposed to Japan playing a military role beyond that required for its own immediate defence.

- the Prime Minister commended the firm position taken by the Japanese, so far at least, on East/West matters. This compared favourably with some European countries. But they had taken a regrettably supine role over the Rushdie affair.

- the Prime Minister expressed strong support for the British cultural festival in Japan in the autumn of 1990. We must ensure that Japan saw the very best which Britain had to offer, in particular in design and music. She would not wish there to be any cheese-paring over the costs.

I am copying this letter to Alex Allan (HM Treasury), Neil Thornton (Department of Trade and Industry), Brian Hawtin (Ministry of Defence), and Myles Wickstead (Overseas Development Administration).

C.D. Powell

R.N. Peirce, Esq.,
Foreign and Commonwealth Office.

file L04AYR

cc FCO

PRIME MINISTER'S PERSONAL MESSAGE

SERIAL T44/89

SUBJECT cc MASTER OPS

10 DOWNING STREET

LONDON SW1A 2AA

THE PRIME MINISTER

1 March 1989

Dear Prime Minister,

I am pleased to send you my good wishes on the occasion of the fifth meeting of the UK/Japan 2000 Group from 10-13 March.

In the four years since the Group was established, relations between Britain and Japan have made great progress. I congratulate the 2000 Group on the important part they have played in this process. This year's discussions will help to set the agenda in areas where we have important interests in common and an incentive to work closely together. Already there are close consultations between our governments about aid policy and East-West relations, issues which will certainly continue to pre-occupy us throughout the next decade. We must encourage the Group to bring fresh thinking to both topics.

I welcome the Group's decision to look at the role of inward investment in our two countries. Japanese investment in the United Kingdom is one of the most successful features of our bilateral relations. Several members of the Japanese side of the 2000 Group represent companies which have already established manufacturing plants in Britain and I hope that more Japanese firms will follow their example. They will find a warm welcome. British firms are keen to increase their presence in the Japanese market, as is indicated by their response to our "Opportunity Japan" campaign. It is important they should feel that they will have the widest possible opportunities there. I am grateful for your continued interest in the problem of membership of the Tokyo

Stock Exchange by British securities houses and hope that it will shortly be resolved. The steps you have taken to reform the Liquor Tax regime are also much appreciated.

I am looking forward to my own visit to Tokyo in September and am pleased that exchanges between our two governments are increasingly frequent. I have recently seen both your Foreign Minister and the new Trade and Industry Minister. I would also pay tribute to the outstanding work being done by your Ambassador in London.

But much remains to be done to establish better unofficial contacts between Japan and Britain. The 2000 Group can act as a catalyst in this. The proposals currently under study by both governments for liberalising air services between Britain and Japan should also help.

The British and Japanese Festivals planned respectively for 1990 and 1991 will be an opportunity to introduce the cultural achievements of our two societies to a much wider audience. I am sure that they will be a great success.

Finally, may I express my appreciation of the work of Mr. Tadao Kato, who has stepped down as Chairman of the Japanese side of the 2000 Group. Under his leadership, the Group has established firm foundations. We welcome the new Co-Chairman, Mr. Motoo Shiuna, and believe that the Group will continue to flourish under his guidance.

I shall be asking Patrick Jenkin and his colleagues to give me an account of this year's meeting on their return to London. Meanwhile, I send you my warm good wishes.

Yours sincerely

Margaret Thatcher

His Excellency Mr. Noboru Takeshita

TLO
EAM (11)

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

1 March 1989

UK/JAPAN 2000 GROUP

The Prime Minister is to meet the UK/Japan 2000 Group this afternoon. I assume that you will want her to hand over to Lord Jenkin then her letter to Mr Takeshita. Or would you prefer to send it through the bag to Tokyo, for him to pick up there?

In any event, the version signed by the Prime Minister is somewhat amended from the draft enclosed with your letter. I should be grateful if the Department could scan it rapidly and confirm that there are no problems with it. Could you please give me the all-clear by 4.00 pm this afternoon.

CHARLES POWELL

R N Peirce Esq
Foreign and Commonwealth Office

cc Blue

PRIME MINISTER

MEETING WITH THE UK/JAPAN 2000 GROUP

You traditionally see the British members of the UK/Japan 2000 Group before they go to Tokyo. They are coming in tomorrow. The Group is led by Patrick Jenkin. A full list of those attending is in the folder.

You also traditionally ask the Chairman to take a message to Mr. Takeshita. I have placed one in your signature folder.

The themes of this year's Conference are:

- British and Japanese policies towards the developing world;

- the role of inward investment;

- British and Japanese responses to changes in east-west relations.

The Group will want to get the flavour of your thinking on the main Anglo/Japanese issues of the moment. Points which you might like to make are:

- we have made some progress in trade relations with Japan. They have expanded domestic demand. They have finally dealt with the Liquor Tax problem. And we have continued to hound them on the subject of seats on the Tokyo Stock Exchange.

- but it is like getting blood out of a stone. The basic problem of cultural difference as a barrier to importing more remains. Germany is just as bad. You intend to have another go at the problem of structural surpluses at the Economic Summit in July.

- the main redeeming feature is Japanese investment in this country which we warmly welcome. The Japanese will have noted and appreciated the vigour with which you have been battering the French on the subject of Nissan. We hope that Toyota will come here too. We would like to see the same openness to inward investment in Japan.

- the other main Japanese contribution to the world economy is their readiness to go on financing the US deficit. Long may it last, because if the Japanese pull the rug from under the Americans we are all in trouble.

- the Japanese take a commendably robust attitude on East-West relations and that is to be encouraged. There is some risk that Europe - less the United Kingdom - will begin to look wimpish and over-awed by Gorbachev in comparison with Japan.

- but you are less happy with other aspects of Japanese foreign policy. They have been supine with Iran over the Rushdie affair.

- while we welcome an expanded Japanese aid effort, we have to be careful that it is not simply another way to corner our markets.

- you continue to have reservations about encouraging Japan to take too forward a political or military role.

A fuller FCO brief is in the folder.

CDP

1991.

CHARLES POWELL
28 February 1989

EL3DIT

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Oddi wrth Ysgrifennydd Gwladol Cymru

WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-270 3000 (Switchboard)
01-270 (Direct Line)

The Rt Hon Peter Walker MBE MP *From The Secretary of State for Wales*

CT/2023/89

28 February 1989

PLANNING BILL 1989/90: URBAN DEVELOPMENT CORPORATIONS

Thank you for sending me a copy of your minute of 7 February to the Prime Minister seeking policy agreement to a number of legislative projects involving Urban Development Corporations. I have since seen copies of the replies received from her Private Secretary, and from Norman Fowler and John Major.

I, too, am content with your proposals and for public consultation to take place on 4 of the provisions. My officials will be in touch with yours about the arrangements for a parallel consultation exercise in Wales.

Copies of this letter go to the Prime Minister, members of E(UP), James Mackay, Paul Channon and Sir Robin Butler.

The Rt Hon Nicholas Ridley MP
Secretary of State for the Environment
2 Marsham Street
LONDON SW1P 3EB

CONFIDENTIAL

Local Govt Planning

UK — JAPAN 2000 GROUP

CHATHAM HOUSE, 10 ST JAMES'S SQUARE, LONDON SW1Y 4LE. TELEPHONE: 01-930 2233. FAX: 01-839-3593

FIFTH ANNUAL CONFERENCE OF THE UK - JAPAN 2000 GROUP
10 - 13 March 1989

Participants on the UK side:

The Rt Hon the Lord Jenkin of Roding	Chairman, UK-Japan 2000 Group Chairman, Friends' Provident Life Office
Professor Alan Budd	Economic Adviser, Barclays Bank PLC
Nicholas Colchester	Deputy Editor, The Economist
Sir Hugh Cortazzi GCMG	Director, Hill Samuel Bank Ltd.
Admiral Sir James Eberle GCB	Director, Royal Institute of International Affairs
Christopher Harding	Chairman, British Nuclear Fuels PLC
Sir Trevor Holdsworth	President, CBI Chairman, British Satellite Broadcasting Ltd.
Richard Needham MP	Minister for Northern Ireland
Sir Edwin Nixon CBE	Deputy Chairman, National Westminster Bank PLC Chairman, IBM United Kingdom Holdings Ltd.
The Rt. Hon Sir Michael Palliser GCMG	Deputy Chairman, Midland Bank PLC Chairman, Samuel Montagu & Co. Ltd.
Sir Peter Parker LVO	Chairman, The Rockware Group PLC
Christopher Patten MP	Minister of State for Foreign and Commonwealth Affairs Minister for Overseas Development
Dr. Stanley Ridgwell CBE	Director, Tennants Consolidated Ltd.
Phillida Seaward	Executive Secretary, UK-Japan 2000 Group
Sir Michael Wilford GCMG	Adviser, Baring International Investment Management
Nicolas Wolfers	Group Adviser (Asia & Pacific), Midland Bank Group
John Roper	Director of Studies, Royal Institute of International Affairs

As Observers:

John Hall	Head, East Asia Market Branch, International Trade Policy Division, Department of Trade & Industry
Tony Millington	Head, Far East Department, Foreign & Commonwealth Office

Foreign and Commonwealth Office

London SW1A 2AH

28 February 1989

Dear Charles

UK/Japan 2000 Group

Lord Jenkin and the British members of the UK/Japan 2000 Group will call on the Prime Minister at 1700 on Wednesday 1 March prior to the fifth meeting of the Group to be held in Japan from 10-13 March.

The principal themes of this year's Conference are:

(a) British and Japanese policies towards the developing world;

(b) the role of inward investment in the economy and society of the host country;

(c) British and Japanese responses to changes in East/West relations.

In addition the Group will make its usual review of the efforts the two sides have made since their last meeting to promote broader-based exchanges between Britain and Japan, especially in educational, cultural and scientific fields.

When the 2000 Group meets in Japan, it is customary for the Prime Minister to give the British Co-Chairman a message to the Japanese Prime Minister which can be handed over when the Group calls on him after the Conference. This year the Group has been invited to take tea with Mr Takeshita on the afternoon of 13 March. The message provides an opportunity to reaffirm the British Government's support for the work of the 2000 Group and to raise outstanding bilateral issues.

/I enclose

I enclose a self explanatory draft which the Prime Minister may wish to show to Lord Jenkin. You will see that the draft refers to the Prime Minister's own visit to Japan in September (which has hitherto not been made public). I also enclose a note on the current state of Anglo-Japanese relations.

The Foreign Secretary has not seen these papers in draft. I shall let you know early tomorrow if he has comments.

Yours ever

Bob Peirce

(R N Peirce)
Private Secretary

C D Powell Esq
10 Downing Street

PRIME MINISTER'S MEETING WITH UK/JAPAN 2000 GROUP: 1 MARCH

UK/Japan : Bilateral Relations

1. Bilateral Relations are excellent, probably better than at any time since the war. During his visit to Japan in January 1988 the Foreign Secretary agreed with Foreign Minister Uno to work for a "new, dynamic, plain-speaking partnerhsip". This was the result of a review of policy towards Japan which concluded that we should aim to set bilateral relations on a new footing in recognition of Japan's rapidly growing international status. Frank speaking would be needed when bilateral problems arose; but these should be seen in a proper perspective, against a background of a more broadly based, serious and constructive dialogue on wider economic and political issues. Within the UK's overall objective of securing a more effective Japanese contribution to the western political and security system and the management of the world economy, the aim is to ensure that Japan takes Europe seriously and looks to the UK as a key interlocutor in dealing with Europe.

2. Since January 1988 there has been a substantial increase in exchanges with the Japanese. In 1988, there were visits to Japan by the Secretaries of State for Trade and Industry and for Northern Ireland, by the Minister for Agriculture and by Ministers of State in the FCO, the ODA, the Welsh Office, the Scottish Office and the Department of Energy. Prime Minister Takeshita paid a successful visit to the UK in May 1988. There will be

a number of Ministerial level exchanges in 1989, including a visit to Japan by the Prime Minister in September.

3. Recent Royal visits to Japan have included the tour by the Prince and Princess of Wales in 1986, and a visit by the Duke and Duchess of Kent in 1987 for trade promotion. The Duke of Edinburgh and the Foreign Secretary represented the UK at the funeral of the late Emperor Showa on 24 February 1989. The Princess Royal is due to visit Japan to coincide with the opening of a festival of British Culture in 1990.

Bilateral Issues: Whisky

4. The long standing dispute between the EC (led by the UK) and Japan over the taxation of alcoholic drinks, and, in particular, discriminatory taxation against imported whisky, has been settled with the passage of a series of tax reform bills by the Japanese Diet in December 1988. These include a reform of liquor tax, which will be introduced from 1 April 1989, and which will result in all whiskies, domestically produced and imported, being taxed at the same rate. Whisky will still be taxed at a higher rate than other spirits and the Japanese have agreed to allow a review of the effect of the reforms should this be necessary.

Tokyo Stock Exchange

5. In an expansion of the membership of the Tokyo Stock Exchange (TSE) in May 1988 a total of 16 foreign firms, including four UK firms, were awarded seats. Two British

firms, Barclays (BZW) and James Capel (Hong Kong owned) also made applications but failed to obtain seats. UK policy has throughout been that all qualified applicants should be given membership. The Prime Minister raised this issue with Mr Takeshita in May 1988. Mr Takeshita undertook to take a personal interest in the issue. There is still no sign of an early solution; BZW and James Capel are not currently pressing this issue (most British firms on TSE are making a loss at the moment) and the earlier heat has gone out of it.

Trade/Investment

6. UK exports to Japan rose 17% to £1750 million in 1988 (£1495 million in 1987). Imports from Japan also rose strongly, up 20% to £6529 million giving a surplus of £4779 million. This will have been partly offset by a UK surplus on invisibles of some £1-1.5 billion.

7. During 1988 Lord Young ran the "Opportunity Japan" campaign designed to boost exports to Japan by alerting UK companies to the opportunities in the market there. The first stage has now been completed. It is too early to assess its success. This can only be judged from the trade figures over the next two to three years. The campaign now moves into phase 2 in which specific sectors will be promoted (included tourism).

8. Japanese investment in the UK continues to grow. Over 90 Japanese manufacturing firms have now invested more than £1.5 billion in the UK. They account for more than 25,000 direct jobs. Japanese car giant Toyota is

? Only!

actively considering a major investment in the UK (£500 billion). The availability of a skilled work force, the UK's economic policies and the English language have contributed towards making the UK the favourite location in Europe for Japanese manufacturing investment. The Japanese have also been impressed by the robust line which the UK has taken with France to allow the unrestricted export of British Nissan cars to France.

Cultural Festivals

9. A major British cultural festival is planned for Japan in the Autumn of 1990. This will include a number of art exhibitions, a major exhibition of British Design, orchestral performances, ballet, opera and a film festival. The Princess Royal who will be in Japan on International Olympic Committee business, will extend her visit to take in the opening of the Festival. A Japan Festival is also planned for the UK in 1991.

FAR EASTERN DEPARTMENT
28 FEBRUARY 1989

(55)

154217
MDHIAN 4155

RESTRICTED
FM PARIS
TO DESKBY 251500Z FCO
TELNO 258
OF 251243Z FEBRUARY 89

TOP COPY
Q DIST ?

FOR RESIDENT CLERK

MIPT : NISSAN

FOLLOWING IS UNOFFICIAL TRANSLATION OF ROCARD'S LETTER TO PRIME MINISTER

BEGINS
DEAR PRIME MINISTER

YOUR LETTER OF 2 FEBRUARY TO THE PRESIDENT TOUCHES ON THREE ASPECTS OF THE ISSUE OF NISSAN (UK) EXPORTS TO FRANCE:

- ACCESS FOR THESE EXPORTS TO THE FRENCH MARKET

- THE PROBLEM OF VEHICLES PRODUCED IN JAPAN

- THE 'EC LOCAL CONTENT' OF MANUFACTURING OPERATIONS IN EUROPE, IN PARTICULAR NISSAN'S.

WHEN WE MET ON 8 FEBRUARY WE HAD A CHANCE TO DISCUSS THESE ISSUES BRIEFLY. I SHOULD LIKE NOW TO GO THROUGH THEM ONE BY ONE.

A) AS YOU WERE ASSURED LAST NOVEMBER, THERE ARE NO OBSTACLES TO THE IMPORTING INTO FRANCE OF NISSAN (UK) PRODUCTS. IN A LETTER TO SIR G HOWE, DATED 13 DECEMBER, M. DUMAS CONFIRMED THAT FREE CIRCULATION FOR NISSAN (UK) VEHICLES WAS GUARANTEED. IT WAS MADE CLEAR TO THE EC COMMISSION LAST OCTOBER THAT THIS WAS THE CASE. THESE COMMITMENTS HAVE BEEN HONOURED AND YOU YOURSELF ACKNOWLEDGE THAT NISSAN (UK) CARS ARE NOW BEING IMPORTED INTO FRANCE WITHOUT THE LEAST RESTRICTION.

B) IMPORTS INTO THE COMMUNITY OF VEHICLES MADE IN JAPAN ARE CHARACTERISED, AS YOU KNOW, BY PARTICULAR CONDITIONS. IN ANY CASE NISSAN'S FRENCH DISTRIBUTOR IS PERFECTLY AT LIBERTY TO DEVELOP IMPORTS OF VEHICLES MADE IN THE UK WITHIN THE FRAMEWORK OF A COMMERCIAL STRATEGY THAT IT IS UP TO HIM TO DETERMINE.

154217
MDHIAN 4055

C) AS FOR THE 'EC LOCAL CONTENT' OF FOREIGN MANUFACTURING OPERATIONS IN EUROPE, PARTICULARLY IN THE VEHICLES SECTOR, IT SEEMS TO ME THAT OUR COMMON INTEREST IS TO SPUR MANUFACTURERS TO MAKE THE GREATEST POSSIBLE USE OF COMMUNITY SERVICES AND GOODS.

I SHOULD BE GLAD TO KNOW YOUR VIEW ON THIS.

PLEASE ACCEPT ETC.

ENDS.

FERGUSSON

YYYY

DISTRIBUTION 48

MAIN 47

LIMITED	PS/MRS CHALKER
ECD(I)	PS/PUS
WED	MR FERGUSON
FED	MR TEASDALE
NEWS D	MR BAYNE
PS	MR KERR

ADDITIONAL 1

CABINET OFF(TELEGRAPHICALLY)

NNNN

JAPAN: Nissan PTB

Mr Prentice (No 10).

Ambassador

E Duffy
25/2.

NISSAN

1. As requested in FCO telegram no 157, I attach an unofficial translation of Monsieur Rocard's letter to the Prime Minister on Nissan.

2. It is a cleverly drafted letter which once again fails explicitly to address the main issue: the instruction by the French Industry Ministry to Nissan's distributor in France, to count imports of NMUK cars against his quota for imports of Japanese built Nissans. It is disingenuous to say that 'the distributor is perfectly at liberty to develop imports of vehicles made in the UK within the framework of a commercial strategy that it is up to him to determine'; the need to count NMUK imports against the quota for imports of Japanese cars may well act as a disincentive to import from the UK, thereby constituting a de facto restriction on the movement of the cars in the Community.

The letter does not, therefore, take us any further forward. When the Prime Minister sees President Mitterrand and Monsieur Rocard on Monday, I suggest that she acknowledges receipt of the letter, says that although it will of course be looked at carefully, it does not seem to take us any further forward, and continues - as already briefed - by underlining the unacceptability of the instruction to the distributor to count NMUK imports against the quota for imports from Japan. Mr Cochlin (Under-Secretary, DTI Vehicles Division), to whom I spoke this morning, agrees. As also Mr. Artman (ECD(I)).

I am sending the FCO by telegram, our translation of Monsieur Rocard's letter to the FCO, plus a summary

/of

of the advice above, so that the Secretary of State and Lord Young can see it before Monday's meeting.

Mr Jay

M H Jay

25 February 1989

TRANSLATION OF LETTER, DATED 23 FEBRUARY, FROM
M. ROCARD TO THE PRIME MINISTER

Dear Prime Minister

Your letter of 2 February to the President touches on three aspects of the issue of Nissan (UK) exports to France:

- access for these exports to the French market
- the problem of vehicles produced in Japan
- the 'EC local content' of manufacturing operations in Europe, in particular Nissan's.

When we met on 8 February we had a chance to discuss these issues briefly. I should like now to go through them one by one.

a) As you were assured last November, there are no obstacles to the importing into France of Nissan (UK) products. In a letter to Sir G Howe, dated 13 December, M. Dumas confirmed that free circulation for Nissan (UK) vehicles was guaranteed. It was made clear to the EC Commission last October that this was the case. These commitments have been honoured and you yourself acknowledge that Nissan (UK) cars are now being imported into France without the least restriction.

b) Imports into the Community of vehicles made in Japan are characterised, as you know, by particular conditions. In any case Nissan's French distributor is perfectly at liberty to develop imports of vehicles made in the UK within the framework of a commercial strategy that it is up to him to determine.

c) As for the 'EC local content' of foreign manufacturing operations in Europe, particularly in the vehicles sector, it seems to me that our common interest is to spur

/manufacturers

manufacturers to make the greatest possible use of Community services and goods.

I should be glad to know your view on this.

Please accept etc.

Japan : Anglo Japanese Relations Pt 1

dti

the department for Enterprise

RESTRICTED

(2)

The Rt. Hon. Tony Newton OBE, MP
Chancellor of the Duchy of Lancaster and
Minister of Trade and Industry

Charles Powell Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON
SW1A 2AA

Department of
Trade and Industry

1-19 Victoria Street
London SW1H 0ET

Switchboard
01-215 7877

Telex 8811074/5 DTHQ G
Fax 01-222 2629

Prime Minister
Most unsatisfactory

CDP 24/2

Direct line 215 5147
Our ref
Your ref
Date 24 February 1989

Dear Charles,

NISSAN

You wrote to Richard Gozney on 17 February enclosing a reply from President Mitterrand to the Prime Minister's message about Nissan.

In the context of the Anglo-French Summit next Monday, the Prime Minister may like to know that this issue was raised when the French Director of Trade Policy, M. David, called on Sir Brian Hayes on 23 February. M. David said that M. Rocard would be writing to the Prime Minister very shortly. While he was not certain what M. Rocard would say, the draft which he had seen argued that the Nissan issue was only one part of a wider problem of car imports into the EC in the context of the single European Market. The Commission ought to deal with this problem as a whole, and not seek individual solutions for specific aspects of it.

Sir Brian replied that, if M. Rocard did indeed reply in these terms, the answer would be regarded in London as wholly unsatisfactory. It offered no early relief to a pressing difficulty. He thought that the Prime Minister might well wish to revert to the issue when she met President Mitterrand in Paris next Monday.

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the department for Enterprise

The background to this issue, with which the Prime Minister is very familiar, is contained in the Steering Brief for the Anglo-French Summit. To postpone a decision on Nissan until the EC has decided on the future of the various national quotas and voluntary restraint arrangements on car imports after 1992 would of course be a recipe for a very lengthy delay, during which the link with Japanese direct exports of cars to France would be maintained.

We should not disclose to the French that M. David told us of the likely content of M. Rocard's reply. I am sending copies of this letter to Richard Gozney (FCO) and to Roger Lavelle (Cabinet Office).

Yours

Rosalind Cole

ROSALIND COLE
PRIVATE SECRETARY

FE4AAU

Vapar - Relatórios Pr 8.

PRIME MINISTER

NISSAN

I attach a message to you from M. Rocard about Nissan. It is not very satisfactory. I am obtaining a translation. But in essence it says:

- No obstacles are being put in the way of the import into France of Nissan cars from the United Kingdom.

- All cars imported into the Community from Japan are subject to special arrangements. It is up to the Nissan distributor in France to decide how he allocates his quota between Nissan cars from the UK and those imported direct from Japan.

- It is preferable to develop indigenous European production of cars than to encourage foreign producers to set up in Europe. M. Rocard concludes that he would be interested to know your reaction. Indeed he will!

CDP

(C.D. POWELL)

24 February 1989

DA1AAE

FILE
DA

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

24 February 1989

NISSAN

I enclose a copy of M. Rocard's letter to the Prime Minister about Nissan which arrived from the French Embassy this morning. I am sending it also to the Foreign Office with a request that they let us have a translation as rapidly as possible.

I am copying this letter and enclosure to Richard Gozney (Foreign and Commonwealth Office).

(C.D. POWELL)

Neil Thornton, Esq.,
Department of Trade and Industry.

AMBASSADE DE FRANCE
LONDRES

L'AMBASSADEUR

23rd February, 1989

Dear Prime Minister

I have just received the original text of the message addressed to you by Monsieur François Mitterrand, Président de la République which I conveyed on Friday 17th February.

I enclose it herewith.

Yours ever

Luc de La Barre de Nanteuil

The Rt. Hon. Margaret Thatcher, M.P.
Prime Minister,
10 Downing Street,
London S.W.1.

LE PRÉSIDENT DE LA RÉPUBLIQUE

Paris, le 16 Février 1989

Madame le Premier Ministre,

Dans votre lettre du 30 janvier, vous m'avez soumis les problèmes que rencontrait l'exportation des voitures NISSAN construites au Royaume-Uni, sujet que nous avons abordé lors de notre entrevue au Mont Saint-Michel en novembre dernier.

J'ai demandé au Premier Ministre, M. Michel ROCARD, d'étudier les questions que vous soulevez et de vous adresser une réponse.

Je vous prie de croire, Madame le Premier Ministre, à l'assurance de ma haute considération et de mon fidèle souvenir

François Mitterrand

François MITTERRAND

S. Exc. Mme Margaret THATCHER
Premier Ministre du Royaume-Uni
de Grande-Bretagne et d'Irlande du Nord

cc PC

AMBASSADE DE FRANCE
LONDRES

L'AMBASSADEUR

24th February, 1989

Dear Prime Minister

I have just received the text of a message addressed to you by Monsieur Michel Rocard, Premier Ministre.

I enclose it herewith.

Yours ever
Luc de La Barre de Nanteuil

Luc de La Barre de Nanteuil

The Rt. Hon. Margaret Thatcher, M.P.
Prime Minister,
10 Downing Street,
London S.W.1.

MESSAGE DE MONSIEUR MICHEL ROCARD

PREMIER MINISTRE

A

THE RT. HON. MARGARET THATCHER, M.P.

PRIME MINISTER

Paris, le 23 février 1989

"Madame le Premier Ministre,

Votre lettre du 2 février au Président de la République aborde trois aspects de la question des exportations vers la France de voitures Nissan construites au Royaume-Uni : le régime de ces importations en France, le problème des véhicules produits au Japon, le "taux d'intégration communautaire" des investissements en Europe, en particulier de Nissan. Lors de notre entretien du 8 février, nous avons eu l'occasion d'évoquer brièvement ces questions. Je souhaite y répondre aujourd'hui successivement.

1. Comme l'engagement vous en avait déja été donné en novembre dernier, l'importation en France des véhicules produits par la firme Nissan motors UK ne fait l'objet d'aucune entrave. M. Roland Dumas avait lui-même confirmé à Sir Geoffrey Howe, dans une lettre qu'il lui adressait le 13 décembre, que la libre circulation était donc assurée pour ces véhicules. La Commission des Communautés en avait elle-même été clairement informée en octobre dernier. Ces engagements ont été respectés, et vous-même reconnaissez que les voitures Nissan construites au Royaume-Uni sont aujourd'hui importées en France sans la moindre entrave.

.../...

2. Les importations dans la Communauté de véhicules automobiles en provenance du Japon sont caractérisées, comme vous le savez, par des conditions particulières. En toute hypothèse, le distributeur de Nissan en France est parfaitement libre de développer ses importations de véhicules produits au Royaume-Uni, dans le cadre de la stratégie commerciale qu'il lui appartient de définir.

3. S'agissant du "taux d'intégration communautaire" des investissements étrangers en Europe, en particulier dans le secteur automobile, notre intérêt commun me semble cependant être d'inciter les industriels à recourir dans la plus large proportion à des services et à des produits communautaires.

Je serais heureux de connaître votre sentiment à cet égard.

Je vous prie d'agréer, Madame le Premier Ministre, l'expression de mes hommages respectueux.

Signé : Michel Rocard"./.

Le Premier Ministre

Paris, le 23 FEVRIER 1989

Madame le Premier Ministre,

Votre lettre du 2 février au Président de la République aborde trois aspects de la question des exportations vers la France de voitures NISSAN construites au Royaume-Uni : le régime de ces importations en France ; le problème des véhicules produits au Japon ; le "taux d'intégration communautaire" des investissements en Europe, en particulier de NISSAN. Lors de notre entretien du 8 février, nous avons eu l'occasion d'évoquer brièvement ces questions. Je souhaite y répondre aujourd'hui, successivement.

1 - Comme l'engagement vous en avait déjà été donné en novembre dernier, l'importation en France des véhicules produits par la firme NISSAN MOTORS UK ne fait l'objet d'aucune entrave. M. Roland DUMAS avait lui-même confirmé à Sir Geoffrey HOWE, dans une lettre qu'il lui adressait le 13 décembre, que la libre circulation était donc assurée pour ces véhicules. La Commission des Communautés en avait elle-même été clairement informée en octobre dernier. Ces engagements ont été respectés, et vous-même reconnaissez que les voitures NISSAN construites au Royaume-Uni sont aujourd'hui importées en France sans la moindre entrave.

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3 - S'agissant du "taux d'intégration communautaire" des investissements étrangers en Europe, en particulier dans le secteur automobile, notre intérêt commun me semble cependant être d'inciter les industriels à recourir dans la plus large proportion à des services et à des produits communautaires.

Je serais heureux de connaître votre sentiment à cet égard.

Je vous prie d'agréer, Madame le Premier Ministre, l'expression de mes hommages respectueux.

M. Rocard

Michel ROCARD

Madame Margaret THATCHER
Premier Ministre du
Royaume-Uni de Grande-Bretagne

JAPAN: Nuclear PGS

MR. POWELL o/r

Lord Jenkin phoned up this morning for a chat with you or, failing you, me about the forthcoming meeting of the UK-Japan 2000 Group. The only point of concern was that he had been asked by the Japanese if he would be bearing with him when he went to Japan on 9 March the Prime Minister's reply to the message brought by Uno about the 1991 Festival. Lord Jenkin fully appreciated that this would be an unusual channel for a Prime Ministerial reply, but said that it was all to do with internal politics at the Japanese end. He was certainly not pressing to do so, and accepted that he would simply be told what we had decided.

PAB

(P. A. BEARPARK)
20 February 1989

Having looked at the file it seems that we weren't going to reply anyway

AC

PM ②

Prime Minister
You will wish to know of this.

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

17 February 1989

CDP
17/2.

NISSAN

I enclose President Mitterrand's reply to the Prime Minister's recent message about Nissan. As you will see, he simply says that he has passed the matter to M. Rocard to sort out.

I do not think that the Prime Minister will necessarily wish to let President Mitterrand get away with dismissing so important an issue in such a lordly way. I think it should still be covered in the briefing for the Prime Minister's meeting with him at the Anglo-French Summit.

I am copying this letter and enclosure to Neil Thornton (Department of Trade and Industry) and to Roger Lavelle (Cabinet Office).

(C. D. POWELL)

Richard Gozney, Esq.,
Foreign and Commonwealth Office.

Charles.
FCO translation?
Fora
17/2.

AMBASSADE DE FRANCE
LONDRES

L'AMBASSADEUR

17th February 1989

CDP
17/2.

Dear Prime Minister

I have just received the text of a message addressed to you by Monsieur François Mitterand, Président de la République.

I enclose it herewith.

Yours ever

Luc de La Barre de Nanteuil

Luc de La Barre de Nanteuil

The Rt. Hon. Margaret Thatcher, M.P.
Prime Minister
10 Downing Street
London, S.W.1

T

MESSAGE DE MONSIEUR FRANCOIS MITTERAND

PRESIDENT DE LA REPUBLIQUE

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T35/89

A

THE RT. HON. MARGARET THATCHER, M.P.

PRIME MINISTER

Subject: Nissan
OS

Paris, le 16 février 1989

"Madame le Premier Ministre,

Dans votre lettre du 30 janvier, vous m'avez soumis les problèmes que rencontrait l'exportation des voitures Nissan construites au Royaume Uni, sujet que nous avons abordé lors de notre entrevue au Mont Saint-Michel en novembre dernier.

J'ai demandé au Premier Ministre, M. Michel Rocard, d'étudier les questions que vous soulevez et de vous adresser une réponse.

Je vous prie de croire, Madame le Premier Ministre, à l'assurance de ma haute considération et de mon fidèle souvenir.

Signé : François Mitterand"./.

CSTC

dti

the department for Enterprise

The Rt. Hon. Tony Newton OBE, MP
Chancellor of the Duchy of Lancaster and
Minister of Trade and Industry

Ian Lang Esq MP
Minister of State
Scottish Office
Whitehall
LONDON
SW1A 2AU

Department of Trade and Industry

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London SW1H 0ET

Switchboard
01-215 7877

Telex 8811074/5 DTHQ G
Fax 01-222 2629

NBPM
PRCG
13/2

Direct line 215 5147
Our ref
Your ref
Date 13 February 1989

Dear Ian,

FUJITSU SEMICONDUCTOR PROJECTS

Thank you for your letter of 2 February in which you raised a number of points about our negotiations with Fujitsu.

The Fujitsu negotiating team came to the UK in January. At a late stage and just before they left Japan they approached the DTI through our Embassy in Tokyo about the possibility of Regional Selective Assistance, making it clear that their preferred site in the UK was Newton Aycliffe in County Durham and asking that Locate in Scotland (LIS) should not be informed of their visit to the UK. We found this latter request perplexing but felt bound to respect it since we did not wish to prejudice the chances of their choosing a UK location. We did, however, inform a senior official in IDS about the visit and their unusual request, both as a precaution to ensure that Fujitsu were not conducting parallel negotiations with LIS and as a courtesy in view of Scottish interest in the project.

During the discussions with the IDU it was made clear to Fujitsu that any indicative offer would be equally applicable in any Development Area in England, Scotland, or Wales and this was also stated explicitly in the letter which was subsequently sent to the company and copied to IDS. The contents of that letter were discussed with an IDS official before it was sent. I do not think that there can have been any misunderstanding in the

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dti

the department for Enterprise

Fujitsu negotiating team about the UK basis of the letter. However, it is possible that the company might have felt the need to claim the contrary in subsequent discussions with LIS. No doubt LIS will by now have informed Fujitsu that Cumbernauld would rank similarly for grant and dispelled any lingering illusions some in the company might have had about Scotland and England bidding against each other for the project. I believe that any apparent division between us is more likely to lead to the loss of this important project for the UK than to increase our chances of securing it.

Since Fujitsu were considering locations in different GB territories, a joint assessment of this project might well have avoided the misunderstandings which have arisen. The suggestion for a joint assessment was made by DTI officials, as you say, but was rejected by LIS. Following discussion between senior officials in IDS and DTI it was left that any assessment would be carried out by LIS if Fujitsu decided on a Scottish location and by the DTI/IDU if they decided on an English location. In the event, as Fujitsu informed us that Newton Aycliffe was their preferred location, the negotiation and assessment naturally fell to IDU. I believe that insisting on a joint appraisal and negotiation during their visit would have offended the Fujitsu team especially in view of their specific request that we did not inform LIS of their presence.

I regret that the way in which this matter has developed should have caused you concern. But as you will see from the foregoing we were fully aware of Scottish concerns, and within the peculiar constraints imposed by Fujitsu sought to ensure that your officials were fully in the picture. I can of course gladly respond to your request for consultation on any future dealings with Fujitsu. But might it not help to avoid similar misunderstandings arising in future if we were to come to some arrangement to ensure that information on negotiations for major internationally mobile projects is more widely exchanged between the agencies in the three territories?

I am copying this letter to the recipients of yours.

Yours ever,
Tony

TONY NEWTON

ROSAAH

Japan - Relations Pr 8

UK – JAPAN 2000 GROUP

CHATHAM HOUSE, 10 ST JAMES'S SQUARE, LONDON SW1Y 4LE. TELEPHONE: 01-930 2233. FAX: 01-839-3593 x 297

Mr Taylor (again)
What happened in 1987? Does the PM not usually give the 2000 Group a message to take to the conference?
14/2.

Mr Millington
Probably - but we need not volunteer one I think. Will you get the members going to No10?
R 11/2

Mr Taylor
I fear one that a brief will be required.
13/2.

9 February 1989

Mr. Charles Powell
Private Secretary to the Prime Minister
10 Downing Street
London SW1

Dear Mr Powell,

CALL BY THE UNITED KINGDOM - JAPAN 2000 GROUP ON THE PRIME MINISTER, WEDNESDAY 1 MARCH, 1989, 5.00 pm

My Chairman, Lord Jenkin, asked me to let you have the attached list of Members of the UK-Japan 2000 Group who will be calling on the Prime Minister on 1 March, before participating in the Annual Conference of the Group in Japan.

Please let me know if you have any queries about the list.

Yours sincerely,

Phillida Seaward

Phillida Seaward
Executive Secretary

Encs.

FET for info

PS
PS/Lord Glenarthur
Mr McLaren.
N Hammond
AS 13/2

FEJ 022/3

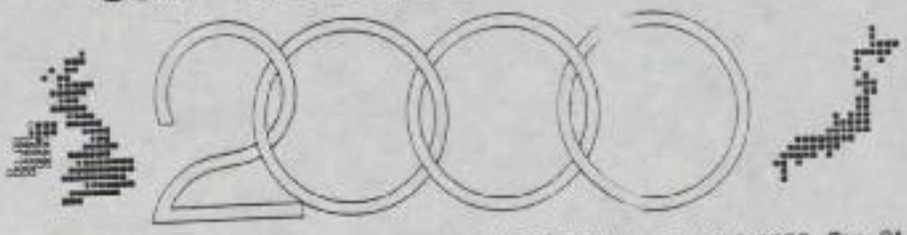
pls see reply.

pls order
But with a record of what happened in 1987
13/2

R/ Thank you.
Let I see this on 21/2 pls
DS. 16/2

Noted 20/2.

UK – JAPAN 2000 GROUP



CHATHAM HOUSE, 10 ST JAMES'S SQUARE, LONDON SW1Y 4LE. TELEPHONE: 01-930 2233. FAX: 01-839-3593

cc Fred Doon

FIFTH ANNUAL CONFERENCE OF THE UK - JAPAN 2000 GROUP
10 - 13 March 1989

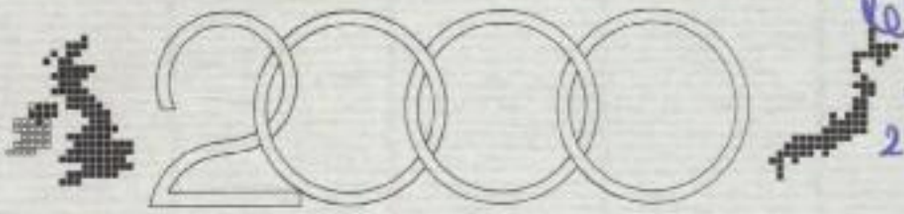
Participants on the UK side:

The Rt Hon the Lord Jenkin of Roding	Chairman, UK-Japan 2000 Group Chairman, Friends' Provident Life Office
Professor Alan Budd	Economic Adviser, Barclays Bank PLC
Nicholas Colchester	Deputy Editor, The Economist
Sir Hugh Cortazzi GCMG	Director, Hill Samuel Bank Ltd.
Admiral Sir James Eberle GCB	Director, Royal Institute of International Affairs
Christopher Harding	Chairman, British Nuclear Fuels PLC
Sir Trevor Holdsworth	President, CBI Chairman, British Satellite Broadcasting Ltd.
Richard Needham MP	Minister for Northern Ireland
Sir Edwin Nixon CBE	Deputy Chairman, National Westminster Bank PLC Chairman, IBM United Kingdom Holdings Ltd.
The Rt. Hon Sir Michael Palliser GCMG	Deputy Chairman, Midland Bank PLC
Sir Peter Parker LVO	Chairman, Samuel Montagu & Co. Ltd. Chairman, The Rockware Group PLC
Christopher Patten MP	Minister of State for Foreign and Commonwealth Affairs Minister for Overseas Development
Dr. Stanley Ridgwell CBE	Director, Tennants Consolidated Ltd.
Phillida Seaward	Executive Secretary, UK-Japan 2000 Group
Sir Michael Wilford GCMG	Adviser, Baring International Investment Management
Nicolas Wolfers	Group Adviser (Asia & Pacific), Midland Bank Group
John Roper	Director of Studies, Royal Institute of International Affairs

As Observers:

John Hall	Head, East Asia Market Branch, International Trade Policy Division, Department of Trade & Industry
Tony Millington	Head, Far East Department, Foreign & Commonwealth Office

UK – JAPAN 2000 GROUP



CHATHAM HOUSE, 10 ST JAMES'S SQUARE, LONDON SW1Y 4LE. TELEPHONE: 01-930 2233. FAX: 01-839-3593
x 297

C.C. FCO 8W 13/2
Return to me on 23 Feb.
CDP 13/2.

9 February 1989

PPS

Mr. Charles Powell
Private Secretary to the Prime Minister
10 Downing Street
London SW1

R 11/2

Dear Mr Powell,

CALL BY THE UNITED KINGDOM - JAPAN 2000 GROUP ON THE PRIME MINISTER, WEDNESDAY 1 MARCH, 1989, 5.00 pm

My Chairman, Lord Jenkin, asked me to let you have the attached list of Members of the UK-Japan 2000 Group who will be calling on the Prime Minister on 1 March, before participating in the Annual Conference of the Group in Japan.

Please let me know if you have any queries about the list.

Yours sincerely,

Phillida Seaward

Phillida Seaward
Executive Secretary

Encs.

cst.ps/6jm8.2./lets

COMMERCIAL IN CONFIDENCE

cc PU

NBPM

RRCG

9/2

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Tony Newton OBE MP
Chancellor of the Duchy of Lancaster and
Minister of Trade and Industry
Department of Trade and Industry
1 - 19 Victoria Street
London
SW1H OET

8th February 1989

Dear Tony,

FUJITSU

Thank you for your letter of 30 January. I have also seen Ian Lang's letter to you of 2 February.

I am grateful for your advance warning of the Fujitsu projects. I appreciate the importance of the project, but as with the Bosch case I am not yet able to comment in detail or give approval in the absence of the full appraisal papers. However I am concerned that your officials should have given an offer (albeit indicative) above the cost per job limits of up to £20 million grant without Treasury consultation and without a full assessment on which a grant offer could be based. Although the offer was qualified as you say, it seems to put you in a weak negotiating position with the company. Many key details are not yet available such as additionality with reference to the project's rate of return, what other grants may be received and even the number and timescale of jobs, which are not yet firm.

The initial bid of £64 million was clearly totally unrealistic; but it is not clear why £20 million should be regarded as a minimum rather than a somewhat lower figure within the guidelines, or why it was essential to give a written indication of this kind on the timetable imposed by the company. You do not mention what alternative locations are being considered in competition to the Aycliffe site. Indeed the company's European research and development are already located in England and the company seem to have a preference for a UK site (I note from Ian Lang's's letter that Cumberland is also a possibility).

As I said earlier I attach great importance to adhering to the agreed guidelines. More generally, investment intentions in the UK remain buoyant, both according to the CBI and to your department's own Investment Intentions survey, which shows projected increases in manufacturing investment of 11 per cent in 1989. We should continue to apply the guidelines rigorously.

I look forward to seeing and commenting on the full details of the case appraisal in due course and in the meantime would urge you to negotiate a grant figure within the terms of the guidelines.

I am copying this letter to the Prime Minister, Malcolm Rifkind and Peter Walker.

Yours Ever,
John

JOHN MAJOR

Japan Relations P08

FROM THE MINISTER OF STATE

SCOTTISH OFFICE

WHITEHALL, LONDON SW1A 2AU

The Rt Hon Tony Newton OBE MP
Chancellor of the Duchy of Lancaster
and Minister of Trade & Industry
Department of Trade and Industry
66-74 Victoria Street
London
SW1E 6SW

2 February 1989

Dear Tony,

FUJITSU SEMICONDUCTOR PROJECT

I have seen copies of recent correspondence and in particular your letter of 30 January to John Major concerning Fujitsu's plans for a European semiconductor plant. You mentioned that the firm had been considering a number of sites in the UK but I think that their consideration of areas outside the North East was not confined to the early stages.

You will recall that I visited Japan in the latter half of November last year and met Fujitsu's top management at their Tokyo Headquarters on 15 November. It was clear at that point that Scotland was still very much in the company's consideration and I understand that as recently as last Monday the Locate in Scotland Tokyo office, who have been in regular contact throughout with the project team, were assured that no final decision had been taken and that Scotland was still in contention.

I know that IDU's Director gave Dr Morimoto a general assurance that grant would be available in any UK development area in his letter of 25 January. However the company project team do not appear to be clearly aware that the £20 million offer made by DTI would also be available should the company locate in Cumbernauld, the only other UK location presently under consideration. I am puzzled as to how this uncertainty can have arisen in the company's mind, but I would hope at this critical stage in their decision making that we can stress unambiguously to Fujitsu that money available for the Aycliffe option in the North East will be available to exactly the same level in Cumbernauld.

A further point which concerns me is that although IDU have been fully aware throughout of our Scottish interest in the project, my officials seem to have been excluded from any consultation in advance of Fujitsu's most recent meetings with IDU during the last 10 days. This is particularly puzzling in view of the LIS/IDS exchanges with IDU last November when

the latter were proposing a shared but centralised appraisal of the Fujitsu project. I am sure you will agree that such a lack of consultation is regrettable, particularly when although a specific preference may now be emerging, the company still have a Scottish option under consideration.

In the interests of smooth cooperation for the future, I would hope that IDS officials might be involved in any further key meetings with the company on Government financial support for the project.

Lastly, in Scotland we already have a highly successful European semiconductor centre with the required skills, experience and infrastructural support already in place and we are committed to building on this success, and important innovative semiconductor projects coming from overseas will therefore find a logical and welcome home here.

Copies of this go to The Prime Minister, John Major and Peter Walker.

Yours ever,

Ian

IAN LANG

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MDLIAN 3D55

RESTRICTED
FM UKREP BRUSSELS
TO PRIORITY FCO
TELNO 244
OF 3135OZ JANUARY 89
INFO ROUTINE TOKYO

FRAME INDUSTRIAL
FRAME EXTERNAL

CALL BY LORD YOUNG ON SIR L BRITTAN, 30 JANUARY.
TOYOTA

SUMMARY

1. SIR L BRITTAN SAID THAT HE COULD NOT GUARANTEE A FAVOURABLE COMMISSION REACTION IF THERE WAS A STATE AID APPLICATION IN RESPECT OF TOYOTA. LORD YOUNG AND I STRESSED THAT, IF THAT SITUATION WERE TO ARISE AND THE COMMISSION WERE TO MAKE A NEGATIVE DECISION, IT WOULD BE ESSENTIAL FOR THEM TO MAKE CLEAR THAT SUCH A DECISION WOULD APPLY TO REGIONAL AID GRANTED TO TOYOTA ANYWHERE IN THE EC.

DETAIL

2. THE PROSPECT OF POSSIBLE TOYOTA INVESTMENT IN THE UK CAME UP DURING LORD YOUNG'S CALL ON SIR L BRITTAN YESTERDAY. LORD YOUNG SAID THAT HE DID NOT KNOW WHETHER TOYOTA WOULD MAKE A DECISION ON LOCATION THAT WOULD QUALIFY THEM FOR UK REGIONAL AID OR, IF THEY DID, WHETHER THEY WOULD APPLY FOR SUCH ASSISTANCE. IF THEY DID, AND IF THE GOVERNMENT DECIDED TO OFFER IT, HE RECOGNISED THAT THE NEW STATE AID FRAMEWORK FOR VEHICLES MEANT THAT COMMISSION APPROVAL MIGHT NEED TO BE SOUGHT. THE COMPANY WAS AWARE OF THIS.

3. SIR L BRITTAN NOTED THAT THE FACT THAT UK REGIONAL AID WAS NOW DISCRETIONARY RATHER THAN AUTOMATIC WAS A COMPLICATING FACTOR: IF THE MATTER CAME TO THE COMMISSION, THEY WOULD NEED TO MAKE A JUDGEMENT ON A DECISION BY THE UK GOVERNMENT RATHER THAN THE AUTOMATIC EXPECTATION OF A COMPANY. LORD YOUNG AND I STESSED THAT IT WOULD BE AN INTOLERABLE POSITION IF THE COMMISSION IMPLIED THAT THE DISCRETIONARY NATURE OF THE UK AID MIGHT BE A REASON FOR NOT APPROVING IT. IN THE EVENT THAT THE ISSUE OF REGIONAL AID FOR TOYOTA AROSE, AND THE COMMISSION CAME TO A NEGATIVE VIEW, IT WOULD BE ESSENTIAL FOR THEM TO MAKE CLEAR THAT THEY WERE RULING OUT REGIONAL AID FOR TOYOTA ANYWHERE IN THE EC. SIR L BRITTAN SAID THAT HE BELIEVED THAT THIS WOULD BE THE CASE, BUT OBSERVED THT THE COMMISSION WOULD BE CONSIDERING A SPECIFIC APPLICATION FROM ONLY ONE

MEMBER STATE.

HANNAY

YYYY

DISTRIBUTION 295

MAIN 292

FRAME INDUSTRIAL/EXTERNAL ECD(E) [-]

ADDITIONAL 3

PS/LORD YOUNG BOWEN (CVM) DTI
COCHLINI DTI

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RESTRICTED
FM UKREP BRUSSELS
TO PRIORITY FCO
TELNO 246
OF 311400Z JANUARY 89
INFO ROUTINE ROME, PARIS, MADRID, TOKYO

FRAME INDUSTRIAL/EXTERNAL

NISSAN MOTORS UK

SUMMARY

1. SIR L BRITTAN AND BANGEMANN BOTH ASSURED LORD YOUNG ON 30 JANUARY OF THEIR READINESS TO HELP US RESLOVE THE PROBLEMS WITH THE FRENCH. LORD YOUNG MADE CLEAR THAT HE WAS NOT SEEKING COMMISSION ACTION AT THIS STAGE BUT THAT WE MIGHT COME BACK TO THEM BY THE END OF FEBRUARY IF BILATERAL EFFORTS FAILED.

DETAIL

2. THE NISSAN ISSUE AROSE DURING LORD YOUNG'S DISCUSSIONS YESTERDAY WITH ANDRIESSEN (PARA 6 OF MY TELNO 237), BANGEMANN AND OVER LUNCH WITH SIR L BRITTAN, PERISSICH (DGIII) AND KRENZLER (DGI). LORD YOUNG BRIEFED HIS INTERLOCUTORS ON THE FACT THAT THE FRENCH STILL SEEMED SET TO COUNT THE NMUK CARS AGAINST THEIR JAPANESE QUOTA. THIS WAS HAVING AN IMMEDIATE EFFECT, INSOFAR AS THE FRENCH DISTRIBUTOR HAD INDICATED THAT IN THOSE CIRCUMSTANCES HE WOULD NOT WANT TO IMPORT NMUK VEHICLES. WE WERE TRYING TO RESOLVE THE MATTER BILATERALLY WITH THE FRENCH, AND HOPED TO BE ABLE TO DO SO BY THE TIME OF THE ANGLO-FRENCH SUMMIT AT THE END OF FEBRUARY. IF THESE EFFORTS FAILED, HOWEVER, WE WOULD BE COMING BACK TO THE COMMISSION FOR ASSISTANCE. HE NOTED THAT THE PROBLEM WAS IN EFFECT A TRANSITIONAL ONE, INSOFAR AS EVEN THE FRENCH HAD SAID THAT THEY WOULD BE SATISFIED WHEN LOCAL CONTENT LEVELS REACHED 80 PER CENT: THEY WERE NOW OVER 70 PER CENT.

3. BANGEMANN, IN HIS MEETING, RESPONDED ROBUSTLY. HE BELIEVED THAT THE UK POSITION WAS CORRECT AND THE FRENCH ONE INCORRECT. HE TOOK THIS VIEW NOT BECAUSE OF A PARTICULAR LEVEL OF LOCAL CONTENT BUT BECAUSE HE BELIEVED THAT THE WHOLE NOTION OF LOCAL CONTENT SMACKED OF PROTECTIONISM. HE HOPED THAT ANY BILATERAL SOLUTION THAT MIGHT BE AGREED WITH THE FRENCH WOULD BE A LIBERAL ONE (LORG YOUND ASSURED HIM THAT ANY SOLUTION ACCEPTABLE TO US WOULD REQUIRE THE FRENCH TO IMPORT THE NMUK CARS FREELY). IF THE MATTER CAME BACK TO THE COMMISSION HE (BANGEMANN) WOULD PLEAD FOR COMMISSION ACTION

AGAINST THE FRENCH, AND INVITED US TO USE HIS NAME AND POSITION IN ANY BILATERAL DEALINGS WITH THE FRENCH.

4. A SIMILAR SYMPATHY FOR OUR POSITION EMERGED FROM THE LUNCHTIME DISCUSSION, WITH SIR L BRITTAN IN PARTICULAR EXPRESSING FIRM SUPPORT. THERE WAS SOME DISCUSSION ABOUT HOW BEST TO ATTACK THE FRENCH. HE AND PERISSICH RECOGNISED THAT THE THREAT OF LEGAL ACTION BY THE COMMISSION MIGHT PROVIDE A USEFUL ENCOURAGEMENT TO THE FRENCH TO REACH AN AMICABLE SETTLEMENT IF THEY DID NOT DO SO IN RESPONSE TO OUR BILATERAL EFFORTS. THE MORE CONCRETE EVIDENCE WE COULD PRODUCE OF COMMERCIAL DAMAGE TO NISSAN THE BETTER STRONGER WOULD BE THE COMMISSION'S ARGUMENTS. INSOFAR AS NMUK MIGHT BE BEING DAMAGED AS A RESULT OF DECISIONS BY THE FRENCH IMPORTER (ALBEIT AS A DIRECT CONSEQUENCE OF THE LINE TAKEN BY THE FRENCH GOVERNEMENT), A FIRST COMMISSION COURSE OF ACTION MIGHT BE ON THE RESTRICTIVE PRACTICES FRONT RATHER THAN UNDER ARTICLE 30 - THOUGH THE FINAL ROUTE WOULD ALMOST CERTAINLY BE THE LATTER. ALL THOSE PRESENT, INCLUDING KRENZLER, FIRMLY DISMISSED ANY NOTION THAT THE FRENCH SHOULD BE ALLOWED TO GET AWAY WITH POSTPONING A SETTLEMENT UNTIL THEY HAD ARRANGMENTS THAT WERE SATISFACTORY TO THEM AS REGARDS THE GENERAL ISSUE OF POST 1992 CAR IMPORTS FROM JAPAN.

5. PERISSICH ALSO EXPLAINED THE INWARDNESS OF THE ITALIAN POSITION. AS REPORTED IN PARA 6 OF MY TELNO 237, THE ITALIAN QUOTA FOR IMPORTS VIA OTHER MEMBER STATES UNDER ARTICLE 115 HAD BEEN INCREASED TO 14,000 UNITS. THIS WOULD ENABLE THEM TO CLAIM TO FIAT THAT THEY WERE COUNTING THE NMUK CARS AS JAPANESE (IE UNDER THAT QUOTA) WHILE IN PRACTICE ENSURING THAT THEY ENTERED ITALY FREELY. RUGGIERO HAD INDEED SAID PRIVATELY THAT, IF THE ARTICLE 115 QUOTA WAS REACHED BY THE AUTUMN, THE NMUK CARS SHOULD STILL BE ALLOWED IN FREELY.

COMMENT

6. IT WILL PAY US TO FEED IN MATERIAL/EVIDENCE ON THE FRENCH POSITION AS WE GET IT, SO AS TO KEEP THE COMMISSION WARM AND MORE ABLE TO REACT QUICKLY IF WE CALL UPON THEM TO DO SO. THE MORE USABLE EVIDENCE WE CAN GET FROM NISSAN, THE BETTER THE REACTION WE ARE LIKELY TO GET FROM THE COMMISSION.

HANNAY

YYYY

SUBJECT
cc MAPPER
OPS

SRW

cc FCO.
DTI
CO

10 DOWNING STREET

LONDON SW1A 2AA

THE PRIME MINISTER

30 January 1989

PERSONAL MESSAGE
SERIAL No. T23/89

Dear M. President,

You will remember that at our meeting on Mont St. Michel last November I raised with you a problem over the export of United Kingdom-built Nissan cars to France. I was very pleased to have your assurance then that the difficulties between us on this issue had been resolved and that the cars would be free to enter the French market without any restriction. Sir Geoffrey Howe received a similar assurance when he told M. Rocard on 7 December how glad we were that the matter had been settled. It was therefore with considerable dismay that I learn that in fact the problem remains unsolved after all. I should be most grateful for your help once again in reaching a definitive solution.

I recognise, of course, that United Kingdom-built Nissans are currently being distributed in France without obstruction. But this only solves part of the difficulty. The problem which remains is that Nissan's distributor in France, M. Richard, has been told that until an 80 per cent level of local content is reached, United Kingdom-built Nissans are to be counted against his overall quota for Nissans imported from Japan. I understand that this requirement was spelt out clearly when M. Richard saw Ministry of Industry officials on 22 December, and has been confirmed subsequently in contacts between British Embassy officials and the French administration. This requirement could cause M. Richard to reduce the number of United Kingdom-built Nisssans he imports so as to stay within his

overall quota limits. The requirement would thus have the effect of a quantitative restriction on imports, despite the fact that British goods have an unconditional right of access to France as to other EC markets. Furthermore, it equates United Kingdom-built Nissans to Nissans built in Japan, and means that United Kingdom-built Nissans will be treated less favourably than other cars built within the European Community or indeed in EFTA. This clearly runs counter to the view expressed by the European Commission in late December, that in the present state of Community law there would be no justification for treating United Kingdom-built Nissans differently from other cars produced in the Community.

I am sure you will understand why this position gives us difficulty. There is a matter of European Community principle at stake. And the point is also of practical importance since the approach taken by the French administration will considerably weaken the commercial incentive for the distributor to buy the United Kingdom-built cars and so will impose a restriction on the free circulation of United Kingdom exports within the Community.

Might I ask you to look into the matter once again in the light of the assurance you gave me at Mont St. Michel, with a view to ensuring that henceforth United Kingdom-built Nissans are treated on all fours with other cars manufactured in the Community? We could if necessary have a word about the matter again when we meet on 27 February, but I hope it will be possible to settle it before then.

Kind regards.

Yours sincerely

Margaret Thatcher

His Excellency Monsieur le Président Mitterrand, G.C.B.

BID

ocl c

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary 29 January 1989

NISSAN EXPORTS TO EUROPE

The Prime Minister has considered the Trade and Industry Secretary's minute of 27 January recommending that she should write to President Mitterrand about the continuing problems over Nissan's export of cars to France from the United Kingdom. The Prime Minister has agreed to do so, with very minor changes to the draft attached to Lord Young's minute. I enclose a copy of the letter and am sending the original to Richard Gozney in the Foreign Office with a request that it be delivered as soon as possible.

I am copying this letter and enclosure also to Sir Robin Butler.

(C. D. POWELL)

Neil Thornton, Esq.,
Department of Trade and Industry.

cc PC

dti

the department for Enterprise

PRIME MINISTER

NISSAN EXPORTS TO EUROPE

We have spoken about the problems over exports to France, Italy and Spain of cars produced by Nissan in Sunderland. The problem with Spain has now been completely resolved, and the indications are that Italy will cause us no difficulties. However, we still have a problem with the French.

2 President Mitterrand assured you last November that there was no longer a problem and M Rocard repeated this shortly afterwards to Geoffrey Howe. Although UK-built Nissan cars are being distributed in France without obstruction, the French Industry Minister, M Fauroux, has reaffirmed his intention that these cars should be counted against the quota on imports from Japan. This is despite the assurances given by his President and Prime Minister, and despite the Commission's view that, as far as the free circulations of goods is concerned, there would be no justification for treating Nissan UK production differently from other cars produced in the Community.

3 We agreed that the next step should be a letter from you to M Mitterrand, asking him to honour his earlier commitment to you. A draft is attached. Geoffrey Howe might send a copy to M Rocard. I understand that you will be meeting both M Rocard and M Mitterrand next month. The draft letter makes it clear that you will wish to take the matter up with M Mitterrand if it has not been resolved before you meet on 27 February.

the Enterprise initiative

PB4AKY

dti

the department for Enterprise

I am copying this minute and attachment to Geoffrey Howe, and to Sir Robin Butler.

DY

27 January 1989

DEPARTMENT OF TRADE AND INDUSTRY

the Enterprise initiative

PB4AKY

cbG 8m

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SECRET

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

10 January 1989

TOYOTA

The Prime Minister was grateful for your Secretary of State's minute of 9 January which was discussed at their bilateral meeting this morning. The Prime Minister said that she would be willing to receive a courtesy call by the President of Toyota, Dr. Schoichiro Toyoda. I should be grateful if you could let us know the optimal time for such a visit, so that we can put the diary arrangements in hand.

(PAUL GRAY)

SECRET

Neil Thornton, Esq.,
Department of Trade and Industry.

SECRET

Cite PA

cc BS

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

TOYOTA

Thank you for your letter of 12 January. We have now booked a time in our diary at 1730 on Tuesday 7 March for Dr. Toyoda to see the Prime Minister.

PAUL GRAY

Gareth Jones, Esq.,
Department of Trade and Industry

SECRET

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CC P/C

Treasury Chambers, Parliament Street, SW1P 3AG

MRPhn

Stuart Lord Esq
Principal Private Secretary
Department of Social Security
Richmond House
79 Whitehall
London
SW1A 2NS

12 January 1989

Dear Stuart,

JAPAN: SOCIAL SECURITY AGREEMENT

With DM?

Thank you for sending me a copy of your letter dated ~~10~~ January to Dominic Morris.

The Chief Secretary believes it would be wrong to volunteer discussion of a social security agreement with Japan until the implications for our dispute with the Australian Government have been thought through. He would therefore prefer this subject not to be raised in the Foreign Secretary's talks with the Japanese Foreign Minister this week. And he hopes that, before a decision is taken on whether your Secretary of State should take up this question during his forthcoming visit to Japan, the questions raised in the Chief Secretary's letter to him of 20 December can be answered.

I am sending a copy of this letter to Dominic Morris at No.10 and Stephen Wall (FCO).

Yours,

Peter

PETER WANLESS
Assistant Private Secretary

SECRET

dti

the department for Enterprise

CCBG

3a

SECRET

The Rt. Hon. Lord Young of Graffham
Secretary of State for Trade and Industry

Paul Gray Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON
SW1A 2AA

Department of
Trade and Industry

1-19 Victoria Street
London SW1H 0ET

Switchboard
01-215 7877

Telex 8811074/5 DTHQ G
Fax 01-222 2629

Direct line 215 5623
Our ref PS4BTB
Your ref
Date 12 January 1989

Tosca

PM has agreed to see this man. Pl. fix up a 'c' here slot in DTI.

PG / 1730 on Tues 7th March. 13/1

PRC 6 12/1

Dear Paul,

TOYOTA

Thank you for your letter to Neil Thornton of ~~10~~ January. Toyota have told us that the dates which would fit Dr Shuoichiro Toyoda's timetable are 2,3,4 or 7 March. They have also told us that they will be happy to accept any time on those days.

Yours ever
Gareth

GARETH JONES
Private Secretary

SECRET

the Enterprise initiative

copy no. 1 of 1

dti

the department for Enterprise

SECRET

Prime Minister

Agree to see the President of Toyota in March?

CDP 8/1

PRIME MINISTER

TOYOTA

You will be aware that, for some time past, Toyota have been considering setting up a car assembly plant in Europe. The UK has featured on the short-list and in November the company opened direct discussions with my Department for the first time.

2. The project they have in mind would involve eventual output of 200,000 cars per annum (Nissan scale) and 3,000 jobs, with a start-up of commercial production forecast for September 1992. Over two-thirds of this would be exported. There would be room for expansion. Local content would be 60 per cent rising to 80 per cent within two years, fully consistent with Nissan arrangements.

3. At my meeting last month with Toyota's lead negotiator, Mr Numata, I assured him of a warm Government welcome were Toyota decided to locate this investment in the UK. I reaffirmed this in letters respectively to the Chairman and the President of Toyota. In subsequent official talks encouraging progress has been made:

- Toyota will for the time being negotiate "exclusively" with HMG. If the results are satisfactory, Toyota will not look elsewhere.

- The company have listened carefully to our arguments about the virtues of being seen to come unsubsidised to Europe. They have since told us that central Government aid is "not

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mandatory". They deliberately turned aside the option of pressing for a swift deal before new EC rules (giving the Commission control over all state aids to the motor industry) were introduced on 1 January.

- Toyota will, however, be looking for the maximum help at local level to reduce their investment costs. In practice, it will be difficult to construct a substantial package (the new EC regime bites on local as well as central Government aid) but I suspect this is as much as matter of 'face' as substance with Toyota and, handled carefully, should not prove a stumbling block.

- Toyota are actively considering the possibility of locating the related engine plant in the UK as well, although this would probably be run as a separate joint venture with an existing EC producer.

4. Officials held confidential talks immediately before Christmas with representatives of the four UK regions favoured by Toyota (Yorks/Humberside, Wales, East and West Midlands) and they are now working urgently with the company's UK consultants to produce data on suitable sites (250 acres plus) and related facilities. I met the Vice President of Toyota, Mr Tatsuro Toyoda, today to help things along - the Chairman, Mr Eiji Toyoda having had to stay in Tokyo following the Emperor's death. Official talks resume in earnest later this week.

5. Clearly Toyota would be a major prize and, if we can bring them here at no cost to the taxpayer, so much the better. However, of critical importance to our hopes of securing the

dti

the department for Enterprise

C

SECRET

project will be the degree of political support and 'welcome' Toyota feel they could rely upon were they to settle here. For this reason, it would help our cause significantly if you felt able to receive a courtesy call by the President of Toyota, Dr Schoichiro Toyoda, in early March. At that stage, Toyota will have assembled most of the data they need and will be on the point of seeking corporate endorsement for their strategy. Particularly given the skirmishes with the French and others over Nissan exports to the Continent (and Toyota will have correctly judged that their own investment could prove even more controversial) your personal expression of political support for the venture would I am sure help sway any doubters within the company. If you are content, my office will be in touch with yours to arrange a mutually convenient date.

D Y

9 January 1989

Department of Trade and Industry

888-273

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CDP

FCS/88/236

SECRETARY OF STATE FOR SOCIAL SECURITY

CDP 23/xii

Japan

1. Thank you for your letter of 16 December.

2. I welcome the suggestion that your department should negotiate a bilateral social security agreement with Japan. There would indeed be advantages for both sides in such an agreement. It would demonstrate our willingness to smooth the path for Japanese investors in the UK and, as you point out, would be helpful to UK citizens working in Japan. It would provide a further concrete example of our increasingly close cooperation with Japan.

3. I am copying this minute to the Prime Minister, David Young and John Major.

(GEOFFREY HOWE)

Foreign and Commonwealth Office
23 December 1988

JAPAN: Relations Pt 8

cst.ps/9jm21.12

CONFIDENTIAL

CC/PC

Treasury Chambers, Parliament Street, SW1P 3AG

CBD 22/xii

The Rt Hon John Moore MP
Secretary of State for Social Security
Department of Social Security
Richmond House
79 Whitehall
London
SW1

20th December 1988

Dear John,

JAPAN: PROPOSED BILATERAL SOCIAL SECURITY AGREEMENT

Thank you for sending me a copy of your letter of 16 December to Geoffrey Howe. I can see that the proposal to enter into negotiations with the Japanese is worthwhile. There is however one point that I would like to raise at this stage. That is the possible wider implications for our agreement in this year's PES round not to unfreeze pensions payable to people in Australia, Canada and New Zealand.

There is clearly no comparison in potential cost terms, should any eventual agreement with the Japanese include indexation of pensions, but could the Australians use it to reopen their case on a matter of principle? I understand that they raised the issue when a new agreement including indexation was recently signed with Sweden. Would indexation be on the table in any negotiations with the Japanese? If it was included in an eventual agreement, could the Australians adopt a tougher line when they see indexation in their own region?

In view of the potentially significant public expenditure costs of compromising the status quo on Australia - and, in turn, with Canada and New Zealand - I would be interested to know your own assessment of the implications of the proposed Japanese negotiations, or of any others in the pipeline.

I understand that there is a steady flow of new bilateral social security agreements. Could some of these have similar implications for our position on resisting attempts to unfreeze overseas pensions?

CONFIDENTIAL JAPAN: Relations Pt 8

I would be grateful if you could let me know how you plan to approach the issue.

I am copying this letter to the Prime Minister, Geoffrey Howe and David Young.

Yours Ever, John

JOHN MAJOR

070301
MDHIAN 5812

RESTRICTED
FM MADRID
TO IMMEDIATE FCO
TELNO 981
OF 151145Z DEC 88
AND TO IMMEDIATE DTI
INFO ROUTINE UKREP BRUSSELS, ROME, TOKYO, PARIS

FRAME EXTERNAL

MY TELEGRAM INDUS 77 OF 2 DECEMBER TO DTI AND MY TELNO 979 TO FCO OF 14 DECEMBER: NISSAN UK CAR EXPORTS TO SPAIN

1. THE MINISTER FOR TRADE, APOLONIA RUIZ LIGERO. TELEHONED ME TODAY TO TELL ME FORMALLY THAT THE SPANISH GOVERNMENT HAD LIFTED THEIR EFFECTIVE BAN ON THE IMPORT OF THE NISSAN BLUEBIRD INTO SPAIN. THESE CARS WOULD HENCEFORTH BE COUNTED AGAINST THE UK, NOT THE JAPANESE, QUOTA.

2. RUIZ LIGERO SAID THAT THE GOVERNMENT HAD CONSIDERED THE MATTER AT AN EXTREMELY HIGH LEVEL FOLLOWING MY CALL ON HIM ON 2 DECEMBER. AS HE HAD TOLD ME THEN, THE GENERAL PROBLEM WAS ONE WHICH AFFECTED SPAIN TOO, WITH HER OWN LOCAL MANUFACTURE OF JAPANESE CARS. THERE HAD BEEN ABSOLUTELY NO INTENTION ON THE SPANISH SIDE TO CREATE DIFFICULTIES FOR US AND HE WAS DEEPLY RELIEVED THAT THE PROBLEM HAD BEEN RESOLVED. I SAID YOU WOULD BE VERY PLEASED.

GORDON LENNOX

YYYY

DISTRIBUTION 212

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.FRAME EXTERNAL ECD (E)

ADDITIONAL 1

FRAME

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TH/9748p

DEPARTMENT OF HEALTH AND SOCIAL SECURITY
Richmond House, 79 Whitehall, London SW1A 2NS
Telephone 01 210 3000

From the Secretary of State for Social ~~SERVICES~~ Security

The Rt Hon Sir Geoffrey Howe QC MP
Secretary of State for Foreign and
Commonwealth Affairs
Foreign and Commonwealth Office
Downing Street
LONDON SW1

NBPM
CDP 16/xii
Dec 16-88

Dear Geoffrey

JAPAN

My officials have recently had some informal discussions with yours about the possibility of my department negotiating a bilateral social security agreement with Japan. On our side, we have in mind in particular some problems that have arisen concerning the duplication of Social Security contribution liability on Japanese citizens coming to work in the United Kingdom, though an agreement would also be of advantage to our citizens going to work in Japan. I understand that the Foreign Office would welcome such an initiative which would assist the Government's policy of encouraging Japanese investment, and so the creation of jobs, here. The cost of any agreement will depend of course on the outcome of negotiations but is likely to be negligible.

In my opinion there would be distinct advantages in making such an agreement and I intend, subject to your agreement, to authorise my officials to propose negotiations for the purpose. I should be glad to know that you agree with this initiative.

I am copying this to the Prime Minister, David Young and John Major.

Yours ever
JOHN MOORE

Y SWYDDFA GYMREIG
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-270 3000 (Switsfwrdd)
01-270 (Llinell Union)
Oddi wrth Ysgrifennydd Gwladol Cymru

WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-270 3000 (Switchboard)
01-270 (Direct Line)
From The Secretary of State for Wales

THE RT HON PETER WALKER MBE MP

2 December 1988

Prime Minister

Dear Chancellor

TOYOTA MOTOR CORPORATION

You will wish to be aware that in the course of a visit which WINvest officials paid to Japan last week they learnt from the Toyota Motor Corporation of their latest thinking about the setting up of an assembly operation in Europe. They were told that a decision on location would be taken by April of next year and that 3 countries were under consideration, the UK, France and Spain.

I understand that the Managing Director of the Corporation plans to visit the UK very shortly when I expect to meet him. He has also indicated that he will be seeking a meeting with you to establish whether the UK Government would support the investment if it was placed in the UK and whether the Corporation would have a free choice of location for the investment in the UK. In the meantime, the Company has sought information about sites both from WINvest and from local authorities in Wales.

This is clearly a possible inward investment of major potential significance and I am asking my officials to keep in the closest touch with yours about it.

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

Yours sincerely,

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

Rt Hon Antony Newton OBE MP
Chancellor of the Duchy of Lancaster and
Minister for Trade and Industry
Department of Trade and Industry
1 Victoria Street
London SW1

UK — JAPAN 2000 GROUP

CHATHAM HOUSE, 10 ST JAMES'S SQUARE, LONDON SW1Y 4LE. TELEPHONE: 01-930 2233. FAX: 01-839-3593

FROM THE CHAIRMAN

PLEASE REPLY TO:-
15 OLD BAILEY, LONDON EC4M 7AP
TELEPHONE: 01-329 4454

N 211
PPS

The Rt. Hon. Mrs. Margaret Thatcher, M.P.,
Prime Minister,
10 Downing Street,
LONDON SW1A 2AA.

30th November 1988

Text to note
CA
5/12

Dear Margaret,

Very many thanks for your letter of 22nd November. The date and time you suggest is wholly acceptable and we will look forward to seeing you.

I am copying this letter to Geoffrey Howe and David Young.

Yours ever

Patrick

file SRW

cc FCO
DTI +
incoming
letter

10 DOWNING STREET

LONDON SW1A 2AA

THE PRIME MINISTER

22 November 1988

Dear Patrick

Thank you for your letter of 17 November asking whether I could as usual meet with the British members of the UK-Japan 2000 group before they attend the 1989 Conference in Tokyo in March next year. I should be happy to do so and could manage Wednesday 1 March at 5 pm. I hope this will be convenient for you and your members.

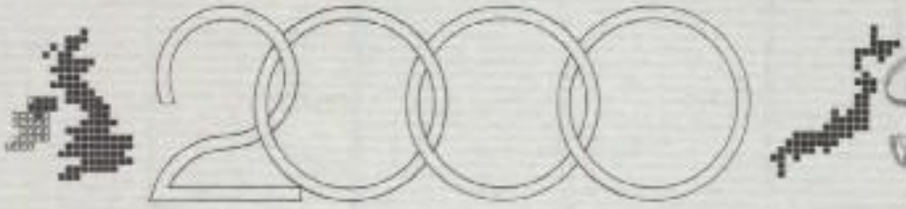
I am copying this letter to Geoffrey Howe and David Young.

Yours ever

Margaret

The Right Honourable The Lord Jenkin of Roding

UK – JAPAN 2000 GROUP



Tessa
Can she do this? She always has in the past
CDP

CHATHAM HOUSE, 10 ST JAMES'S SQUARE, LONDON SW1Y 4LE. TELEPHONE: 01-930 2233. FAX: 01-839-3593

FROM THE CHAIRMAN

PLEASE REPLY TO:-
15 OLD BAILEY, LONDON EC4M 7AP
TELEPHONE: 01-329 4454

RAP

The Rt. Hon. Mrs. Margaret Thatcher, M.P.,
Prime Minister,
10 Downing Street,
LONDON S.W.1.

17th November 1988

Dear Prime Minister,

The 1989 conference of the UK-Japan 2000 Group is due to take place in Tokyo over the weekend March 10th-13th. I am writing to ask if, perhaps some time in the week beginning Monday, February 27th, you might be able to spare thirty to forty-five minutes to meet the British team for the usual pre-conference briefing and discussion. I am, of course, very well aware that the state of your diary means that you cannot possibly respond to all the requests of this nature you receive. However, we greatly value these opportunities to exchange views with you and the influence of the recommendations which we put forward is much enhanced if both sides, and those outside who follow our proceedings, know that we discuss the proposed agenda with our respective Prime Ministers. I hope very much that you can agree to meet us.

I attach a brief note of the range of topics which we intend to discuss next March and I hope you can agree that they are very relevant to the strengthening of the relationship between our two countries.

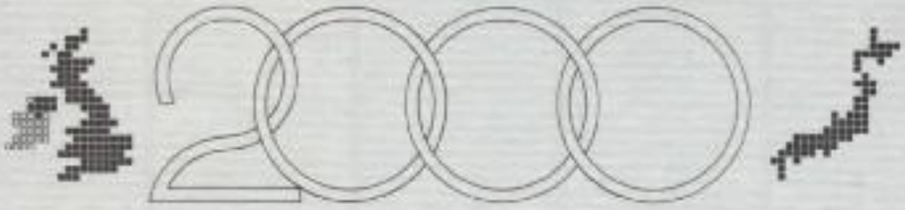
May I particularly draw your attention to the 1991 Japan Festival, plans for which are now well advanced? I know it would be most valuable if we could carry with us to Tokyo a message of encouragement from you to support the considerable efforts which are being made in both countries to secure private sector funding for this very ambitious and worth-while cultural event.

Copies of this letter and of the attachment go to Geoffrey Howe and David Young.

Yours ever

Patrick

UK — JAPAN 2000 GROUP



CHATHAM HOUSE, 10 ST JAMES'S SQUARE, LONDON SW1Y 4LE. TELEPHONE: 01-930 2233. FAX: 01-839-3593

FROM THE CHAIRMAN

PLEASE REPLY TO:-
15 OLD BAILEY, LONDON EC4M 7AP
TELEPHONE: 01-329 4454

Subjects for Discussion at the 1989 Conference in Tokyo

1. Economic and political developments in the two countries since the last meeting in January 1988.

   I would expect that this would provide the opportunity for both sides to give their reactions to the new American Administration.

2. Follow-up on last year's conference including brief reports on the following subjects:-

   (a) Language teaching in both countries, including the exchange of teachers and students.

   (b) Progress towards the establishment of a "Japan House" in London.

   (c) Bilateral developments in the field of science and technology, including the publication in both countries of the reports called for by the Group on the pattern and development of scientific and technological exchanges.

   (d) Collaboration in the field of land use, urban planning and regional development, including UK participation in a joint research project examining the implications for London, Tokyo and New York of their role as "world cities". (There are a number of other initiatives which seem likely to flow from the valuable discussion we held on this policy area last year led by Lord Chilver.)

   (e) Progress towards lower air fares between the two countries, including the prospects of more competition on routes between the UK and Japan.

   (f) A report on the 1991 Japan Festival in Britain, of which Sir Peter Parker is the Chairman of the Executive Council. (There is now every sign of really valuable collaboration with a Japanese sponsoring committee.)

3. New topics:-

(a) Both sides will table papers indicating the responses of each country to the changes in East/West relations and the likely developments.

(b) The impact of inward investment on the respective economies of the UK and Japan; it is anticipated that this will provide an opportunity to discuss 1992, a topic of intense interest in Japan.

(c) New opportunities for UK/Japan co-operation in development assistance to the Third World, covering aid policy, areas for potential regional collaboration and the recycling of trade surpluses. (On this topic, the discussion on the British side will be led by the Minister for Overseas Development, Christopher Patten, M.P.)

PJ/MEC

17.11.88

dti

the department for Enterprise

DM has seen
– for file

The Rt. Hon. Lord Young of Graffham
Secretary of State for Trade and Industry

Dominic Morris Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON SW1

Department of
Trade and Industry

1-19 Victoria Street
London SW1H 0ET

Switchboard
01-215 7877

Telex 8811074/5 DTHQ G
Fax 01-222 2629

Direct line 215 5422
Our ref PB4ABW
Your ref
Date 27 October 1988

Dear Dominic,

VISIT OF DR SHINTO OF NTT, 14-16 NOVEMBER 1988

I believe John Mills had a brief word with you the other day about Dr Shinto's visit, and a suggestion made to my Secretary of State by Lord Chalfont that Dr Shinto would like a courtesy call on the Prime Minister, and that there was possible European investment by NTT at stake. You indicated that the Prime Minister would not in any case be available on those days.

A meeting is being arranged with Lord Young. I enclose a copy of Lord Chalfont's letter for your information, and will let you know the outcome of the meeting.

Yours,
Gareth

GARETH JONES
Private Secretary

(2)

Rice Hunter

CDP 21/X.

PRIME MINISTER

21 October 1988

VISIT TO JAPAN

I visited Japan from 10-16 October and had talks with senior officials and with Mr Abe, the Secretary General of the LDP.

On bilateral questions, I got very encouraging answers to the points I made on the liquor tax and Tokyo stock exchange seats. I was assured the tax reforms were going ahead according to plan and should be through by the end of the year. Our interest in implementation of the liquor tax reform by April 1989 was recognised. Murata, the Vice Foreign Minister, said he mentions this and the stock exchange issue to Takeshita from time to time to keep him aware of the outstanding issues and of his undertaking to take a personal interest. On the Tokyo stock exchange, there was little chance of any move before the new President takes over about 22 November; but some thought was already being given to letting in the two British firms on their own, quite separately from any wider opening. Abe asked me to assure you that the Japanese Government kept its promises. (Since I left, developments in the Recruit Cosmos scandal have made the prospects for early tax reforms less rosy, though the Embassy think reform is not yet in serious jeopardy).

There was clear fishing for you to go to Japan in the second half of 1989. Takeshita looks very likely to be re-elected as President of the LDP and hence Prime Minister in October 1989.

On wider issues, I saw interesting signs of movement in Japanese/Soviet relations. I was told that Soviet overtures had begun earlier this year and had continued with hints of

Soviet flexibility over the Northern Islands. Shevardnadze was expected in Tokyo in December and this could lead to a Gorbachev visit next year. This would not be dependent on the prior settlement of the islands issue: the Japanese thought it important Gorbachev should have a chance to see for himself the realities of Japan.

If this happens it will be an important development and a prize for Gorbachev. He no doubt wants the Soviet Far East to have its share of the dynamism of Pacific rim countries. He may even hope to begin chipping away at the Japan/US security relationship, perhaps by proposing demilitarisation of returned islands. The Japanese for their part do not want to be left out of the detente rush and are following closely progress in Sino-Soviet relations. They would not settle the territorial issue for anything short of the return of all the islands, but there might be a temporary solution - return of two and a statement that the two sides were still in contention on the other two.

On relations with the West, the Japanese said they recognised their growing responsibilities and would continue to meet them. They would continue to shore up the US deficit and maintain their own economic growth through domestic demand. They were also diverting exports from NIE's towards Japan rather than the US. At the same time they foresaw friction with the US over Japanese investment in that country, "which is not seen, for political reasons, in the same way as investment for example from the UK". They were also concerned that some of the demands from the Americans for support costs were getting out of hand.

They are becoming very interested in Cambodia and foresee early moves there. They are considering outside recruitment of a Japanese contingent for an observer team in Cambodia (they will not send Self Defence Force personnel) and I understand they are ready to foot most of the costs of a

peace keeping force. They were pleased with the effect of the Olympics in enhancing South Korea's position and its confidence in dealing with others. They expected creeping recognition of South Korea to continue, with some Soviet connivance. They were not clear, however, of the effect of this growing isolation on North Korea.

The Japanese are impressive. I still wonder whether though in our world they are really of it. Their extraordinary cohesion, which for example can make legal barriers to imports largely unnecessary, the tight alliance between bureaucracy and business, the neurotic insistence that on national security grounds they must dominate all new technology markets, and above all their growing economic strength put them in a category of their own. Adjustment to this power will impose strains on their Western partners, particularly in the US. At the same time, simply by reason of their economic strength and the spread of their investments, they have a high and increasing stake in Western stability and prosperity and they have so far acted very responsibly; they recognise the exclusive US/Japanese relationship is no longer enough and they are turning to Europe, particularly the UK, to supplement it. It is very much in our interest to encourage them.

PC.

PERCY CRADOCK

ADVANCE COPY

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MDADAN 3448

CONFIDENTIAL
FM TOKYO
TO DESKBY 170900Z CABINET OFFICE
TELNO CABOF 25
OF 170540Z OCTOBER 1988
AND TO DESKBY 170900Z FCO

FOR SIR PERCY CRADOCK, CABINET OFFICE

RECORD OF CALL ON MR ABE, SECRETARY-GENERAL OF THE LIBERAL DEMOCRATIC PARTY BY SIR PERCY CRADOCK ON 12 OCTOBER 1988

1. AFTER INITIAL COURTESIES SIR PERCY COMMENTED ON THE EXCELLENT STATE OF BILATERAL RELATIONS BETWEEN JAPAN AND THE UNITED KINGDOM, ADDING THAT MR TAKESHITA'S VISIT TO THE UK EARLIER THIS YEAR HAD BEEN A GOOD OPPORTUNITY TO DUSCUSS THE ONE OR TWO BILATERAL PROBLEMS THAT STILL EXISTED. ONE OF THESE WAS, OF COURSE, LIQUOR TAX. IN THIS CONTEXT SIR PERCY ASKED MR ABE WHAT THE PROSPECTS WERE FOR TAX REFORM IN JAPAN. MR ABE SAID HE WAS BUSY WITH THIS ISSUE NOW AND THAT THE BILL SHOULD PASS THE DIET BY THE END OF 1988. SIR PERCY WELCOMED THIS NEWS AND EXPLAINED THAT THERE WAS CONCERN IN THE UK THAT TAX REFORM MIGHT PASS THE DIET BUT BE DELAYED IN IMPLEMENTATION. SIR PERCY HOPED THAT SHOULD THIS BE THE CASE LIQUOR TAX COULD BE DECOUPLED FROM GENERAL TAX REFORM AND BE IMPLEMENTED FROM APRIL NEXT YEAR.

2. SIR PERCY SAID THAT ONE OTHER QUESTION ON WHICH MRS THATCHER AND MR TAKESHITA HAD HAD A USEFUL DISCUSSION WAS THE TWO OUTSTANDING APPLICATIONS BY BRITISH FIRMS TO JOIN THE TOKYO STOCK EXCHANGE. WHAT THE UK WANTED WAS THAT BRITISH FOIRMS SHOULD BE ABLE TO JOIN WITHIN A REASONABLE PERIOD OF TIME AND ON REASONABLE TERMS. MR ABE REPLIED THAT THIS WAS NOT A PARTY ISSUE BUT COMMENTED THAT MR TAKESHITA HAD A GREAT DEAL OF EXPERTISE IN THIS AREA. HE HAD PROMISED MRS THATCHER THAT HE WOULD TAKE A CLOSE PERSONAL INTEREST IN THIS ISSUE. MR TAKESHITA WAS A CAUTIOUS MAN BUT ONCE HE SAID HE WOULD DO SOMETHING HE WOULD DO IT. MR ABE ADDED HE WAS HAVING LUNCH WITH MR TAKESHITA THAT DAY AND WOULD TAKE THE OPPORTUNITY TO CONVEY MRS THATCHER'S CONTINUED CONCERN ON BOTH QUESTIONS.

3. MR ABE ASKED WHAT THE BIGGEST FOREIGN AFFAIRS ISSUES WERE AS FOR THE UK. SIR PERCY REPLIED THAT THERE WERE A NUMBER BUT AMONG THE MOST IMPORTANT WERE REFORM IN THE SOVIET UNION UNDER MR GORBACHEV AND THE PRESIDENTIAL ELECTION IN THE US. SIR PERCY

024510
MDADAN 3448

ASKED MR ABE, AS A FORMER FOREIGN MINISTER, FOR HIS VIEWS. MR ABE SAID HE BELIEVED THAT BUSH WOULD WIN AND THAT UNDER BUSH RAPPROACHMENT BETWEEN THE US AND THE USSR WOULD CONTINUE. GORBACHEV WAS A STRONG, REFORM-MINDED MAN BUT HIS FORTHRIGHT STYLE MIGHT BRING CERTAIN MATTERS TO A HEAD. JAPAN WAS PARTICULARLY CONCERNED ABOUT THE POSSIBILITY OF TURMOIL IN EASTERN EUROPE. SIR PERCY AGREED THAT IN EASTERN EUROPE THE COMBINATION OF ECONOMIC STAGNATION AND A POLITICAL THAW WAS A POTENTIALLY EXPLOSIVE MIXTURE.

4. SIR PERCY ASKED MR ABE FOR HIS VIEWS ON FUTURE US/JAPAN RELATIONS, PARTICULARLY ON POTENTIAL TRADE FRICTION. MR ABE SAID JAPAN WAS LIBERALISING ITS MARKETS, AND THE INCREASE IN JAPANESE DOMESTIC DEMAND HAD CONTRIBUTED TO THE REDUCTION IN THE AMERICAN TRADE DEFICIT. THIS WAS ALL TO THE GOOD. NEVERTHELESS WERE THE AMERICAN ECONOMY TO ENTER A SERIOUS RECESSION, THEN ONE COULD NOT RULE OUT THE POSSIBILITY OF FURTHER BILATERAL ANTAGONISM. ONCE THE PRESIDENTIAL ELECTIONS WERE OVER MR ABE FELT CERTAIN ISSUES SUCH AS GREATER BURDEN-SHARING, DEFENCE, TRADE, AND A GREATER INTERNATIONAL ROLE FOR JAPAN WERE CERTAIN TO ARISE BILATERALLY. SIR PERCY COMMENTED THAT IN JAPAN/US/EUROPE RELATIONS THE QUESTION OF HOW TO ACCOMODATE THE INCREASING POWER OF JAPAN WAS VERY INTERESTINGM IT MUST BE DONE SMOOTHLY, BUT WOULD NOT NECESSARILY BE AN EASY PROCESS.

5. MR ABE ADDED THAT JAPAN WAS FULLY AWARE OF ITS NEED TO ASSUME MORE RESPONSIBILITY AND PLAY A GREATER INTERNATIONAL ROLE BUT THAT THIS WOULD BE IN THE ECONOMIC SPHERE. IN THIS CONTEXT JAPANESE AID WAS AT PRESENT NOT SUFFICIENT, AND WOULD HAVE TO BE DOUBLED. GREATER STRESS THAN HITHERTO WOULD BE GIVEN TO AFRICA AND THE PROBLEMS OF DEBTOR COUNTRIES IN CENTRAL AND SOUTH AMERICA.

6. THE MEETING CONCLUDED WITH MR ABE ASKING SIR PERCY TO ASSURE MRS THATCHER THAT THE JAPANESE GOVERNMENT KEPT ITS PROMISES.

WHITEHEAD

ADVANCE 2

HD/FED
SIR P. CRADDOCK TH CABS OFF.

HD/ERD
NO 10 DOWNING ST.

NNNN

ORIGINAL FILED ON:
DEATHS: Planning for the Death of Emperor of Japan, Aug 79

MR POWELL CDP 5/X

I had lunch today with Mr Sezaki, Minister at the Japanese Embassy. Two points to record.

i. Mr Sezaki enquired about British representation at the funeral of the Emperor, who was expected to die this week. Predictably, he was concerned that too junior a representation would be regarded as an insult to the deceased Emperor. I said that I was unsighted. He asked whom his Ambassador should ask. I said Sir Patrick Wright.

ii. When Mr Sezaki seemed to assume that the Prime Minister was going to the IDU Conference in Tokyo, I said that so far as I knew no decision had been taken on her attendance. Mr Sezaki hastily said that this was his understanding too. He then went on to say that if Mrs Thatcher came to Tokyo next summer, his Prime Minister would very much hope that the outstanding question of the 4 (?) British applicants to the Tokyo Stock Exchange would have been satisfactorily settled. Apparently, the new Chairman of the Stock Exchange was a Deputy to Mr Takeshito when he was Finance Minister, and Mr Takeshito has recently told him that he expects him to sort the matter out now that he is Chairman of the Stock Exchange. I made no comment.

N.L.W.

N. L. WICKS
5 October 1988

CDP o.r.

9F

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

17 August 1988

I am writing in Charles Powell's absence to thank you for your letter of 15 August. I will show this to Charles on his return from leave, and know that the Prime Minister will be interested to note your reference in the statement.

Dominic Morris

Sir Eric Sharp, C.B.E.

CABLE AND WIRELESS PUBLIC LIMITED COMPANY

MERCURY HOUSE · THEOBALDS ROAD · LONDON WC1X 8RX · TEL 01-242 4433 · TELEX 23181 CANDW G · FAX 01-831 6921

Sir Eric Sharp, C.B.E.
Chairman & Chief Executive

15th August 1988.

R16/8

Mr C. D. Powell,
Private Secretary to the Prime Minister,
(Overseas Affairs),
Prime Minister's Office,
No.10 Downing Street,
London, SW1A 2AA.

Dear Mr Powell

Flag PT7

You will recall the controversy provoked by the problems that Cable and Wireless had in securing a telecommunications presence in Japan as a principal Partner in a Japanese consortium. The PM's support during the difficult negotiations was critical and invaluable. In expressing my appreciation of her efforts to her in my letter of 27th November 1987, I mentioned that at the appropriate time I would publicly acknowledge the value of her support.

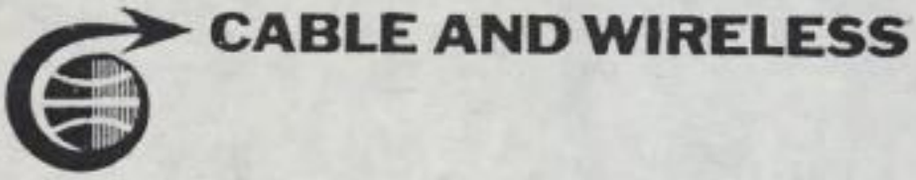
My Annual General Meeting was held on Friday, 29th July (at which 1200 people were present) and I enclose a copy of a verbal statement I made to the Meeting and the reference on page 3 to Mrs Thatcher's contribution. The P.M. might like to know that this particular comment led to warm and sustained applause.

Yours sincerely

Eric Sharp

REGISTERED NUMBER 28525 ENGLAND
REGISTERED OFFICE · MERCURY HOUSE · THEOBALDS ROAD · LONDON WC1X 8RX

Press Release



ANNUAL GENERAL MEETING - CHAIRMAN'S STATEMENT

Ladies and gentlemen, you have seen the film we have made for you this year, and you have - I trust - read the Report and Accounts. Between them they describe what the Cable and Wireless Group is about and they mark the stage we have reached along the new and exciting road we took when the company was privatised seven years ago.

In essence, we are a world telephone company - the only company of its kind. Our strategy is to create a Global Digital Highway for international telecommunications traffic - again, a unique concept. Our approach - bearing in mind that we are not a manufacturing company but a provider of sophisticated telecommunications services - is to capture and keep customers by the high quality of the services we offer.

Our aims in business are to be flexible and rèsponsive to our customers' needs, and to generate sufficient profits to finance the growth of our business and to provide you, the shareholders in Cable and Wireless, with a return on your investment that will sustain your confidence in us.

Before inviting your questions and asking you to approve the report and accounts, I would like to add to the information you already have and to highlight several areas of our business where we have made outstanding progress.

As you know, Mercury, our wholly owned United Kingdom subsidiary, is the Government's chosen instrument to provide competition for British Telecommunications. Well in advance of the timetable we were given, Mercury has created a national network that is also part of an international network. Mercury has made a strong appeal to business users, and is already handling 5 per cent of the traffic to the United States, 3 per cent to Europe and 6 per cent to Japan. More than 80 per cent of international calls originated by Mercury are despatched to foreign carriers over Mercury's own direct routes.

Mercury has reached agreements with most of the telephone authorities in Europe and we intend to lay fibre optic cables between the United Kingdom and France and the Netherlands. Both developments underline our commitment to expanding Mercury's European business.

As I indicated in my statement with the Report and Accounts, Mercury has broken through into profit and from now on its contribution to Group profits will gather momentum. In the first quarter of the current year, the volume of traffic through Mercury's network has increased, the order book has expanded and Mercury's share of a market, which itself is growing, has risen.

However, Mercury's progress has been partly held back by British Telecom's failure to interconnect the Mercury and BT networks as promptly as the interconnect agreement requires and partly by unavoidable losses on international calls to countries where Mercury has not yet established an operating agreement. Our appeal to OFTEL on these issues has led to some improvements and a revision of the international agreement between Mercury and BT has been signed by the Director General. More equitable treatment of this international business will now directly benefit Mercury's profits by a substantial amount per month.

These advances are not visible; Mercury's new payphones are. As I am sure you know, they made their public debut at Waterloo station on Wednesday, and we have them here today. There are three kiosk designs and we would like to know your reaction to them.

The phones are operated by £2, £4 and £10 debit cards - a commemorative card has been issued for the launch - and by leading credit cards. They will be introduced gradually in key locations, both as a service to the public and as a sign that Mercury is now a significant element in this country's infrastructure.

Another landmark of which we can be justly proud is the international operating licence granted in Japan to International Digital Communications, an international consortium in which Cable and Wireless has a leading role. A year ago, I said 'we are nearing the summit of Mount Fuji and, although there are still a few boulders in our path and clouds on the horizon, the summit is nevertheless in sight'. You will have noticed on page 17 of the report and accounts a photograph of Mount Fuji free of cloud and without a boulder in sight!

As we and our partners prepare to compete, from next Spring, for a share of Japan's international telecommunications business, I would like to put on record the invaluable support and encouragement we received during protracted and difficult negotiations with the Japanese authorities from the Prime Minister, Mrs. Margaret Thatcher, and other Government ministers and officials. They played their part admirably and to good effect.

The report and accounts highlight major achievements in the year which are of an on-going and long-term nature in the sense that they secure future profits. I have only last week returned from a visit to the Pacific where Cable and Wireless has secured a further profit base.

In the Solomon Islands, where the Group has held a 51 per cent shareholding in Solomon Islands International Telecommunications since 1978, we have signed a new joint venture agreement with the Government to establish a company to operate the islands' national and international telecommunications. Cable and Wireless will own 40 per cent. This agreement, which is for a period of 15 years, was secured against competition from British Telecommunications and the Overseas Telecommunications Commission of Australia.

Meanwhile, we are preparing in Hong Kong to reduce our stake in Hong Hong Telecommunications by selling up to 5.5 per cent of our present shareholding in a public offer for sale. We have two objectives. One is to fall into line with normal Hong Kong stock exchange requirements governing the proportion of a company's shares which would normally be traded in the open market. The second, at the request of the Hong Kong Government, is to encourage wider public participation in the company. You will see on the agenda a resolution preparing the way for this issue which will be made when we consider market conditions appropriate.

Turning finally to prospects for the Group as a whole in the current financial year, I can report that the underlying performance of our businesses around the world continues to follow the upward trend of previous years. Volatile exchange rates have tended to obscure our progress, but we are also pursuing a financial strategy that will, over time, see a better geographical balance to the sources of our profit and a sterling component that is materially increased. I am confident that shareholders can look to a further year of progress in 1988/89.

Issued by:

Corporate Press Office
Cable and Wireless PLC
Mercury House
Theobalds Road
London WC1X 8RX

General Enquiries:
Paul Woodrow
Chief Press Officer
01 242 4433 (Ext. 4495)

29th July 1988

JAPAN · Relations PTB.

file.

EMBASSY OF JAPAN
LONDON

5th August 1988

Dear Prime Minister,

I should like to refer to my letter, dated 26th July 1988, and to send you, herewith enclosed, the original letter from Prime Minister Noboru Takeshita.

Yours sincerely,

Kazuo Chiba

Kazuo Chiba
Ambassador

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

(2)

EMBASSY OF JAPAN

LONDON

PRIME MINISTER'S PERSONAL MESSAGE SERIAL No. ..... below

26th July 1988

Prime Minister

CDP 26/7

Dear Prime Minister,

I am asked by Prime Minister Noboru Takeshita to transmit the text of a letter to you.

I have pleasure in enclosing herewith the text and the original letter will be forwarded to you in due course.

Yours sincerely,

Kazuo Chiba

Kazuo Chiba

Ambassador

The Rt. Hon. Margaret Thatcher, MP,
Prime Minister and First Lord of the Treasury,
London.

OFFICE OF THE PRIME MINISTER
TOKYO

Already - TD

Translation

July 25, 1988

Dear Prime Minister,

Thank you for your letter of 5 July 1988.

I was delighted to learn that the visit to the United Kingdom earlier this month of Mr. Tamura, Minister for International Trade and Industry, to support your Government's "Opportunity Japan" campaign was successful. I believe that the increasingly frequent contacts and exchange between business and industry circles of our two countries will result in our economic relations becoming ever closer and more productive.

Fully conscious of your strong interest in the question of Tokyo Stock Exchange membership, which you made clear to me when we met in London in May, I am, and will be, taking a personal interest in those matters. At the same time, I trust that you will understand that it is not so much an easy task to realize your wish in the immediate future, as the Tokyo Stock Exchange has only very recently increased the size of its membership for the second time.

Yours sincerely,

Noboru Takeshita
Prime Minister of Japan

Her Excellency
Mrs. Margaret Thatcher
Prime Minister of
the United Kingdom
London

昭和六十三年七月二十五日

日本国内閣総理大臣

竹下登

連合王国首相
マーガレット・サッチャー　閣下

拝復

今般、貴国の進めておられる「オポチュニティ・ジャパン」を支援するため田村通産大臣が貴国を訪問しましたが、右訪問が成功であったと聞いて喜んでおります。今後民間レベルの接触、交流が一層活発になり、日英経済関係がますます緊密の度を強めていくことを期待しております。

東証会員権問題に関する貴首相の強い関心につきましては、先般のロンドンにおける会談以来、私としても十分認識しており、今後とも引続き個人的関心を払っていきたいと考えております。貴首相も良くご承知の通り、東証は第二次拡大を済ませたばかりであり、早急に閣下の御関心にお応えすることは容易でないこともご理解頂きたいと思います。

敬具

PRIME MINISTER'S PERSONAL MESSAGE
SERIAL No. T116B/88

SUBJECT cc MASTER OPS.

Translation

July 25, 1988

Dear Prime Minister,

Thank you for your letter of 5 July 1988.

I was delighted to learn that the visit to the United Kingdom earlier this month of Mr. Tamura, Minister for International Trade and Industry, to support your Government's "Opportunity Japan" campaign was successful. I believe that the increasingly frequent contacts and exchange between business and industry circles of our two countries will result in our economic relations becoming ever closer and more productive.

Fully conscious of your strong interest in the question of Tokyo Stock Exchange membership, which you made clear to me when we met in London in May, I am, and will be, taking a personal interest in those matters. At the same time, I trust that you will understand that it is not so much an easy task to realize your wish in the immediate future, as the Tokyo Stock Exchange has only very recently increased the size of its membership for the second time.

Yours sincerely,

Noboru Takeshita
Prime Minister of Japan

Her Excellency
Mrs. Margaret Thatcher
Prime Minister of
the United Kingdom
London

JAPAN: Relations Pt 8

file DT3

SIR PERCY CRADOCK

VISIT TO JAPAN

The Prime Minister is content for you to make a short visit to Japan, proposed in your minute of 20 July.

C. D. POWELL
21 July 1988

Prime Minister
Agree to this visit (which is clearly a general foreign policy not an intelligence one)?
CDP 20/7

MR POWELL

20 July 1988

VISIT TO JAPAN

Mr Murata, the Japanese Vice Minister for Foreign Affairs who was here in April preparing the way for Mr Takeshita, has invited me to make a short visit to Japan. Unless the Prime Minister sees objection, I propose to accept. It is very much in our interests to develop our relations with Japan and our consultations with them on the international scene. The most likely time would be October, when the Prime Minister is in any case likely to be away a good deal, at the Party Conference and in Poland; but this will of course be subject to negotiation. I shall keep you in touch.

PERCY CRADOCK

SRW8NL

Subject cc Mark

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

12 July 1988

PRIME MINISTER'S MEETING WITH THE JAPANESE MINISTER FOR INTERNATIONAL TRADE AND INDUSTRY

The Prime Minister had a brief meeting this evening with the Japanese Minister for Trade and Industry. I enclose a list of those who accompanied Mr. Tamura.

Mr. Tamura expressed sympathy for the accident on the North Sea Oil platform.

The Prime Minister said that Mr. Takeshita had played a most important role in the Economic Summit in Toronto, which had been a very positive meeting. Mr. Tamura paid tribute to the Prime Minister's powerful leadership at the Economic Summit.

The Prime Minister said that we were grateful to Mr. Takeshita for dealing with the problem of taxation of whisky. She was confident that he would also deal rapidly with the problem of additional seats for British firms on the Tokyo stock exchange. Such problems were an irritant in our relationship which should be removed as quickly as possible.

The Prime Minister said that she was very pleased with Anglo-Japanese relations and our cooperation with Japanese industry. She believed that British industry learned a lot from this in terms of management, design of new products, factory layout, and consideration for the individual at the work-bench. She went on to express interest in social developments in Japan, in particular whether family life was still as strong as it had been. Mr. Takeshita said that family bonds were weakening which was regrettable. Among other things, this posed a major challenge for Government in terms of taking care of old people in a population which was in any event ageing.

The Prime Minister referred to the need for the Newly Industrialising Economies to take on more responsibilities in the world trading system. Mr. Tamura said that the per capita GDP of the NIEs was only one-quarter of that of the OECD countries. They had a very high export dependency. If we pressed too precipitous or hasty change on them, this could create major political difficulties, particularly in South Korea. They must learn gradually to become fully responsible

SRW

members of the community of industrialised countries.

The Prime Minister stressed the importance to the United Kingdom of Japanese investment which was very welcome. Japanese companies should realise the enormous potential benefits of the concept of the Single Market in 1992. She hoped that would encourage more of them to come to Britain.

The meeting ended with Mr. Tamura paying compliments to the Prime Minister so fulsome and flattering that I forebear to record them.

I am copying this letter to Allex Allan (HM Treasury), Bob Peirce (Foreign and Commonwealth Office) and Trevor Woolley (Cabinet Office).

(C. D. POWELL)

Stephen Ratcliffe, Esq.,
Department of Trade and Industry.

01-493 6030

EMBASSY OF JAPAN,
46, GROSVENOR ST.,
LONDON,
W1X OBA

c/c

Mr C.D. Powell
Private Secretary to the Prime Minister
10, Downing Street,
London, SW1.

Dear Mr Powell,

We are writing to inform you that we have finally decided who will be attending the meeting on Tuesday, 12th July 1988, between our Minister for International Trade and Industry, Mr Hajime Tamura, and your Prime Minister, Mrs Margaret Thatcher MP.

Mr K. Chiba	Japanese Ambassador
Mr S. Muraoka	Vice Minister for International Affairs, Ministry of International Trade and Industry.
Mrs H. Omori	Interpreter.
Mr S. Morohashi	President, Mitsubishi Corporation.
Mr Y. Sakakura	President, Mitsukoshi Ltd.
Mr T. Kagayama	Executive Managing Director, Japan Travel Bureau Inc.
Mr K. Yamada	Senior Managing Director, Yamaichi Securities Co. Ltd.
Mr T. Matsumura	Executive Vice President, NEC Corp.

The following people will accompany them, but not participate.

Mr I. Dkamoto	Private Secrettary For Minister Tamura.
Mr H. Sato	Security Police.
Mr T. Kitamura	First Secretary, Embassy of Japan.
Mr M. Yoshikawa	First Secretary, Embassy of Japan.
Mr T. Shinozawa	Attaché, Embassy of Japan.

I hope the above is of some assistance to you.

Yours sincerely,

Mikio Shibata
Commercial Minister.

V2YAHO

dti

the department for Enterprise

CALL ON THE PRIME MINISTER BY MR TAMURA - 5.00pm, 12 JULY

Objectives

(i) To build on the personal relations established during the Prime Minister's earlier meetings with Mr Tamura.

(ii) To reinforce the image of the UK as a valued trading partner and first choice supplier of a wide range of goods and services.

Points to Make

1 Delighted to welcome Mr Tamura to the UK again - and with such a powerful team of businessmen. Visit is a unique event. Delighted also to hear of the success of the weekend at St Andrews hosted by Lord Young.

2 Some key trade policy issues still unresolved. But way now open to develop a deeper and more constructive UK/Japan relationship; a dynamic and plain-speaking partnership.

3 Welcome recent encouraging trends in Japan's international trade. But important that Japan continues the monetary and fiscal policies necessary to support continued demand-led growth, and that global trade surplus continues to fall.

4 Welcome recent proposals for tax reform - including on liquor tax. Very positive response to a long outstanding problem. But essential that changes are implemented from 1 April 1989. This should not become inextricably linked to overall tax reform.

5 Tokyo Stock Exchange. Remain concerned that all qualified British firms should have a reasonable opportunity to acquire a seat.

dti

the department for Enterprise

6 1992 (If raised). The Single Market will bring major benefits to non-EC companies operating here, as it will to EC business. The UK will oppose any proposals for using the Single Market as an excuse to raise the overall level of protection - although the Community will want to ensure that the opening up of our market is parallelled by equivalent market access elsewhere.

V2YAHP

dti

the department for Enterprise

PRIME MINISTER'S MEETING WITH MR TAMURA 12 JULY

Background

Mr Tamura is visiting the UK from 8-12 July, at the invitation of Lord Young, primarily for a weekend of informal discussions at St Andrews. The weekend, which involved teams of senior businessmen on both sides, included both formal talks and informal discussion (over golf). Agreement was reached on future Japanese assistance to the Opportunity Japan Campaign.

2 The Prime Minister last met Mr Tamura during his visit to the UK in January. She expressed gratitude for progress on some of the issues raised in her previous meeting with Mr Tamura, in April 1987, (Cable and Wireless, seats on the Tokyo Stock Exchange) but voiced concern about continuing obstacles to trade (preference for US companies in construction contracts and discrimination against foreign cars in municipal car parks).

3 On construction, we have received assurances at both bilateral and Community level that the agreement with the US will apply on an equal basis to European companies: it is now up to UK companies to test the theoretical openness of the Japanese market, and the major UK construction companies and trade associations are planning an exploratory mission later this year. On cars, the Japanese government has since undertaken a survey of municipal car parks, which revealed that the extent of the problem was limited, and taken action in the form of directives to prefectural authorities to discourage discrimination.

4 The UK's exports to Japan continue to do well. During the 12 months to May 1988, exports rose by 29%, compared with 26% in calendar 1987. Imports too are rising (up 17% in the 12 months to May 1988, compared with a rise of 11% in calendar 1987) and the Japanese surplus with the UK continues to grow (up 13% in the 12 months to May 1988 compared with a rise of 6% during calendar 1987).

5 Japan's global surplus continues to decline in volume terms. Imports (excluding gold) rose by 13%, and manufactures by 27%, last year, although this year they are rising more slowly. However, a revival of exports threatens the Japanese Government's target of a $10 billion reduction in the 1988 current account surplus.

6 Tax reform is the single most important issue for the Japanese Government. The LDP Tax Affairs Committee published its draft outline reform proposals on 14 June, which were subsequently adopted without change by the Cabinet. The main points of the proposals are: the introduction from April 1989 of a 3% general

dti

the department for Enterprise

consumption tax and personal income tax cuts totalling 3.1 trillion yen. The proposals also included reform of the liquor tax structure and the introduction of a single rate of tax on all whiskies.

7 The Tokyo Stock Exchange was raised by Lord Young at St Andrews. Tamura said that he would consult further with Mr Takeshita by telephone before his meeting with the Prime Minister.

OT2/2a, DTI

SRWBNK

PRIME MINISTER

MEETING WITH MR. TAMURA

You are to see Mr. Tamura, the Japanese Minister of Trade and Industry, briefly tomorrow. He will be accompanied by a group of senior Japanese businessmen. I suggest that you hold the meeting in the Cabinet Room: that will impress them (which is one purpose of the exercise).

You will recall that you last saw Mr. Tamura in January. He has been here for a meeting with Lord Young and senior British businessmen. This took place at St. Andrew's over the weekend.

I think the main points to get across at the meeting are:

- The success of the British economy.

- The warm welcome we give to Japanese investment. We have a lot to offer, particularly with the approach of 1992.

- Praise for the considerable role played by Mr. Takeshita at the Toronto Economic Summit.

- Our appreciation for the action taken by the Japanese government on a number of issues (taxation of whisky, discrimination against foreign cars in municipal car parks and preference for US countries in construction contracts).

- The great importance of continuing action to reduce Japanese surplus and to encourage imports.

- Our concern that all qualified British firms should have a reasonable opportunity to acquire a seat on the Tokyo stock exchange.

A note by the Department of Trade and Industry is in the folder together with a list of those attending the meeting. We will arrange a photograph beforehand outside the Cabinet Room.

C.D.P.

(C. D. POWELL)
11 July 1988

For Meeting folder
file

01-493 6030.

EMBASSY OF JAPAN,
46, GROSVENOR ST.,
LONDON,
W1X OBA

8/7/88

Mr C.D. Powell
Private Secretary to the Prime Minister
10 Downing Street
London SW1.

Dear Mr Powell,

I am writing to confirm the names of the participants to the meeting on Tuesday, 12th July 1988, between our Minister for International Trade and Industry, Mr Hajime Tamura, and your Prime Minister, Mrs Margaret Thatcher MP.

	Mr Kazuo Chiba	Japanese Ambassador
	Mr Shigeo Muraoka	Vice Minister for International Affairs Ministry of International Trade and Industry.
	Mr Hiroko Omori	Interpreter
*	Mr Yotaro Iida	President, Mitsubishi Heavy Industries Ltd
	Mr Takuya Okada	Chairman, JUSCO co. Ltd.
	Mr Tomoo Kagayama	Executive Managing Director, Japan Travel Bureau, Inc.
	Mr Yutaka Kume	President, Nissan Motor Co., Ltd.
	Mr Yoshiaki Sakakura	President and Chief Operating Officer, Mitsukoshi Ltd.
	Mr Tomihiro Matsumura	Executive Vice President and Director, NEC Corporation.
	Mr Shinroku Morohashi	President, Mitsubishi Corporation.
	Mr Tsunehiko Yamazaki	Executive Vice President, Yamazaki Masak Corporation.
	Mr Katsuhisa Yamada	Senior Managing Director, Yamaichi Securities Co Ltd.
*	Mr Teruhisa Yuasa	President, Yuasa Battery Company.

The following will accompany the Ministers party to 10 Downing Street, but will not be participating.

Mr Masaaki Nangaku	Deputy Director General of International Trade Policy Bureau, Ministry of International Trade and Industry.

01-493 6030.

EMBASSY OF JAPAN,
46, GROSVENOR ST.,
LONDON,
W1X OBA

Mr Iwao Okamoto	Private Secretary to Minister Tamura
Mr Hiroshi Sato	Security Police for Minister Tamura
Mr Katsuo Seiki	Director of West Europe, Africa and Middle East Division, International Policy Bureau, Ministry of International Trade and Industry.
Mr Toshiaki Kitamura	First Secretary, Commercial Section Embassy of Japan.
Mr Motohide Yoshikawa	First Secretary, Commercial Section Embassy Of Japan.

I hope the above is of some assistance to you.

Yours Sincerely,

Mikio Shibata
Commercial Minister.

(note) Some of the businessmen mentioned above between the asterisks will not participate.

dti

the department for Enterprise

The Rt. Hon. Lord Young of Graffham
Secretary of State for Trade and Industry

J D Shortridge Esq
Private Secretary to the Secretary
of State for Wales
Welsh Office
Gwydr House
Whitehall
LONDON SW1A 2ER

Department of
Trade and Industry

1-19 Victoria Street
London SW1H 0ET

Switchboard
01-215 7877

Telex 8811074/5 DTHQ G
Fax 01-222 2629

Direct line 215 5422
Our ref PS5BBO
Your ref
Date 8 July 1988

Dear John

MR TAMURA'S VISIT TO THE UK

Thank you for your letter of 17 June about Mr Tamura's visit to the UK. You asked whether a meeting could be arranged between Mr Walker and Mr Tamura on 11 July.

I am sorry about the delay in confirming details of this but Mr Tamura's programme has been subject to a considerable amount of changes. A meeting has now been agreed, however, for 10.05 am to 10.45 am on 11 July.

Mr Tamura will just have returned from the weekend at St Andrews with my Secretary of State. This will focus on a series of informal and formal talks when both Ministers will be accompanied by teams of senior businessmen; details of both parties are given in the attached list. Mr Tamura has asked whether the businessmen could also accompany him during the call on Mr Walker and I understand your office has agreed to this.

Mr Tamura will also pay a brief courtesy call on the Prime Minister and on the Foreign Secretary and I am therefore copying this letter to Charles Powell at No 10 and to Tony Galsworthy at the FCO.

Yours

Jeremy Godfrey

JEREMY GODFREY
Private Secretary

the Enterprise initiative

ST ANDREWS, 9/10 JULY

Japanese

Mr Hajime Tamura	Minister for International Trade and Industry
Mrs Aiko Tamura	
Mr Shigeo Muraoka	Vice Minister for International Affairs
Mr Masaaki Nangaku	Deputy Director-General, International Trade Policy Bureau, MITI
Mr Katsuo Seiki	Director, Western Europe Division, MITI
Mr Motohiro Tadokoro	Private Secretary to Minister Tamura
Mr Iwao Okamoto	Private Secretary to Minister Tamura
Mr Hideyuki Tanaka	Desk Officer, Western Europe Division, MITI
Mr Hiroshi Sato	Security Guard to Minister Tamura
Mrs Hirokiohmori	Interpreter

Ambassador Kazuo Chiba	Japanese Ambassador to the UK
Mr Mikio Shibata	Minister, Japanese Embassy
Mrs Yoshiko Shibata	
Mr Toshiaki Kitamura	First Secretary, Japanese Embassy
Mr Takayuki Shinozawa	Attaché, Japanese Embassy
Mr Tsuneo Osumi	Director General, JETRO (London)
Mr Yasuo Uchinaka	Deputy Director General, JETRO (London)
Mr Tadashi Sagisaka	Industrial researcher, JETRO

Businessmen

Mr Yotaro Iida	President, Mitsubishi Heavy Industries Ltd
Mr Takuya Okada	Chairman, JUSCO Co Ltd
Mr Tomoo Kagayama	Executive Managing Director, Japan Travel Bureau
Mr Yutaka Kume	President, Nissan Motor Co Ltd
Mr Yoshiaki Sakakura	President, Mitsukoshi Ltd
Mr Tomihiro Matsumura	Executive Vice-President, NEC Corporation
Mr Shinroku Morohashi	President, Mitsubishi Corporation
Mr Tsunehiko Yamazaki	Executive Vice-President, Yamazaki Mazak Corporation
Mr Katsuhisa Yamada	Senior Managing Director, Yamaichi Securities Company Limited
Mr Teruhisa Yuasa	President, Yuasa Battery Company Limited

JAPAN : Relations PT8

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T106/88

File NJ
cc Fco
Tsy

10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

5 July 1988

SUBJECT. cc MASTER
O/S

'T'

Dear Prime Minister,

When you visited London in May, I explained to you the difficulties we faced in justifying the way in which London financial markets are so open and ready to admit overseas firms - including Japanese firms - whereas there are considerable obstacles for British firms wishing to set up business in Tokyo. You told me you were taking a close interest in these matters.

You may now have seen that the Bank of England has today given approval to Nomura Securities to start up in London as a Gilt Edge Market Maker. This further demonstrates the openness of our market arrangements for foreign firms. I hope that I can now rely on you to ensure that early progress is made on the question of further seats for British firms on the Tokyo Stock Exchange. Kind regards.

Yours sincerely

Margaret Thatcher

His Excellency Mr. Noboru Takeshita

Fco

PERSONAL AND CONFIDENTIAL

8/0

bc: CDP

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

4 July 1988

TOKYO STOCK EXCHANGE AND GEMMs

The Prime Minister has now signed a letter to Mr. Takeshita along the lines of the draft you kindly provided. I enclose a copy.

I should be grateful if you could now consider the timing for the Bank's action and advise us on the appropriate date for transmitting the letter.

(PAUL GRAY)

Alex Allan, Esq.,
HM Treasury.

PERSONAL AND CONFIDENTIAL

NOT YET TRANSMITTED

10 DOWNING STREET

LONDON SW1A 2AA

THE PRIME MINISTER

Dear Prime Minister,

When you visited London in May, I explained to you the difficulties we faced in justifying the way in which London financial markets are so open and ready to admit overseas firms - including Japanese firms - whereas there are considerable obstacles for British firms wishing to set up business in Tokyo. You told me you were taking a close interest in these matters.

You may now have seen that the Bank of England has today given approval to Nomura Securities to start up in London as a Gilt Edge Market Maker. This further demonstrates the openness of our market arrangements for foreign firms. I hope that I can now rely on you to ensure that early progress is made on the question of further securities licenses for British firms on the Tokyo Stock Exchange.

Yours sincerely

Margaret Thatcher

His Excellency Mr. Noboru Takeshita

CONFIDENTIAL

RA

PRIME MINISTER

TOKYO STOCK EXCHANGE AND GEMMs

You agreed at your bilateral with the Chancellor this week that the Bank should indicate that Nomura and Diawa would be given approval to start up in the London gilt edge market; and that you would simultaneously send a letter to Mr Takeshita.

I attach the sort of letter you might send. You will see that it refers only to Nomura and not to Diawa. This is because the Bank now say that Nomura's application came in first and is the stronger one; they therefore envisage leaving the Diawa application until a bit later. This also has the negotiating advantage of not playing both our GEMMs card at the same time.

I am still discussing with the Treasury and the Bank the timing of the application. Meantime, content to sign the letter?

PRCB.

Paul Gray

1 July 1988

MJ2CLT

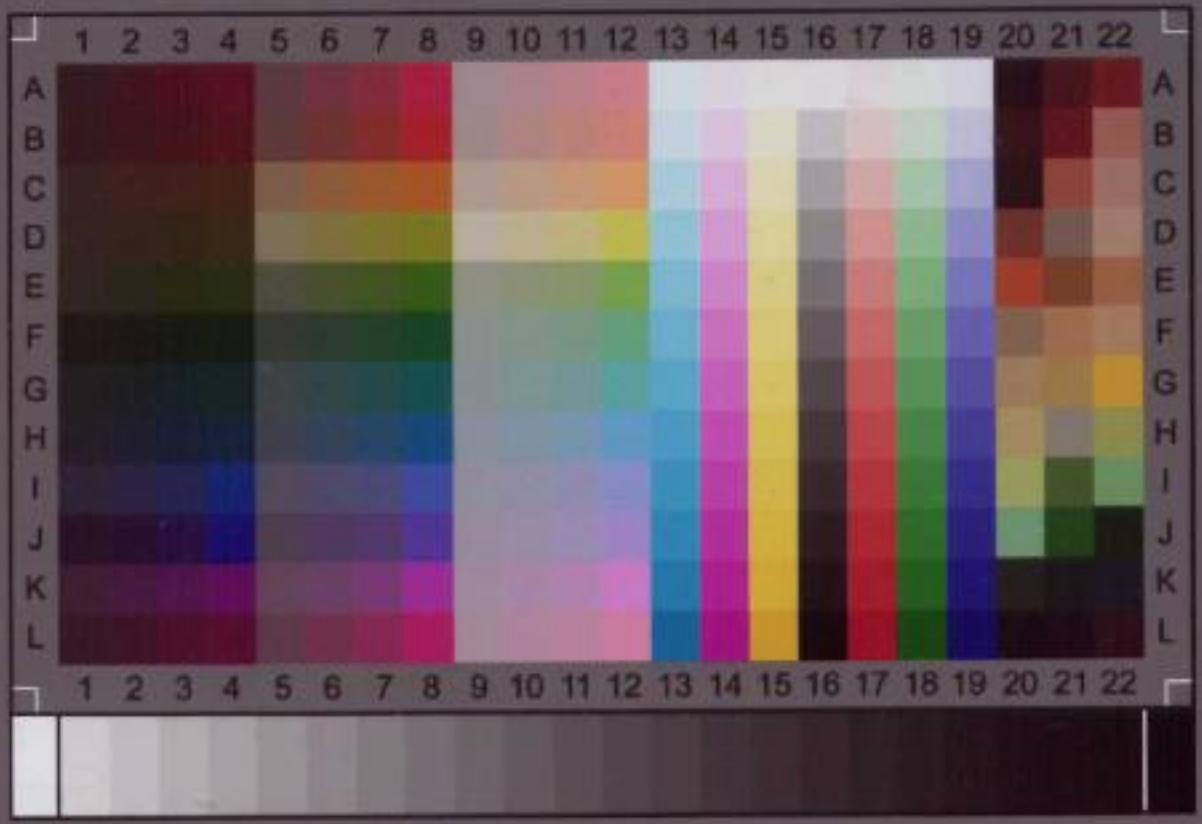
PART 7 ends:-

PPS/Chancellor of Exchequer to PG

30.6.88

PART 8 begins:-

PG to PM 1.7.88



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