

PREM 19/3835

Confidential Filing

Virt of the Japanese Minister for International Trade and Industry, Mr Esaki and his successors Mr. ~~Mitsubuka~~

JAPAN

May 1979

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
18.5.79							
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17.3.82							
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PREM 19/3835

CLOSED.



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

24 December 1992

VISIT OF JAPANESE MINISTER OF INTERNATIONAL
TRADE AND INDUSTRY

Thank you for your letter of 21 December.

I am afraid 12 January is completely booked up for the Prime Minister.

I would not rule out a meeting on Wednesday 13 January if Mr Mori were still here then. Is there are prospect of that?

J. S. WALL

David Melville, Esq.,
Department of Trade and Industry.

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10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

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After checking
day with Stephen,
I have told David
Melville that he
pm can NOT
24 December 1992 manage
this.

p.a. S.H.

Dear David,

VISIT OF JAPANESE MINISTER OF INTERNATIONAL
TRADE AND INDUSTRY

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Jaw,
Stephen
J. S. WALL

David Melville, Esq.,
Department of Trade and Industry.



The Rt. Hon. Michael Heseltine MP
President of the Board of Trade

Stephen Wall Esq
Private Secretary to
the Prime Minister
10 Downing Street
LONDON
SW1A 2AA

Secretary of State
**Department of
Trade and Industry**

Ashdown House
123 Victoria Street
London SW1E 6RB

Direct line
071-215 4440

DTI Enquiries
071-215 5000

21 December 1992

Dear Stephen

VISIT OF JAPANESE MINISTER OF INTERNATIONAL TRADE AND INDUSTRY

Mr Mori, the new MITI Minister, is to make a short visit to London on 12 January. The President of the Board of Trade will be holding discussions with him and hosting an informal dinner at Lancaster House.

The Japanese Embassy has also asked for a courtesy call on the Prime Minister. Such calls must, we realise, be carefully rationed, so as not to "devalue the currency". At present, however, the President feels that such a call is amply justified. You will recall the recent correspondence on Japanese perceptions of the UK's withdrawal from the ERM; we have detected some tendency within Japan to write down UK economic management and commitment to Europe, and thus to reconsider whether Japan is right to regard the UK as its best potential European trade and investment partner. The Prime Minister has been concerned that Ministers should take the opportunities which arise to correct any Japanese misperceptions.

This first visit by a Japanese minister since their Cabinet reshuffle is a particularly important opportunity. If at all possible, the President believes that a brief courtesy call should be fitted into the Prime Minister's diary.

*Yours
David*

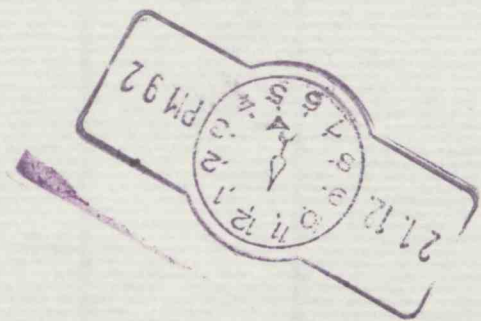
DAVID MELVILLE
Assistant Private Secretary

PE12225

dti

the department for Enterprise





CONSERVATION





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*Minister of International Trade
and Industry*

The Prime Minister
10 Downing Street
London SW1
United Kingdom

December 11, 1992

Dear Sir:

I would like to inform you that effective December 11, 1992 with the institution of the new Cabinet, I resigned as Minister of International Trade and Industry.

My job as Minister of MITI was a challenging as well as enjoyable experience. I would like to take this opportunity to thank you for all your goodwill during my tenure, and assure you that I will make utmost efforts toward furthering the good relationship between our two countries and the development of the world economy.

I look forward to seeing you again sometime in the near future. In the meantime, please accept my best wishes for continued success in your endeavours.

Very truly yours,

渡部恒三

Kozo Watanabe



123/5

file

*Minister of International Trade
and Industry*

14 May, 1992

The Prime Minister
10 Downing Street
London SW1
United Kingdom

Sir:

It was a great pleasure for me to have had the opportunity to meet with you during my recent visit to the United Kingdom. Please accept my sincere thanks for sparing time for me despite your very busy schedule.

I found our discussion valuable and would like to affirm my belief in the importance of cooperation between the United Kingdom and Japan on bilateral and international issues.

I will do my best to strengthen the relationship between our two countries in the future.

With my best wishes for your health and continued success.

Very truly yours,

渡部恒三

Kozo Watanabe

Minister of International Trade
and Industry

**SUBJECT
MASTER**

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Filed on:

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

5 May 1992

CALL ON THE PRIME MINISTER BY THE JAPANESE MITI MINISTER

Thank you for your letter of 1 May with briefing for the call on the Prime Minister by Mr Kozo Watanabe, which took place this morning.

Mr Watanabe turned out to have been a student of British politics in his youth. He had witnessed a Conservative Party conference more than 30 years ago and regarded Gladstone and Disraeli as role models. When he had joined the LDP 20 years ago he had written a book "Progressive Conservatism" urging the LDP to follow the example of the British Conservative Party. It was rather touching to see how genuinely moved and delighted he was to find himself seated in the Cabinet Room opposite the place where Disraeli and Gladstone had sat.

Mr Watanabe said that he was on his way to a meeting of Industry Ministers in Munster where help for the CIS would be discussed. It was a high priority to help with the safety of nuclear power plants in the CIS. Japan believed that international safety training centres should be set up in the countries of the former Soviet Union. Japan was already training some of the nuclear power plant operators and hoped to provide training for a thousand over 10 years. That was not enough on its own and Japan hoped for Britain's support for a G7 initiative on safety training.

Mr Watanabe also referred to UNCED and the framework convention on climate change. He had had a meeting with President Bush in Washington on his way to London. President Bush had told him that the convention should not be one with very high industrial costs attached. President Bush feared that the negotiations on a framework convention were becoming a North/South issue. He wanted to participate but not if the US was going to be isolated. Mr Watanabe had told him that a convention was unthinkable without the participation of the United States.

Mr Watanabe added that twenty years ago, Japan had been faced with very rapid economic growth and associated environmental problems. There had been a heated debate in Japan

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but the Government had cooperated with the private sector in achieving the breakthrough in technology that had allowed industrial progress to be compatible with the preservation of the environment. The problem we now faced was a global one. The industrial countries should transfer technology to the LDCs. The LDCs needed to go in for self help as well. These two things combined should protect our environment.

The Prime Minister said that the meeting at Munster promised to be a very important one. We shared Mr Watanabe's view of the need to sustain the former Soviet Union and prevent a descent into chaos. The cost of failure would be damaging for all of us. That was why we were so pleased about the IMF agreement with Russia. We too were very worried about the safety of nuclear power stations in the former Soviet Union and elsewhere in Eastern Europe. We were interested in Japan's initiative. We shared the view that the G7 must make the safety of nuclear power plants a priority. The G7 Sherpas had just set up a working group on nuclear safety which would report, with recommendations, to the Munich Summit. Japan's proposal would be a very important part of that discussion. It was important to reach concrete conclusions at the Munich Summit.

The Prime Minister said that he would be attending the Rio Summit and hoped that Heads of Government from right across the G7 would be there. He agreed that it was important to reach a consensus. The US faced great difficulties over the climate change convention and we must reach an agreement which enabled the USA to stay on board. President Bush was right to point to the risk of huge bills for industrial countries. We had to ensure that the industrialised countries and the LDCs both made a contribution to a cleaner environment. To put it bluntly there was no point in the United States, Britain, Japan and France making great changes if similar changes were not made in China, India and other countries. The greater the consensus among the heavily industrialised countries the better the prospect of a successful outcome at Rio.

The Prime Minister said that the Anglo/Japanese relationship was as good as it had ever been on the trading and industrial front and culturally. We saw Japan politically as close partners in the G7. We saw our commercial relations improving. British industry was enthusiastic about selling to and buying from Japan and about investment in both directions and about learning from Japan. We were grateful for MITI's help with Opportunity Japan and Priority Japan. We wanted to keep up the momentum and looked forward to the Duke of Kent's visit, with a team of UK businessmen, in May. He was grateful to Mr Watanabe for agreeing to see them and hoped they might call on the Prime Minister as well.

The Prime Minister said that he had seen at first hand some of the large Japanese investments in the UK such as Sony and Nissan. These had been very successful from the point of view of the investors and people in this country. Such investment was very welcome and would remain so. Goods manufactured in this country were regarded as goods which could be freely sold

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- 3 -

throughout the European Community. We were keen to maintain and increase our exports to Japan, not just small but also big, ticket items. Our relations with Japan were of very great importance.

Mr Watanabe said that Japanese companies were grateful for their welcome here. He supported strongly the Priority Japan campaign. He was looking forward to receiving the Duke of Kent. Japan had been able to lay the foundation for her economic growth by learning from the UK. He was pleased to say that he never heard any "Japan bashing" in Britain - unlike some other industrial countries. The British Ambassador in Tokyo, John Whitehead, was doing a very good job, as was the Japanese Ambassador here. The Prime Minister agreed on both counts.

I am copying this letter to Peter Smith (Department of Trade and Industry).

J S WALL

Simon Gass Esq
Foreign and Commonwealth Office

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copy
for

Foreign &
Commonwealth
Office

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London SW1A 2AH

1 May 1992

Dear Stephen,

Prime Minister

Separate list of points to
make is attached. *JK*

Call on the Prime Minister by the Japanese Miti Minister *JK*

Thank you for your letter of 1 May about the call on the Prime Minister by the Japanese Minister for International Trade and Industry (MITI) Mr Kozo Watanabe.

Mr Watanabe last visited the UK in January but the Prime Minister was unable to see him then. Mr Watanabe is a popular and influential member of the Takeshita faction, a leading faction in the LDP and is likely to remain an important figure for some time to come.

The Minister will be accompanied by the Ambassador, (Mr Kitamura), the Vice Minister for International Affairs at MITI, (Mr Hatakeyama), the Director of the Europe/Africa/Middle East Division (MITI), and an interpreter Ms Omori. Mr Kozuka, the Private Secretary to the Minister, Mr Matsui from the Japanese Embassy and Mr Takahashi, a Security Officer will come to No 10 but will wait outside the meeting. I enclose a brief background note on the Minister and a consolidated list of points to make.

If you agree, Andrew Burns will attend, together with David Love, the Assistant Secretary at the DTI.

Internal Japanese Politics: Outlook

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When the new Japanese Diet session resumes shortly, attention will focus on legislation for political reform and to allow Japanese forces to participate in UN peacekeeping operations (PKO). Both of these matters are controversial and it will be difficult for the government to get them passed by 21 June, when the Diet session is scheduled to end.

After the Diet Session the focus of domestic attention will be on the election on 26 July for half the members of the House of Counsellors (the Upper House of

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the Diet). The ruling Liberal Democratic Party (LDP) is defending a large number of seats and it is expected to lose some of them. But, if it loses too many, Miyazawa may be forced to take responsibility and resign. With all parties looking towards the election, none of them will be willing to take action that could lose them support. The opposition parties may, therefore, refuse to cooperate with the LDP on the PKO bill and the LDP, which traditionally receives the support of farmers, is unlikely to make any move towards GATT proposals for liberalising the Japanese rice market.

UK/JAPAN COMMERCIAL RELATIONS

HMG took a conscious decision some years ago that Japan must be approached as an opportunity not a threat. In the 1980's exports to Japan rose by more than 400% to £2.6 billion and our share of OECD exports to Japan rose from 3.1% to 4.6%. Japanese economic policies promoted domestic demand; it proved possible to address many of the market access problems which previously stood in the way of substantial exports to Japan.

The Priority Japan campaign was launched last April as a successor to the "Opportunity Japan" campaign which ran from 1988-1990. It will run for three years. At the outset, we set the target for the campaign of doubling our annual exports to Japan to £5 billion (exports were £2.63 billion in 1990). The slowdown in the Japanese economy since then leaves the target looking over-ambitious. Exports fell 13% in 1991 to £2.28 billion against imports from Japan of £6.76 billion. However enquiries from British companies continue at a high level, and the signs are that the message about the long term potential of Japan as a market is being well received.

The Japanese government is naturally enough receptive to the message in Priority Japan that British industry must make itself more competitive in order to do better in Japan. MITI has agreed to some of our requests for more concrete help from British companies, such as low interest loans.

The Prime Minister might like to say the following:

- British industry maintains great enthusiasm for positive approach of Priority Japan campaign: selling to Japan, investing in Japan and learning from Japan.

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Grateful for MITI's past help with Opportunity Japan and present involvement with Priority Japan.

- But vital that we keep up momentum of campaign. The Duke of Kent will pay an important visit to Japan in May with a team of UK businessmen. Thank you for agreeing to meet them. They are also seeking a call on Prime Minister Miyazawa.

JAPAN ECONOMY

The Japanese economy slowed sharply through 1991. The economic slow-down has depressed consumer demand for our main exports, so 1991 was a less good year; exports 14% down (only 3% down excluding the volatile fine art market). With most formal trade barriers gone, UK lobbying concentrates on structural issues: the need for vigorous enforcement of competition policy, increased infrastructure spending, further financial services liberalisation, and equality of treatment with trade rivals.

The Prime Minister might like to say:-

- Important that Japanese economy should return to positive trends of recent years. So that past improvements can be seen to have been based firmly on structural reform. How does the Minister see future prospects?

Big Ticket Items

President Bush's 7-10 January visit to Japan makes it even more likely that large projects (which would have a major effect on our trade figures) will go to US companies for political reasons. We hope that Japan will actively look for opportunities to purchase "big ticket" items from the UK. A particularly telling example would be the purchase of the Oxford Instrument Synchrotron by one or more Japanese manufacturers, like NEC. This equipment (already bought by IBM in the US) is in advance of anything the Japanese have yet developed themselves. We also attach special importance to forthcoming satellite contracts and trust that the British companies concerned will be given a level playing field in Japan with our US competitors.

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The Prime Minister might like to say the following:

- Hope Japan will actively look for opportunities to purchase "big ticket" items from the UK. Important that EC/UK firms are able to compete equally for major procurements eg in the fields of satellites, aircraft and aero-engines and x-ray lithography.

Japanese Manufacturing Investment in the UK

The Government warmly welcomes Japanese inward investment. In addition to job creation (both direct and indirect), import substitution, technology transfer, and export opportunities, such investment has introduced new management and production techniques.

Investment from Japan has slowed. However signs of improvement are evident. As many of the large Japanese corporations are already present in the UK, future investment is likely to come from small and medium sized enterprises and companies wanting to supply components to existing Japanese manufacturers. The Prime Minister might like to make the following points:

- The UK has an open door policy towards inward investment; there are no formal barriers to overseas companies setting up in the UK.

- Pleased to note that 175 Japanese companies have chosen the UK as a manufacturing base, creating 45,000 jobs. UK has more than 40% of Japanese direct investment in the EC, but this is only about 4% of the foreign direct investment in the UK. Plenty of room for more involvement from Japan.

- Goods manufactured by foreign companies in the UK are treated the same as goods made by British companies. We welcome the export efforts of Japanese companies in the UK. Indicated by further Queens Awards for export to Japanese companies (Nissan, Yamazaki). Hope that further opportunities may be found to increase their exports to Japan.

- A further trend we welcome strongly is the growing Japanese investment R and D in the UK, particularly where this is part of an integrated investment covering research, design and manufacture in the UK.

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GATT URUGUAY ROUND

At their meeting on 22 April, President Bush and M Delors agreed on the need for an early conclusion to the Round and put forward new ideas on agriculture (not yet disclosed, though we understand in confidence that Delors showed flexibility on the key issue of limiting the volume of subsidised exports; Andriessen might follow up soon with Baker). Progress is also needed on services - where the US have threatened to exclude several key sectors unless others improve their offers to liberalise - and market access (tariff reduction). Delors told the press the Round could be concluded before the Munich G7 Summit if there were a positive US response to his proposal. The Japanese Foreign Minister wrote to Andriessen and Carla Hills before the EC/US Summit urging rapid progress.

Japan has not yet agreed to remove quotas on rice imports, despite the objective in the Round of replacing quotas with tariffs. The US fear that the Japanese will use the recent Commission proposal (not yet discussed with member states) to keep import quotas on bananas - in order to protect traditional suppliers - to justify their own position. The Prime Minister might say:

- Glad EC and US agreed that early agreement was still needed and possible. Understand further negotiations due soon.
- Hope Japan will be able to convert its rice quotas into tariffs. Likely to be essential part of agreement on Round.
- (defensive) Must wait for details of Commission proposal on bananas before taking firm view. Solution will need to balance Lomé obligations and need for successful GATT agreement.

The Former Soviet Union

Mr Watanabe met former President Gorbachev early in April. He is to go from the UK to Germany where he will attend a conference on economic reform in Eastern Europe and the Former Soviet Union (FSU). It would be useful to register some points with him.

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The Japanese have so far committed around \$2.9 billion in food, medical and technical assistance, and bilateral credits to the FSU. But of this figure, so far only \$79 million in humanitarian grant aid and £1.5 million in technical assistance are being disbursed. EXIM Bank loans for food and medicine (\$650 million), trade (\$200 million), and export insurance of (\$1.8 billion) have been held up by the need for guarantees of repayment. They have, however, participated in the Paris Club debt deferral package (7% of burden), and shown some commercial interest in the Central Asian Republics' oil fields.

There have been question marks over Japan's willingness to provide large scale assistance to Russia because of the outstanding dispute over the Northern Territories. The Japanese Foreign Minister has just been in Moscow and the Prime Minister will want to ask Mr Watanabe how he got on.

The Prime Minister discussed the issue with Prime Minister Miyazawa on 31 January in New York. HMA, Moscow spoke on 25 March to Ryurikov, Yeltsin's Foreign Affairs Adviser. Our view is that, while the Russian occupation of the islands is unjustified, Japan's best hope of regaining the islands lies in avoiding the replacement of the present Russian administration by successors with more strongly nationalistic policies and that they ought therefore to play their full role in giving macro economic aid to the Former Soviet Union.

The Prime Minister may wish to say:-

- Welcome agreement by G7 and G10 to develop stabilisation fund for the rouble. Once the conditions for it are effectively in place the stabilisation fund will have an important role to play. Understand Japan will host a conference on emergency assistance to the FSU in the Autumn.
- Welcome Japanese commitment to provide large scale assistance. Japan also has an important role to play in promoting growth of private sector and foreign investment. Encourage Japan to play a full role. Hope Japan will have no problems in implementing the commitments it has announced.

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- Eager to see an early resolution to the Northern Territories dispute, which would be of benefit to the international community as a whole. Sympathise with Japanese position, but important to be aware of strong nationalistic pressures on Yeltsin, against background of economic discontent. In nobody's interest to undermine him.

I am copying this letter to Martin Stanley (DTI).

S L Gass

(S L Gass)
Private Secretary

J S Wall Esq
10 Downing Street

CONFIDENTIAL

Col. for

30 for. ago.

Prog. Position.

T + Ind. Mfg. @ Disaster

CIS support: vit / Nuclear Power

'G7 Int. Safety Tr
Centres.'

(Rio)

Climate Change

Not Evid. w/H.

'No big bills.'

Must have as. in Convention.

Global Climate
Changes.

'G7 Republic just set up a
working grp. on nuclear
safety pre-Murch.'

WATANABE, Kozo

Minister of International Trade and Industry (from 5 November 1991)

Watanabe was born Tajima in Fukushima Prefecture on 24 May 1932. He graduated from the Literature Department of Waseda University. He then went on to become President of the Federation of Farming Cooperatives in the town of his birth. He first entered politics, like his father, as a Prefectural Assemblyman.

He was first elected to the House of Representatives in 1969 and has been reelected a further seven times for Fukushima No 2 constituency. He has served as Parliamentary Vice-Minister for Education and International Trade and Industry, as Chairman of the Diet Commerce Committee, as Minister for Health and Welfare (1984), as Chairman of the LDP Diet Policy Committee, and as Minister for Home Affairs (1989). His most recent post was as head of the House of Representatives Budget Committee. He is a former member of the Japanese National Commission for UNESCO and a member of the Japan-Turkey Parliamentarians' League.

He visited England and Scotland in May 1990 on a Category II sponsored visit and took back a thoroughly positive message about bilateral trade and investment.

Popular in the LDP and an influential member of the Takeshita faction, Watanabe is likely to remain an important figure for some time to come. Talkative and eloquent, Watanabe is much in demand as a public speaker. This trait may have developed when he was a member of the Waseda University Debating Society. At this time he became a friend of former Prime Minister Kaifu, a fellow member of the Debating Society. Watanabe recommended Kaifu to run in the LDP Presidential election in 1989. Watanabe is also a strong supporter of future Prime Ministerial hopeful Ichiro Ozawa.

He is married, with one son. His hobbies include go and mountain climbing.

He speaks no English.

Hata - France
Miyazawa - Defense

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PM = Miyazawa

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CALL ON THE PRIME MINISTER BY THE JAPANESE MITI MINISTER

POINTS TO MAKE

UK/JAPAN COMMERCIAL RELATIONS

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- But vital that we keep up momentum of campaign. The Duke of Kent will pay an important visit to Japan in May with a team of UK businessmen. Thank you for agreeing to meet them. They are also seeking a call on Prime Minister Miyazawa.

JAPAN ECONOMY

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Big Ticket Items

- Hope Japan will actively look for opportunities to purchase "big ticket" items from the UK. Important that EC/UK firms are able to compete equally for major procurements eg in the fields of satellites, aircraft and aero-engines and x-ray lithography.

Japanese Manufacturing Investment in the UK

- The UK has an open door policy towards inward investment; there are no formal barriers to overseas companies setting up in the UK.

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- A further trend we welcome strongly is the growing Japanese investment R and D in the UK, particularly where this is part of an integrated investment covering research, design and manufacture in the UK.

GATT URUGUAY ROUND

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- Welcome Japanese commitment to provide large scale assistance. Japan also has an important role to play in promoting growth of private sector and foreign investment. Encourage Japan to play a full role. Hope Japan will have no problems in implementing the commitments it has announced.

- Eager to see an early resolution to the Northern Territories dispute, which would be of benefit to the international community as a whole. Sympathise with Japanese position, but important to be aware of strong nationalistic pressures on Yeltsin, against background of economic discontent. In nobody's interest to undermine him.

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10 DOWNING STREET

Sudra

Stephen

Could we do it if we
had to?

S
23/4

I suppose we would
divch a diary mtg on
Monday 29 April &
we had to. But PM
is sitting Ganscher +
Giscard a'Estamp on 30th.
S 23/4



Foreign &
Commonwealth
Office

London SW1A 2AH

22 April 1991

Dear Stephen,

Visit to London by Japanese Minister for
International Trade and Industry

The Japanese Minister for International Trade and Industry, Mr Eiichi Nakao, will be visiting Britain from 28-30 April. He will be calling on the Foreign Secretary, as well as the Secretary of State for Trade and Industry, who will be hosting the dinner for him. He will also be calling on Mrs Thatcher and giving a speech at Chatham House.

The Japanese Embassy have requested a call on the Prime Minister. The Foreign Secretary takes the view that such a call is not strictly necessary. While it would be a useful opportunity to reiterate our welcome for more Japanese investment, as well as to make a pitch for British aerospace exports to Japan, there are no pressing subjects that need to be discussed at the Prime Minister's level. We understand, however, that the Japanese Embassy are coming under heavy pressure from MITI to arrange a call and this letter is by way of warning that Ambassador Kitamura may seek a call on you to press his Minister's case.

Yours ever,

(S. L. Gass)
Private Secretary

Stephen Wall Esq CMG LVO
10 Downing Street

R21/2

MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY
JAPANESE GOVERNMENT

February 21, 1989

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

ms

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Dear Prime Minister:

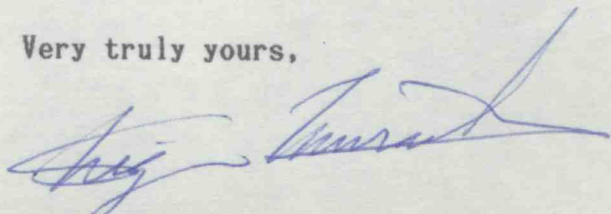
It was a great pleasure to meet with you in Minister Mitsuzuka's company. I wish to thank you for so kindly sparing some of your precious time for the meeting between you and our Minister.

I deeply appreciate your many efforts to forge stronger ties between the United Kingdom and Japan, and value having had the opportunity to hear your ideas on a wide range of issues. In particular, I am in wholehearted agreement with your view that industries should be accorded the same freedoms as individuals.

Building upon the results of the meeting between you and our Minister, I shall do my utmost to promote stronger ties between our countries.

With my best wishes for your health and continued success.

Very truly yours,



Shigeo Muraoka
Vice Minister of International
Trade and Industry

Subject cc Maslin



Mita Record PC

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

1 February 1989

PRIME MINISTER'S MEETING WITH THE JAPANESE MINISTER FOR
INTERNATIONAL TRADE AND INDUSTRY

The Prime Minister had a talk this morning with the new Japanese Minister for Trade and Industry. Mr. Mitsuzuka was accompanied by the Japanese Ambassador and a senior official.

The Prime Minister thanked Mr. Mitsuzuka for the letter of introduction which he had written. She expressed her condolences on the death of the Emperor. Mr. Mitsuzuka expressed Japan's gratitude for our decision to be represented at the Emperor's funeral by HRH the Duke of Edinburgh and the Foreign Secretary.

Mr. Mitsuzuka referred to the difficulties in Japan over the Recruit affair. Journalists generally tended to be rather leftist in their orientation and had sensationalised the issue. All the Government could do was wait for the storm to blow itself out. He thought that the worst was over. The Prime Minister said that the affair must be upsetting for the Japanese government and inevitably did some damage to Japan's reputation. She agreed about the bias of the media. One should never be afraid to defend oneself against their attacks. Otherwise it would appear that their views held the field. Mr. Mitsuzuka said he was grateful for these comments which he would pass to Mr. Takeshita. The LDP intended to take the offensive and maintain it was perfectly justifiable to accept political contributions if they complied with the law.

Mr. Mitsuzuka launched in to some flattering remarks about the Prime Minister's influential role in the Western world and the Japanese Government's wish to learn from her example. The Prime Minister spoke about the need to change people's attitudes so that they did not look to the Government for their standard of living but to their own efforts. The Government's role was to enlarge freedom and opportunity. This led her on to the evil of protectionism and her determination to ensure that Europe after 1992 did not erect new barriers against the rest of the world. There was a tendency on the part of other European governments to talk European but act in a protectionist manner. Our aim was to see a further opening of markets on a fair basis. Mr. Mitsuzuka said that he shared the Prime Minister's views.

The Prime Minister referred to the difficulties over the export of Nissan cars from the United Kingdom to France. The

French were quite clearly at fault and she had recently written to President Mitterrand about the subject. She would not rest until the matter was satisfactorily settled and would raise it at the Anglo/French Summit if necessary. Mr. Mitsuzuka expressed gratitude for the Prime Minister's interventions on the subject.

The Prime Minister said that Mr. Takeshita had undertaken personally to settle the matter of additional seats for British firms on the Tokyo stock exchange in a satisfactory manner. Mr. Maude had recently visited Tokyo and had identified other areas of financial services, such as investment trusts and fund management business, where there was scope for further market opening. Mr. Mitsuzuka said that the stock exchange issue must be settled. He personally expected it to be resolved in the not too distant future.

The Prime Minister said that we were looking forward to welcoming Toyota to the United Kingdom. We had had considerable success in attracting foreign investment because the Government was committed to reducing regulations and burdens on business. Mr. Mitsuzuka said that he hoped that Toyota's researches would confirm their intention to invest in the United Kingdom. He wished to explain that Japan welcomed investment from the United Kingdom. He believed there were no impediments to it. But we should bring any problems to his attention.

The Prime Minister said that she was constantly searching for an answer to the question why Japan consistently had such a high savings ratio and ran such a massive trade surplus. The two were obviously linked. She believed there were also cultural reasons which explained the reluctance of Japanese consumers to buy imported goods. The United Kingdom and other countries could not indefinitely accept a situation in which we were in permanent deficit whilst others had permanent surpluses. She would wish to raise this issue once more at the Economic Summit. Mr. Mitsuzuka said that there were various historic reasons for Japan's persistent surplus. But the Government's recent policies of boosting domestic demand and encouraging consumption had begun to reduce it as a proportion of GNP. They were also spending more on infrastructure, particularly housing and transport. Japan had also very considerably enlarged its overseas aid programme to compensate in part for its surplus. He could assure the Prime Minister of the Japanese Government's determination to continue to take measures to reduce the surplus. The Japanese Ambassador said he would let the Prime Minister have a fuller note on the matter.

I am copying this letter to Alex Allan in HM Treasury, to Bob Peirce in FCO, and to Roger Lavelle in the Cabinet Office.

(C. D. POWELL)

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

Title: LOBBY BRIEFING 4 PM 1/2/89

We repeated this morning's Lobby.

MR MITSUZAKA

Asked if the question of Toyota had been raised during Mr Mitsuzaka's talks with the Prime Minister, we confirmed that it was covered in general terms. However it was only an introductory meeting, following Mr Mitsuzaka's recent appointment, and a number of issues were covered in general terms. We pointed out that Toyota's possible investment was a matter for the company rather than for Ministers.

MB

PRIME MINISTER

MEETING WITH THE NEW JAPANESE MINISTER FOR TRADE AND INDUSTRY

You have agreed to meet the new Japanese Minister for Trade and Industry, Mr. Mitsuzuka tomorrow morning. His cv describes him as charming and urbane. Since he speaks no English this may not be immediately apparent. He will be accompanied by the Japanese Ambassador and an interpreter. You will no doubt encounter him again at the Economic Summit in France in July.

This is intended as an introductory call and you will not want to get into too much detail. Points which you might make:

- condolences on the death of the Emperor;

- thank him for the pleasant letter of introduction which he sent you (copy in folder) and say a complimentary word about his predecessor, Mr. Tamura, who was quite a friend;

- wish him success in his new post and say a general word about your wish to see UK/Japan relations strengthened in every field;

- express our welcome for Japanese investment in the United Kingdom and say how pleased we are by Toyota's recent announcement. [DTI would prefer you not to get into the subject of selective assistance.];

- welcome the liquor tax reform;

- say that you have received a full report on Mr. Maude's recent visit to Japan (copy of his minute in the folder) and that you are very anxious to see further progress on seats on the Tokyo Stock Exchange. You hope very much that this issue can be resolved well before your visit to Tokyo in September. We also want to see further market opening in other areas of financial services such as investment trust and fund

management business;

- tell him that we are doing our best to get the French resolve the question of Nissan cars from the United Kingdom. You have recently written to President Mitterrand and will be seeing him later in February;

- more generally, speak about the importance of progress in the GATT Round. Agriculture will be particularly difficult and Japan will need to make a positive contribution to a solution;

- while you welcome the importance last year in Japan's trade imbalances, this trend seems to be slowing. The problem of global imbalances is bound to be a major subject at the Economic Summit in July.

A fuller note by the DTI is in the folder.

C.D.P.

(C. D. POWELL)

31 January 1989

dti

the department for Enterprise



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

C D Powell Esq.,
Private Secretary to the Prime Minister
10 Downing Street
LONDON
SW1A 0AA

EM
311

Department of
Trade and Industry

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London SW1H 0ET

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Telex 8811074/5 DTHQ G
Fax 01-222 2629

Direct line 215 5422
Our ref MM2AAV
Your ref
Date 31 January 1989

Dear Charles,

JAPAN: CALL BY THE NEW MITI MINISTER

Briefing for Mr Mitsuzuka's call on the Prime Minister
is attached.

Following his meeting with the Prime Minister, Mr Mitsuzuka
will join my Secretary of State and the Minister for Trade for
a meeting followed by lunch at Lancaster House.

Mr Mitsuzuka will be aware of the Prime Minister's proposed
visit to Japan and that of my Secretary of State (in May).

Yours ever,

Neil

NEIL THORNTON
PRINCIPAL PRIVATE SECRETARY
TO SECRETARY OF STATE


the
enterprise
initiative

CALL BY THE NEW JAPANESE MINISTER FOR INTERNATIONAL TRADE
AND INDUSTRY - MR HIROSHI MITSUZUKA

Points to Make

- Condolences on the death of His Excellency the Emperor.
- Welcome to Britain in your new capacity and congratulations in taking such an important portfolio.
- Important international challenges are now facing trade Ministers, especially in the GATT Round. It is vital for open world trade that the Round is a conspicuous success. The UK and Japan both have major interests at stake. We look for a positive contribution from Japan - including on the difficult question of agriculture. We recognise the problems for Japan, especially on rice. But solutions must be found and we look to Japan, as well as to the United States and the rest of Europe, for a positive and flexible approach.
- Welcome the improvement last year in Japan's international trade imbalances and the measures taken by your Government to stimulate strong growth based on domestic demand. However, we are concerned that this progress may now be slowing. Therefore, essential that Japan continues with the right economic policies: to sustain a good level of domestic demand; proceed with structural reforms in the economy (eg deregulation, agriculture, land reform) and continue to open her markets to imported goods.
- No doubt, global imbalances will be a subject at the July Economic Summit.
- Congratulations on the tax reform legislation - a major achievement. I note your personal contribution to this success.

- We were, of course, particularly pleased about liquor tax reform, although necessary to keep under review the implementation of the new rules.

- Pleased to note that UK-Japan trade relations continue to develop constructively. We intend to export vigorously (Opportunity Japan Campaign continues to stimulate interest in Japanese market).

- But still some areas where Japan's markets are not as open as we would wish. Await further progress on Tokyo Stock Exchange. Also hope for further market opening in other areas of financial services (eg investment trust and fund management business) and the food and agricultural sectors.

- Pleased to note recent announcement by Toyota. They can be assured of a warm welcome. I hope this project will go ahead in the UK.

If Raised

- On Nissan, the Commission have said that there is no justification for treating UK production differently from other EC production. For your personal information, have recently written to M. Mitterand stressing the importance we attach to satisfactory resolution of this issue.

- Appreciate your concern that completion of the Single Market in 1992 should not mean "Fortress Europe". The UK will oppose protectionism. 1992 should contribute to the liberalisation and growth of world trade.

- Appreciate concern that anti-dumping rules should be properly applied. We support Community action to deal with unfair trade, but this should not be used for protectionist purposes and is no threat to genuine inward investment.

BACKGROUND

PERSONAL

1 A cv is attached. We understand that Mr Mitsuzuka does not speak English.

2 This is Mr Mitsuzuka's first visit to Europe as MITI Minister. He was appointed in December last year in a major re-shuffle of the Japanese Cabinet. He succeeded Mr Tamura. His previous posts include Transport, where he was instrumental in privatisation of Japan National Railways, and in which capacity he visited the UK in 1978. As MITI Minister, Mitsuzuka can be expected to attend the next Economic Summit.

POLITICAL

3 The Emperor died on 7 January. He is to be succeeded by his son Akihito.

4 The Recruit Cosmos insider dealing scandal continues to trouble the Takeshita government: most recently, the new Justice Minister has been forced to resign only three days after his appointment.

5 Despite its problems over Recruit, the major tax reform package was successfully steered through the Diet at the end of last year. (The Prime Minister sent a letter of congratulation to Mr Takeshita, welcoming in particular the liquor tax reform).

ECONOMY AND TRADE

6 The Japanese economy has continued to grow strongly. Their forecast for GNP in the financial year 1989 is 4 per cent, with domestic demand contributing 4.7 per cent and external balances minus 0.7 per cent. Substantial progress has been made over the last two years in reducing the global surplus, although recent figures indicate that the progress may be slowing. Japanese exports in particular have been strong, responding to world demand.

7 Internationally, we are looking for a positive contribution from Japan in the GATT Round - in particular in the forthcoming, post-Montreal April meeting. The key issue is reform of agricultural policies, where the UK is urging EC and US flexibility, and where Japan must also contribute.

8 Bilaterally, the passage of the tax reform bills brings the whisky issue to a satisfactory conclusion, with the reforms due for implementation on 1 April. There has been no further progress on the outstanding applications for

seats on the Tokyo Stock Exchange. Mr Takeshita has recently assured the Prime Minister of his continuing personal interest: he will want to have something positive to say at the time of the July Summit, but there are as yet no guarantees on timing. (This is not Mr Mitsuzuka's Ministerial responsibility.)

9 UK exports to Japan continue to perform strongly, up 26 per cent in 1987 and 17 per cent in 1988. Our imports from Japan have also increased, with the bilateral deficit rising 20 per cent during 1988.

10 Lord Young will visit Japan in May this year. The "Opportunity Japan" export promotion campaign will again be a theme of the visit.

11 Toyota recently announced that the UK was the leading location for their proposed new automobile plant.

DTI
OT2/2A

31 January 1989

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CONFIDENTIAL

MR HIROSHI MITSUZUKA

Mr Mitsuzuka was born in 1927. A law graduate of Waseda University, Mr Mitsuzuka won election to the House of Representatives for the first time in the 1972 General Election, after serving two terms in the Miyagi Prefectural Assembly. In 1977 he was appointed Parliamentary Vice-Minister at the Ministry of Transport. In 1979 he was appointed Parliamentary Vice Minister at the Ministry of Education, Science and Culture. He served as Director-General of the LDP's Research Bureau in 1980. In 1983, he was appointed Deputy Chairman of the Policy Research Council and, in 1984, he served as acting Chairman of the Policy Research Council. He is a senior member of the Abe faction.

2 In 1985, Mr Mitsuzuka was appointed Minister of Transport in the second Nakasone Cabinet. During his service there he was responsible for the preparation of the privatisation of Japan National Railways. In 1987, Mr Mitsuzuka was appointed Chairman of the Diet's Committee on Rules and Administration. In this capacity, he played a major role in the passage of the tax reform bills.

3 Mr Mitsuzuka's visit to the UK is his first overseas visit in his capacity as Trade Minister. (He visited the UK in 1978, when he met Mr Fowler, who was at that time Minister of State at the Department of Transport).

4 Mr Mitsuzuka, who is married with two children, is charming and urbane. He does not speak English. His hobbies include reading, swordmanship and martial arts.



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dti

the department for Enterprise

cell ②

Tim Hunter

SECRETARY OF STATE

From:

FRANCIS MAUDE

A useful

update.

cap

27/1

26 January 1989

Very good

1. As you know, I visited last week Japan and the Republic of Korea. My main purpose was to press for the markets for British banks and other financial services businesses to be opened further.

Japan

2. The British financial sector is now very well established in Tokyo, and firms have been successful in attracting business in those markets to which they have been allowed. Those who have seats on the Tokyo Stock Exchange (and indeed the two who have not) surprised me, and I suspect themselves, by doing significant business in Japanese stocks for Japanese clients. This was thought to be the heartland of the market in which Japanese culture and attitudes would make success for foreign firms difficult; this success shows how competitive our firms can be in previously protected markets.

3. In addition to the outstanding applications by BZW and James Capel to join the Stock Exchange, there remain three important parts of the market to which British firms are denied access.

- i. None have been granted licenses to establish investment trust (equivalent to unit trust) companies, so preventing access to a vast and potentially very profitable market.
- ii. None have been able to offer investment management or investment advice to corporate pension funds, again a large and growing market.
- iii. None have been invited to participate in the management of Government pension funds.

4. The widespread concern in Japan about "Fortress Europe" gave me the chance to press all these issues hard. They are especially anxious about the reciprocity provisions in the Second Banking Coordination Directive and the Investment Services Directive. They rightly fear that these provisions could have a serious effect on Japanese financial institutions operating from London. I said that we were arguing strongly against these provisions, but that to strengthen our hand we needed to be able to point to concrete evidence that remaining



barriers to foreign firms in Japan are being removed. Two things made this urgent. The negotiations on both Directives were at a critical stage; and the new Commission would be looking afresh at this issue. I emphasised that movement on all these outstanding issues was essential if we were to be helped in the negotiation.

Tokyo Stock Exchange

5. I had meetings with the new President of the Tokyo Stock Exchange, Mr Nagaoka, Vice-Minister Gyohten of the Ministry of Finance, Deputy Minister Kunihiro at the Ministry of Foreign Affairs, and Vice-Minister Muraoka at the Ministry of International Trade and Industry. I said to them all that if it were not possible to give an immediate indication of a date when membership could be granted, we would expect this to be resolved by the time of your visit to Japan in May, even if the actual date of membership were not to be until sometime next year. It was essential for the firms involved to have an early indication so they could plan ahead. Nagaoka said that they were considering further computerisation, which might allow further expansion, but it would not be possible to give an indication by May. But he made it clear, as did all the Ministers, that they understood the importance which both we and Mr Takeshita attached to the issue. Gyohten was at pains to emphasise that the issue was when rather than whether membership was granted, but that timing was very much a matter for the Exchange itself. When I pressed Muraoka, he said very deliberately that while it was unlikely that the matter could be resolved by the time of your visit in May, he hoped that Mr Takeshita would be able to say something to the Prime Minister when they met at the Economic Summit in July. My view is that we are entitled to rely on this as a commitment, and to cause a serious row if it is not honoured.

Scam

Investment Trust Companies

6. This issue is of very great importance to British businesses. I have told the Securities Bureau at the Ministry of Finance that we expect to see rapid movement to liberalise this market. They have said that it will take time to consider the wider issues and to complete the studies that are under way. I regard this as stalling, and I have no doubt that we should continue to press this extremely hard.

Corporate Pension Fund Management

7. At present only trust banks and life insurance companies can take part. Just after my departure, the government announced new arrangements which amount to a substantial liberalisation at least in theory. However, because of some technical restrictions, it will remain extremely difficult in practice for overseas firms to compete. I have registered our concern on this, and I propose to follow it up by letter.

We know that there is a division of view within the Japanese government: the Pensions Bureau at the Ministry of Health and Welfare have been pressing for further liberalisation of the sort we favour. As with investment trusts, this is an area where the Japanese government can itself make changes, and I think we should press on every possible occasion for swift movement. I have no doubt that both of these issues will be worth pursuing when you visit in May.

Government Pension Fund Management

8. I have urged the Director of the Pensions Bureau that when they next invite new firms to undertake management, they should ensure that some British firms were included. I believe that they are minded to do so, but again we will need to pursue this vigorously.

Exports to Japan

9. I pressed for more Japanese government help for British exporters, while expressing gratitude for what has already been done. In particular, Muraoka suggested a joint study of problems in the distribution system, especially in the area of large retail stores, to see where the difficulties could be eased.

Conclusion

10. My judgement for what it is worth, is that the excellent state of relations between Japan and the United Kingdom make it possible for us to push these issues extremely hard. On all of them, we are on high ground; and their preoccupation with "Fortress Europe" provides us with powerful leverage.

11. There will be a number of opportunities over the coming month, including your visit to Japan in May, and discussions the Prime Minister will have with Mr Takeshita in Paris in July, for these issues to be pursued.

Korea

12. The financial markets in Korea remain heavily and overtly protected. The government have announced a detailed programme for deregulation and liberalisation which should be complete by 1992 or thereabouts. There are two specific issues at present, on which I have registered our concern, and which we must pursue. Apart from those, our main concern should be to keep the Korean government rigidly to the timetable it has set itself.

13. I attach a press cutting which I discovered in the Korea Herald on the day of my visit, which sets out the Korean governments plans for deregulation to remove administrative burdens from business. With economic growth in Korea restricted to a mere 12%, this item might help to persuade our European colleagues of the need to avoid placing any further burdens on business.



the department for Enterprise

14. I should like to place on record my gratitude to the posts in both Tokyo and Seoul for the very hard work they put into preparing my visits.

15. I am copying this minute to the Prime Minister, the Chancellor of the Exchequer and the Foreign Secretary.

RM

FM



MN5AKP

Task force activated to remove administrative red tape

Work began yesterday on unravelling the red tape binding private business activities in the first meeting of a task force chaired by Vice Minister of Economic Planning Lee Hyung-koo.

The task force, formed at the persistent request of business circles, is to conduct an overall revision of laws and decrees which hamper free business activities and citizens' daily living.

The task force is scheduled to finish its work by the end of March for implementa-

tion April 1.

Meanwhile, the Korea Chamber of Commerce and Industry yesterday announced policy recommendations which call for, among other things, discontinuing inspection of export goods, simplifying the administrative procedure for medicine imports, removing administrative red tape standing in the way of bank loans, repealing the special excise tax on furniture and easing restrictions on business mergers.

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file DS
cc FCO

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary


25 January 1989

Thank you for your letter of 25 January giving me the names of those who will participate in the meeting between the Prime Minister and your Minister of International Trade and Industry.

I am afraid that accommodation at Number 10 Downing Street is very limited indeed. I must therefore ask that those members of your Minister's party who are not participating in the talks should not come to Number 10 but go direct to the next engagement to meet your Minister there. This does not apply, of course, to the Security Officer. I must ask that he be the only exception.

C. D. POWELL

Mr. Mikio Shibata



R25/1

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

25th January 1989

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 Wednesday, 1st February 1989, between our Minister of International Trade and Industry, Mr Hiroshi Mitsuzuka, and your Prime Minister, Mrs Margaret Thatcher MP.

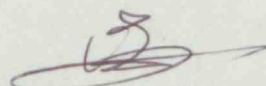
Mr. Kazuo CHIBA	Japanese Ambassador
Mr. Shigeo MURAOKA	Vice Minister for International Affairs, Ministry of International Trade and Industry.
Mrs. Hiroko OMORI	Interpreter

The following will accompany the Minister's party to 10 Downing Street, but will not participate.

Mr. Masaaki NANGAKU	Deputy Director-General of International Trade Policy Bureau, Ministry of International Trade and Industry.
Mr. Shuji SUGIYAMA	Private Secretary to Minister Mitsuzuka
Mr. Hiroshi SATO	Security Police for Minister Mitsuzuka
Mr Katsuo SEIKI	Director of West Europe, Africa and Middle East Division, International Trade Policy Bureau, Ministry of International Trade and Industry.
Mr. Toshiaki KITAMURA	Counsellor, Commercial Section, Embassy of Japan.
Mr. Kazuo KODAMA	First Secretary, Commercial Section, Embassy of Japan.

I hope that the above is of some assistance to you.

Yours sincerely,



Mikio Shibata
Commercial Minister.

25.1
Fax
04/11



CONFIDENTIAL



Minister of International Trade
and Industry

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Pl. keep
for meeting
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R30/1

January 17, 1989

His 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. It is my great pleasure to work with you in an era when international trade issues are becoming so important to every country.

Throughout a career in the Diet as Minister of Transportation, I have been trying to develop of Japanese economy. In particular, the experience of privatizing the Japan National Railway provided an important lesson in how the free market can do a great job in vitalizing industry. I am convinced that this is also true for the world economy.

At this time I'm in charge of contributing toward the development of the world economy and resolving domestic problems. I shall do my best to achieve these goals.



*Minister of International Trade
and Industry*

To attain a balanced development of the world economy, it is a very important subject to strengthen the Europe-Japan relationship. I shall devote myself to promoting Japan's ties with the United Kingdom, which symbolize our ties with Europe .

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

Very truly yours,

三塚 博

Hiroshi Mitsuzuka
Minister

olo

Charles
12. noon on
Wed. 1st Feb.
7a. 12/1

dti

the department for Enterprise

Prime Minister

①

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

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

Do you wish to see
Mr. Mitsuzuka? It's probably
worth it, given
the importance
of attracting
Japanese
investment.

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 5622
Our ref PS3BWI
Your ref
Date 11 January 1989

Yes

CDP 11/1

Dear Charles

JAPAN : NEW MITI MINISTER (MR HIROSHI MITSUZUKA)

Mr Mitsuzuka (successor to Mr Tamura), the new Japanese Minister for International Trade and Industry, plans to visit the UK at the end of this month, arriving on the evening of 30 January. His present plans are to stay two nights and leave for the Federal Republic of Germany on 2 February. Lord Young intends to hold a meeting with Mr Mitsuzuka, followed by lunch, on 1 February.

It is significant that Mr Mitsuzuka has decided to visit the UK so soon after his appointment and allows an early opportunity to re-establish Ministerial relations with MITI. In the light of this, and his own forthcoming visit to Japan in May, my Secretary of State has asked whether the Prime Minister might find time to receive a courtesy call from Mr Mitsuzuka.

The Prime Minister will recall that she met Mr Tamura during the latter's visit to London in July last year. Although the whisky issue - the main business at that time - is now essentially resolved, MITI remains an immensely powerful ministry with which we are keen to retain a constructive relationship.

I am copying this letter to Lyn Parker (FCO).

Yours

Jeremy Godfrey

JEREMY GODFREY
Private Secretary

btb

the department for business

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

Department of
Trade and Industry

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Order No.
C.O. No.
Date of
Fax

JAPAN - 1988 (1988) (1988) (1988) (1988)

1988
1988



Minister of International Trade

and Industry

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

Rie Minister (2)

CR
27/7.

July 18, 1988

[Handwritten mark]

R22

Dear Prime Minister:

It was a great pleasure for me to receive such a warm reception in your country despite the many calls upon your time. Please accept my sincere thanks. The Japanese business leaders with us were deeply honored to have met you.

It was most meaningful for us to hear your views on the strengthening of British-Japanese economic relations and a wide variety of other issues.

I informed Prime Minister Takeshita of the contents of our discussion upon my return to Tokyo, including your message concerning the amendment of the liquor tax and membership in the Tokyo Stock exchange. The Prime Minister is pleased at the steady strengthening of the overall relations between the United Kingdom and Japan, and hopes for further progress as a result of the Opportunity Japan Campaign.

Our meetings in London and St. Andrews produced good results which I shall try my best to translate into closer ties between our two nations.

With my best wishes for your health and continued success.

Very truly yours,

[Handwritten signature]

Hajime Tamura
Minister



Cite SR
ccpc

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

3 July 1988

Dee Stephen

VISIT OF THE JAPANESE MINISTER FOR TRADE AND INDUSTRY

The Prime Minister has now agreed that she will after all see Mr. Tamura briefly, together with a group of prominent business leaders whom he is bringing to the United Kingdom. I understand the only dates he is here are 11 and 12 July. I should be grateful if you could contact Mrs. Gaisman here early on 4 July to arrange a time.

I am copying this letter to Bob Pierce (Foreign and Commonwealth Office).

*Yours sincerely
C. D. Powell*

C. D. POWELL

Stephen Ratcliffe, Esq.,
Department of Trade and Industry

SR

Rich Amerton

Top copy with CD (b)

Would you be prepared to sell this group ^{briefly?} ^{It might be} ^{good opportunity} ^{to make some point.}

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

OWIX OBA
1st July 1988

Dear Mr. Powell,

I am writing to seek an appointment with you at your earliest convenience though I do understand that it is an extremely busy time of year.

The purposes of the appointment are as follows:

1. Toronto Summit

I have been instructed by my authorities in Tokyo to hear your impressions of the Toronto Summit.

2. Courtesy Call For Minister Tamura

The Japanese Minister of Trade and Industry, Mr. Hajime Tamura, is to visit the United Kingdom very shortly with a group of very prominent Japanese business leaders. Included in the group are figures such as the Presidents of Nissan, Mitsubishi and Mitsukoshi among others, and the aim of the visit is to further enhance the economic ties between our two countries. During their five day visit they will also be meeting with their counterparts in British industry.

My Embassy, under instructions from Tokyo, has requested the DTI and the FCO to try to arrange a courtesy call appointment on 11th or 12th July. I understand that your Ambassador in Tokyo has also made a recommendation to the FCO for an appointment. However, so far as it is known, these requests have met with a negative response.

The purpose of the proposed courtesy call, however brief, is for Mr. Tamura to explain his unique attempt to bring this group of Japanese business leaders on this visit, and he feels certain that the Prime Minister's encouragement for this initiative would give an added impetus to successful contacts between British and Japanese business leaders.

In Japan, we say a drowning man will catch at a straw. In this case, you are the last, but powerful straw I have to catch at.

Yours sincerely,

Katsumi M. Sezaki
Minister Plenipotentiary

Charles D. Powell
Overseas Affairs
10 Downing Street
LONDON SW1

LIST OF JAPANESE BUSINESSMEN ACCOMPANYING

MINISTER TAMURA

NAME
COMPANY
TITLE
Mr. Yotaro Iida
Mitubisi Heavy Industries, Ltd.
President
Mr. Takuya Okada
JUSCO CO., LTD
Chairman and Chief Executive Officer
Mr. Tomoo Kagayama
Japan Travel Bureau, Inc.
Executive Managing Director
Mr. Yutaka Kume
Nissan Motor Co., Ltd.
President
Mr. Yosiaki Sakakura
Mitsukoshi Limited
President & Chief Operating Officer
Mr. Tomihiro Matsumura
NEC Corporation
Executive Vice President and Director
Mr. Shinroku Morohashi
Mitsubishi Corporation
President
Mr. Tsunehiko Yamazaki
Yamazaki Mazak Corporation
Executive Vice President
Mr. Katsuhisa Yamada
Yamaichi Securities Co., Ltd.
Senior Managing Director
Mr. Teruhisa Yuasa
Yuasa Battery Co., Ltd.
President



Minister of International Trade
and Industry

Prime Minister

②

CF

cc pt

DTX
HMT
FCO

CF
0/2

R8/2

January 29, 1988

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

mt

Dear Prime Minister:

I write to tell you how very happy I was with the warm reception given me during my recent visit to your country. I deeply appreciate your having found an opportunity to talk with me despite the many calls upon your time. In particular, I wish to thank you again for the kind words you offered upon learning of my mother's illness. It was a satisfaction to be able, shortly before her death, to show my mother the picture you had taken with me and convey to her your sympathetic message.

I found it especially valuable to hear your views on the progress of my country's efforts to adjust its economic structure, including our latest moves to improve market access, and also to confirm with you the necessity for a further strengthening of Japanese-British economic ties. On my part, I shall redouble my efforts to see that Japan more fully meets its obligations to the international community.

I informed Prime Minister Takeshita of the results of our discussion as soon as I returned to Tokyo, in particular your desire to arrange a meeting with him at an early date. I added that I, too, thought an early visit to United Kingdom most advisable. Mr. Takeshita was pleased that our talk had pointed to a further tightening of relations between Japan and United Kingdom, and indicated that he would like to meet with you as soon as possible.

Our meeting in London produced good results which I shall try my best to translate into closer ties between our two nations.

With my best wishes for your health and continued success.

Very truly yours,

田村 元

Hajime Tamura
Minister

P.S.

Two matters which you raised at our meeting -- Japanese trade trends, and the question of parking for imported cars at municipal car parks -- are now being looked into. Our ministry will inform the Department of Trade and Industry of our findings.

Progress of Japan's Economic Structural Adjustment

January 1988

Progress made	Notes																
<p>1. Expansion of Domestic Demand</p> <p>(1) Emergency Economic Measures</p> <p>-- Measures to expand domestic demand totalling more than ¥6 trillion.</p> <p>1) Additional public investment and spending amounting to ¥5 trillion.</p> <p>2) Utilization of revenues accruing from the sale of Nippon Telegraph and Telephone Corp. stocks to consolidate the basis for private-sector projects in the implementation of public works projects.</p>	<p>o The scale of the measures to expand domestic demand included in the May 1987 Emergency Economic Measures was equivalent to 1.8% of GNP.</p> <p>o Economic growth led by domestic demand.</p> <table border="1" data-bbox="1537 929 2268 1265"> <thead> <tr> <th></th> <th>real GNP growth</th> <th>domestic demand</th> <th>net export</th> </tr> </thead> <tbody> <tr> <td>FY 1986</td> <td>2.6%</td> <td>4.1%</td> <td>-1.5%</td> </tr> <tr> <td>FY 1987</td> <td>3.7%*</td> <td>5.0%*</td> <td>-1.3%*</td> </tr> <tr> <td>FY 1988</td> <td>3.8%*</td> <td>4.7%*</td> <td>-1.0%*</td> </tr> </tbody> </table> <p>(* according to the Government Economic Outlook)</p>		real GNP growth	domestic demand	net export	FY 1986	2.6%	4.1%	-1.5%	FY 1987	3.7%*	5.0%*	-1.3%*	FY 1988	3.8%*	4.7%*	-1.0%*
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Note : Japanese fiscal year begins on April 1 and ends on March 31.

Progress made	Notes						
<p>(2) FY 1988 Budget</p> <p>-- An extraordinarily large 20% increase was ensured in the FY 1988 budget over the FY 1987 initial budget for general public works, making an effective use of revenues accruing from the sale of stocks of the Nippon Telegraph and Telephone Corp.</p> <p>2. Tax Reforms</p> <p>-- Income tax reductions amounting to ¥1.54 trillion in FY 1987.</p> <p>Revision of taxation on interests and dividends including the abolition in principle of the non-taxable savings system (effective as from April 1, 1988).</p> <p>3. Shorter Working Hours</p> <p>-- The Labor Standard Law has been amended to reduce the statutory weekly working hours in stages from 48 hours to 40 hours.</p>	<p>o Housing construction is steadily increasing.</p> <p>Increase of the numbers of new housing construction starts over the corresponding period of the previous year:</p> <table data-bbox="1542 761 2165 861"><tr><td>FY 1986</td><td>11.9%</td></tr><tr><td>April to June, 1987</td><td>24.0%</td></tr><tr><td>July to September, 1987</td><td>28.2%</td></tr></table> <p>o Local inhabitants tax reductions scheduled for FY 1988 and FY 1989 amount to ¥660 billion.</p>	FY 1986	11.9%	April to June, 1987	24.0%	July to September, 1987	28.2%
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<p>6. Agricultural Policy</p> <ul style="list-style-type: none">-- The rice production adjustment program is further reinforced, reducing the rice production acreage by 30% in FY 1987.-- The government-set prices for such products as rice, wheat and livestock have been lowered.-- Imports of agricultural, forest, and fishery products increased to about \$29.9 billion in 1986, up 13.9% over 1985, and those from January to October 1987 reached about \$30.1 billion, up 22% over the corresponding period in 1986.	<ul style="list-style-type: none">o Price changes for 1987 from 1986: rice, -5.95%; wheat, -5.0%; pork, -15.4%; beef, -6.4%o Rise in imports in 1986 from 1985: beef, 19.4%; tobacco, 18.5%; grapefruit, 63.9%
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<p>1) The average tariff rate on the 1,053 items chosen for tariff elimination or reduction has been reduced from 5.0% to 3.9%.</p> <p>2) Approximately 90% of the planned improvements in standards, certification systems, and import procedures have already been implemented.</p> <p>-- Additional imports of manufactured goods through government procurement totalling about \$1 billion in FY 1987.</p> <p>-- Requests for expansion of imports have been addressed to 302 major corporations in April 1987; the expected rise in their purchases of imports in FY 1987 is about \$8.3 billion.</p> <p>8. Liberalization and Internationalization of Financial and Capital Markets</p> <p>-- An offshore market for financial transactions was inaugurated in Tokyo in December 1986.</p> <p>-- The following improvements have been achieved:</p> <p>1) further liberalization of interest rates on deposits,</p>	<p>o Average tariff rate on mining and industrial products: 2.1% (April 1986)</p> <p>o The share of manufactured goods in total imports:</p> <table data-bbox="1525 908 2184 1021"> <tr> <td>1985</td> <td>31.0%</td> </tr> <tr> <td>1986</td> <td>41.8%</td> </tr> <tr> <td>January to November, 1987</td> <td>44.1%</td> </tr> </table> <p>o As of October 1987, the total asset of the Tokyo offshore market comprised \$223.4 billion.</p>	1985	31.0%	1986	41.8%	January to November, 1987	44.1%
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<p>multilateral development banks and extending loans to support economic policies of developing countries (more than \$9 billion), 3) activating the untied loans of the Export-Import Bank of Japan (\$3 billion).</p> <p>10. Balance of International Payments</p> <p>-- While the volume of exports decreased (by 1.3% in FY 1986 from FY 1985, and by 4.0% in the period from July to September 1987 over the corresponding period in 1986), the volume of imports increased (by 14.1% in FY 1986 from FY 1985 and by 6.9% in the period from July to September 1987 over the corresponding period in 1986). The current account surplus is also diminishing. The surplus in FY 1986 was equivalent to 4.5% of GNP and that in July to September in 1987 was 3.4% of GNP.</p>	<p>o The current account surplus compared to GNP</p> <table><tbody><tr><td>FY 1985</td><td>4.5%</td></tr><tr><td>FY 1987</td><td>3.3%*</td></tr><tr><td>FY 1988</td><td>2.6%*</td></tr></tbody></table> <p>(* according to the Government Economic Outlook)</p>	FY 1985	4.5%	FY 1987	3.3%*	FY 1988	2.6%*
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FROM: J M G TAYLOR
DATE: 19 January 1988

NOTE FOR THE RECORD

VISIT OF MR TAMURA (JAPANESE MINISTER FOR INTERNATIONAL TRADE AND INVESTMENT)

Mr Tamura paid a courtesy call on the Chancellor yesterday. He was accompanied by Mr Kuroda, the Vice-minister for International Trade and Investment, Mr Yoshida, the Deputy Director of the Trade Policy Board, the Japanese Ambassador H E Mr Yamasaki, and an interpreter. The Chancellor was supported by the Economic Secretary, Mr H P Evans and Mr D Savage.

2. Following an exchange of courtesies, Mr Tamura said he wished to give a brief account of the current state of the Japanese economy, and of Japan's current policy towards exchange rates. He distributed some notes (attached).

3. Mr Tamura said that the Japanese Government had introduced a package of emergency economic measures last May, in order to expand domestic demand. Real GNP in fiscal year 1988 was expected to expand by 3.8 per cent, with an expected growth rate in the medium term of around 4 per cent. Mr Tamura said that, in line with the Maekawa reports, Japan was planning for considerable structural adjustment. A declining trade surplus was expected. The extent of Japan's structural adjustment was exemplified by the running down of traditional industries, such as steel and non-ferrous metals.

4. Mr Tamura said that the Japanese were concerned about the fall in the dollar. They thought this could lead to a "shrinkage" in the use of the dollar in international trade, which would impact adversely on the free flow of goods. There should be stability in exchange rates, through international co-ordination. He expected

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that the US would continue to work to reduce its budget and trade deficits. He hoped that we would continue our efforts to encourage Germany to pursue more expansionary policies.

5. The Chancellor said there was little difference between the UK and Japan on the need for stability in exchange rates. It would be difficult to secure any stability in the dollar unless the US authorities were committed to this. The recent agreement between President Reagan and Mr Takeshita was a welcome sign that the US authorities were now so committed. His own view was that the dollar was probably undervalued. But it could go lower unless Governments and central banks pursued appropriate policies. The Chancellor said that the performance of the Japanese economy had been most impressive in recent years, especially given the adjustments which had been necessary to deal with the appreciation of the yen. This contrasted with the failure of the German economy to respond adequately to the appreciation of the Deutschmark. The Chancellor hoped that we would see further substantial moves, as soon as possible, to open up the Japanese market to a wide range of consumer goods. The Japanese economy was now so strong that it had no need of protection, nor of subsidies to its industries. In particular, subsidies to agriculture should be reduced. We were trying very hard ourselves to reduce the levels of agricultural support in the EC; we hoped that the Japanese would be able to make a determined move in this area as well. The Chancellor noted that there was a lot of Japanese investment in the UK: this was most welcome.

6. Mr Tamura said that there was plenty of room for more UK investment in Japan. The doors were wide open. There were no real barriers to the Japanese markets. He hoped that the Chancellor would further encourage British businessmen to invest in Japan.

7. The Chancellor pointed out that the recent GATT judgement about Scotch Whisky demonstrated that Japan's trade barriers were

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not entirely psychological. Mr Tamura said he had been taking the UK's side in this matter. The Japanese Government were seeking to change the structure of taxes so as to avoid this discrimination. A Bill was now before the Diet. He was determined that this should pass. The Chancellor said he was grateful for these assurances.

Jr

J M G TAYLOR

Copies to:

Those present
Sir P Middleton
Sir G Littler
PS/Prime Minister
PS/Secretary of State for Foreign and Commonwealth Affairs
PS/Secretary of State for Industry

Progress of Japan's Economic Structural Adjustment

January 1988

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SUBJECT *cc* MASTER

10 DOWNING STREET

LONDON SW1A 2AA

19 January 1988

*From the Private Secretary*PRIME MINISTER'S MEETING WITH THE JAPANESE MINISTER
FOR TRADE AND INDUSTRY

The Prime Minister had a meeting this morning with the Japanese Minister for Trade and Industry. Mr. Tamura was accompanied by one of his deputies, by the Japanese Ambassador and an interpreter.

The Prime Minister began by expressing her sympathetic concerns about the illness of Mr. Tamura's mother. She stressed her hope that Mr. Takeshita would find time to visit the United Kingdom before the Economic Summit in June. She referred to the recent and successful meeting of the United Kingdom/Japan 2000 Group.

Mr. Tamura was clearly moved by the Prime Minister's expressions of sympathy for his mother. When he had composed himself, he handed over a message to the Prime Minister from Mr. Takeshita (copy enclosed) and said that Mr. Takeshita looked forward to meeting the Prime Minister soon. He himself was a close colleague of Mr. Takeshita's and could say that he would follow most of the policies of his predecessor. But he was a different personality, so there would be some differences of style. He tended to ponder problems carefully. But once he had made up his mind he would not falter.

The Prime Minister read Mr. Takeshita's message and expressed appreciation for it, particularly the commitment to make changes in the liquor tax in conformity with the GATT recommendation. She continued that 1987 had been a very significant year in economic terms. She recognised the substantial structural change which had taken place in Japan's economy and acknowledged the difficulties which the increase in the value of the yen caused for Japanese industry. Mr. Nakasone had done an enormous amount to bring Japan into a more responsible role in the international economic community. Even so, it had to be acknowledged that the change in the value of the yen had not had the striking effect on Japan's trade surplus that a similar rise in the dollar or the pound would have had for the United States or Britain. Japanese companies cut export prices to the bone and there was still resistance to imports. As a result Japanese surplus remained very large, even though the trend was in the right direction. She hoped that the period of disruption in financial markets

was coming to an end and that we could all look forward to conditions of monetary stability. But this would only occur if each nation puts its financial house in order and if countries with permanent trade surpluses were willing to see these reduced. It would also be very important to deal with problems of agricultural subsidies and protectionism.

Turning to bilateral matters, the Prime Minister said that she was grateful that progress had been made on some of the problems that she had raised during her last meeting with Mr. Tamura, for instance Cable and Wireless and the question of seats on the Tokyo Stock Exchange for British firms. But we continue to come across obstacles to trade and would pursue these vigorously in the spirit of trying to solve them. The commitment in Mr. Takeshita's letter to deal at last with the discriminatory tax on imported alcoholic drinks was welcome although she had to say it was overdue. We were concerned by the apparent preference for American companies in bidding for major contracts which had been announced during Mr. Takeshita's visit to Washington. There had also been allegations of discrimination against foreign cars in municipal car parks in Japan, although she understood this was being dealt with. But overall she detected a willingness on Japan's part to see particular problems resolved satisfactorily. She could assure Mr. Tamura that we wanted to strengthen bilateral ties with Japan. We also very much welcomed Japanese investment.

Mr. Tamura said that he was glad the Prime Minister had noted the progress on a number of bilateral issues since their last talk. He could assure her that the Japanese Government would make the utmost efforts to push through the tax reform including reform of the liquor tax. Since time was short, he would hand over a paper summarising progress with Japan's economic structural adjustment (copy enclosed). The general picture was one of declining exports and increasing imports. Some myths about Japan's trading practices remained. The Prime Minister interjected that there was no myth about Japan's trade surplus. It was still very large and it was taking a long time to come down. There were also still barriers to trade. None of this was myth. It was fact. Mr. Tamura continued that it was not the case that Japan was offering the US preferential access to tendering for major contracts. It had simply been agreed that both sides' procedures should be respected. This was an issue which should be pursued on a multilateral basis.

The discussion had to end at this point. I should record that the Japanese Ambassador passed me a note which reads: "In Japan parking lot underground is sometimes narrow and in those circumstances there are cases where 'big limousine type of car' can be rejected".

I am copying this letter and enclosures to Alex Allan (HM Treasury) and Robert Culshaw (Foreign and Commonwealth Office).

(CHARLES POWELL)

Miss Alison Brimelow,
Department of Trade and Industry.

PRIME MINISTER

MEETING WITH THE JAPANESE MINISTER FOR TRADE AND INDUSTRY

You have agreed to see the Japanese Minister for Trade and Industry, Mr. Tamura, tomorrow morning. You last saw him in April last year; a note of that meeting is in the file. Mr. Tamura will also be seeing the Chancellor, the Foreign Secretary and Lord Young.

You will want to start by enquiring after Mr. Tamura's mother, who is seriously ill. (He cancelled his visit to Germany, where he was due to go before coming to London.)

Mr. Tamura will be bringing a letter from Mr. Takeshita. We do not yet know what is in it: it may deal with your invitation to Mr. Takeshita to visit the UK before the Economic Summit in Toronto. In any event, you will want to repeat that invitation.

There has been progress on virtually all the issues which you raised with Mr. Tamura last time. Cable and Wireless have been granted a licence to operate international telecommunications services in Japan. Four UK firms have obtained seats on the Tokyo Stock Exchange. We have had some assurances (but still no definitive action) on whisky. We are pleased with Japanese investment and would welcome more. More widely the rise in the yen, the measures to expand demand, and the decline in Japanese export volumes (and increase in our export volumes) are important developments.

You can welcome all this. BUT there is a long way still to go on the bilateral front and more widely. We would like to see all eligible British companies obtain seats on the Tokyo Stock Exchange this year. We want to see action taken now to remove the unfair tax discrimination on imported alcoholic drinks: you have been pressing for this for eight years. Although the trends in trade are moving in the right direction, the gap is still large: our exports are £1.4 billion, our imports

£5.00 billion. We are disturbed by reports of preferential access being given to US companies to bid for particular contracts in Japan. Because of Japan's past record, it is hard to convince our exporters that they will get a fair deal. So the message is: keep right on to the end of the road (and keep off the low road!)

You will also want to discuss wider trade and financial issues, particularly the continuing difficulty, which Japan's (and Germany's) evident determination to preserve a permanent trade surplus causes to the world economy; and the need for Japan to start to dismantle the levels of subsidy which it gives to agriculture. We note that the 1988/89 Japanese budget contains no further easing of fiscal policy, which is disappointing.

You might want to mention the prospects for the 1988 Economic Summit. But a point to beware: the Japanese are pressing for the Trade Minister to attend.

You will find in the folder a note from the DTI and also an article by Christopher Tugendhat.

C.D.?

Charles Powell

18 January 1988

PRIME MINISTER'S MEETING WITH MINISTER TAMURA

Objectives

To receive from Mr Tamura a personal letter from Mr Takeshita and to gauge Mr Takeshita's style of operation from one of his closest colleagues. To build on recent improvements in our trade relations with Japan, and to enhance Japan's perception of the UK as a valued trading partner.

Line to Take

- 1 Grateful for Mr Takeshita's letter and I look forward to seeing him. Most interested to hear about Sir Geoffrey Howe's visit last week, and pleased that Lord Young will visit Japan in March.
- 2 Welcome the recent encouraging trends in Japan's international trade, and the domestic demand-led growth in Japan's economy. Important that this growth is maintained and that Japan follows through with financial and other economic reforms.
- 3 Glad that our bilateral relations are much better than when we met in London last April. Appreciate the helpful role you played in this, including over Cable & Wireless.
- 4 There has also been important progress in the Tokyo Stock Exchange. But two UK companies who sought seats were unsuccessful - including one of our largest houses, BZW. We would welcome a commitment by the Japanese authorities that all eligible British companies would be able to acquire seats within the coming year.
- 5 Welcome Japan's acceptance of GATT Panel finding on alcoholic drinks, and announcement that discrimination between domestic and imported alcoholic drinks will be removed. Look for early discussion of the details, eg future levels of tax rates and timescale for changes.
6. Welcome the steps taken in 1987 towards greater co-ordination of macro-economic policies. Need to ensure progress is maintained to avoid further marked changes in exchange rates.

BACKGROUND FOR PRIME MINISTER'S MEETING WITH MINISTER TAMURA

Mr Hajime Tamura has been Minister for International Trade and Industry since July 1986, retaining that post when Mr Takeshita, to whose faction he belongs, became Prime Minister. Mr Tamura is an activist and one of the colourful characters in the current Cabinet. He has differed publicly with his colleagues over macro-economic issues and, in private, on other issues outside his remit - eg his attitude on Cable & Wireless, where he advocated the UK case.

2 During Mr Tamura's last visit to the UK in April 1987 he had a half hour meeting with the Prime Minister in the House of Commons. That meeting was dominated by Cable & Wireless, financial services, whisky and the proposals Mr Tamura brought with him for implementing the Maekawa Reports on Japanese economic policy.

3 The consortium including Cable & Wireless have now been granted a licence to operate international telecommunications services in Japan. On financial services worthwhile progress has been made on the licensing of British companies and this is no longer a problem. In addition, in the expansion of the Tokyo Stock Exchange UK firms obtained four seats, one more than we had originally sought. Of the two UK-linked companies which did not obtain seats one, James Capel, is Hong Kong owned. The other, Barclays de Zoete Wedd, is one of our largest houses and we are pressing for arrangements to be made for both James Capel and BZW to join the Exchange in the coming year.

4 Our campaign, with EC support, to get rid of unfair Japanese restrictions on imported alcoholic drinks, especially whisky, has been greatly helped by a forthright GATT decision calling on Japan to remove tax discrimination. The Japanese now accept that action must be taken. Changes are unlikely to be implemented before 1 April 1989 and, although not known to the Japanese, this timing is convenient for the UK industry as it gives them an opportunity to refine their marketing strategy.

5 The EC is also conducting a series of market opening negotiations with Japan. These deal with the particular problems hindering exports of motor vehicles, medical equipment and cosmetics, with further sectors to be introduced later this year. These talks, which draw advice from experts from industry, are making modest but useful progress.

6 The appreciation of the Yen (by 4½% against the pound since September 1985 and by 3½% against the US\$) is affecting Japan's trade. Since 1986 Japan's export volumes have been lower than a year earlier in almost every month and import volumes higher literally every month. The most recent figures show UK exports up 31% in sterling terms in the year to November 1987 to £1.4 billion while our imports were up only 10% to £5.0 billion. Lord Young is considering how best to draw the attention of UK exporters to the increased opportunities that the Japanese market now offers.

7 On macro-economic policy the Japanese Diet passed a Yen 2.1 billion (£8.7 billion) supplementary budget in late July which included measures to expand domestic demand. The Diet has also agreed a modest element of tax reform, including the abolition of tax exemption for small savings from 1 April 1988. More significant tax reforms involving increases in indirect taxation are a major objective of Mr Takeshita.

8 The UK welcomed the easing of fiscal policy in 1987/88 but the draft 1988/89 budget offers no further easing. Japan now appears to believe it has done enough to honour its Louvre commitments, especially when compared to the US and FR Germany. While not wishing to make specific recommendations about how it should be achieved the UK has made clear to Japan that we expect further rapid expansion in real domestic demand, thus permitting a reasonable rate of reduction in the trade surplus.

Department of Trade and Industry

January 1988

Japan visits of Jap Minister
May 87

dti

the department for Enterprise
COVERING CONFIDENTIAL

*copy
BHP*

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

C Powell Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON SW1 0AA

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 DC4AAP
Your ref
Date 14 January 1988

CD 187

Dear Charles,

flap
In your letter to me of 24 December you agreed that the Prime Minister could see Mr Tamura, the Japanese MITI Minister at 09.30 on 19 January for half an hour.

I attach a brief for the Prime Minister's meeting which will follow calls on my Secretary of State and the Chancellor of the Exchequer the day before, and will itself be followed by a call on the Foreign and Commonwealth Secretary.

You should also know that Mr Tamura's mother is seriously ill in Japan, and he has not therefore been able to leave for the first leg of his European trip to the Federal Republic of Germany. It may well be that he will cancel the visit altogether - I will let you know immediately I learn of any change.

*Yours sincerely
Stephen Ratcliffe*

STEPHEN RATCLIFFE
Private Secretary

the
Enterprise
initiative

Japan - meeting with
Tap Ministers
on b-up.

CONFIDENTIAL

Department of
State
Washington, D.C.
20520

Date
Time

CONFIDENTIAL

CONFIDENTIAL



v6

bc PC

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

24 December 1987

JAPAN: VISIT BY MR TAMURA

Thank you for your letter of 18 December about the visit of Mr Tamura in January. The Prime Minister could see Mr Tamura at 0930 on Tuesday 19 January, for half an hour.

I am copying this letter to Robert Culshaw (Foreign and Commonwealth Office).

Charles Powell

Stephen Ratcliffe, Esq.,
Department of Trade and Industry

cu

CPC



DEPARTMENT OF TRADE AND INDUSTRY

1-19 VICTORIA STREET

LONDON SW1H 0ET

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

Secretary of State for Trade and Industry

*ly we want
to encourage
Takeshita - we should
see Tamura. Will do
18*

December 1987

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

Prime Minister

*You saw Mr.
Tamura last time.*

*Agree not to
tell him this?
Dear Charles Fine?*

*But 16-19 January
are very difficult dates for yr.
copy. 18/12*

JAPAN: VISIT BY MR TAMURA

I wrote to you on 11 December about Mr Hajime Tamura, the Japanese Minister for International Trade and Industry, who will be in London from 16-19 January en route to Tokyo from Washington. My Secretary of State will meet him, and also host a dinner, on 18 January.

When he was in London in 1986, Mr Tamura called on the Prime Minister, and we now understand from the Japanese Embassy that he would very much appreciate the opportunity to pay a brief further call. We would see some value in a meeting, if time could be found, despite there being no compelling reason for the Prime Minister to see Mr Tamura on this occasion. It would not be inappropriate to renew the contact, now that Mr Tamura has retained his portfolio in the new Takeshita administration. A meeting could also prove helpful in relation to commercial issues, and could pave the way for an opportunity for my Secretary of State to raise these with the Japanese Prime Minister when he visits Japan in March 1988 to discuss trade policy questions and promote UK exports.

We also understand that Mr Tamura is seeking a call on the Chancellor of the Exchequer. I am therefore copying this letter to Alex Allen, and would be grateful for his advice on whether the Chancellor would welcome such a call.

A copy also goes to Robert Culshaw at the FCO.

Yours ever

Stephen Ratcliffe

STEPHEN RATCLIFFE
Private Secretary

JG2BYZ

Japan: Visits of Japanese

Ministers 5/81.



1-18 VICTORIA STREET
LONDON SW1N 3ET

JAPAN: VISIT BY MR. TAMURA

010

ccfe



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

PS/
Secretary of State for Trade and Industry

// December 1987

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

PA/B to see

On

TJ to see also
any

Dear Charles,

We spoke about the visit of the Japanese MITI Minister - Mr Tamura - in the week of 18 January 1988 and I said that you might receive a request from the Japanese Embassy for a meeting between Mr Tamura and the Prime Minister. You will recall that the Prime Minister met Mr Tamura on his last visit to London.

If such a request is received, I should be grateful if we could be given the opportunity to advise you before any response is made.

A copy of this letter goes to Tony Galsworthy in the Foreign Secretary's Office.

Yours ever

Stephen Ratcliffe

STEPHEN RATCLIFFE
Private Secretary



cc FCO

10 DOWNING STREET

THE PRIME MINISTER

26 February 1986

My dear Minister,

Thank you for your letter of 7 February and your kind words. I remember with great pleasure our meeting in 1983. May I take this opportunity of congratulating you on your appointment as Minister of International Trade and Industry last December. It will be a challenging post, and I commend your plans to improve market access and to strengthen relations between Britain and Japan. There are few more important tasks before us than to resolve the outstanding problems of trade friction and to strengthen the international trading system on which we all depend for our continued prosperity.

Unfortunately, as I am sure you will understand, I shall be extremely busy in the run-up to the Tokyo Economic Summit and it does not seem that I am going to be able to meet you at the time you suggested. However, the Foreign Secretary, Sir Geoffrey Howe (who will also be present at the Summit) and Mr Channon, the Secretary of State for Trade and Industry, would greatly welcome the opportunity to see you on 25 April, if this will suit your plans.

With best wishes,

Yours sincerely
Margaret Thatcher

His Excellency Mr Michio Watanabe

ECU

CONFIDENTIAL

ccf



Foreign and Commonwealth Office

London SW1A 2AH

25 February 1986

Dear Charles,

Possible Visit of Japanese Minister of International Trade
and Industry to the United Kingdom

Thank you for your letter of 19 February informing us that the Prime Minister will be unable to see Mr Watanabe in late April. *all.c.c.*

Mr Channon has indicated that he would still be keen to meet Mr Watanabe on 25 April and could offer him lunch. Sir Geoffrey Howe could also see him early that morning. We will be pursuing these suggestions through the Tokyo Embassy but it would also be appropriate and helpful to refer to them in the Prime Minister's reply.

...

I attach, as requested, a draft reply from the Prime Minister to Mr Watanabe.

I am copying this letter to John Mogg (DTI) and Michael Stark (Cabinet Office).

Yours ever,

Les Appleyard
(L V Appleyard)
Private Secretary

C D Powell Esq
10 Downing Street

CONFIDENTIAL

233 4777

DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1+

FROM:

Reference

Prime Minister

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

TO:

Your Reference

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

His Excellency Mr Michio Watanabe
Minister of International Trade and
Industry
Japan

Copies to:

PAW
HEAW

PRIVACY MARKING

SUBJECT:

.....In Confidence

Thank you for your letter of 7 February and your kind words. I remember with great pleasure our meeting in 1983. May I take this opportunity of congratulating you on your appointment as Minister of International Trade and Industry last December. It will be a challenging post, and I commend your plans to improve market access and to strengthen relations between Britain and Japan. There are few more important tasks before us than to resolve the outstanding problems of trade friction and to strengthen the international trading system on which we all depend for our continued prosperity.

CAVEAT.....

BOP

Unfortunately, as I am sure you will understand, I shall be extremely busy in the run-up to the Tokyo Economic Summit and it does not seem that I am going to be able to meet you at the time you suggested. However, the Foreign Secretary, Sir Geoffrey Howe (who will also be present at the Summit) and Mr Channon, the Secretary of State for Trade and Industry, would greatly welcome the opportunity to see you on 25 April, if this will suit your plans.

With best wishes.
CDH.

Enclosures—flag(s).....

JAPAN

Visits on Minds 5/81



CONFIDENTIAL



404ABR
file 116
cc to Sir P Cadogan

10 DOWNING STREET

From the Private Secretary

19 February 1986

POSSIBLE VISIT OF JAPANESE MINISTER OF INTERNATIONAL TRADE
AND INDUSTRY TO THE UNITED KINGDOM

Thank you for your letter of 17 February about the request by Mr. Watanabe for a meeting with the Prime Minister in late April.

BF | The Prime Minister is not keen to see Mr. Watanabe at what will be an exceptionally busy time for her. She detects a certain amount of jostling among Japanese Ministers to obtain an appointment: you will recall that we recently made excuses to the Japanese Finance Minister who had also sought a meeting. Moreover, she is not certain that it would be wise to use Mr. Watanabe as a channel for UK views immediately before the Tokyo Economic Summit. I should be grateful, therefore, if you could let me have a draft letter to Mr. Watanabe replying to his and explaining the Prime Minister is sadly not able to see him on this occasion. You will wish to consider whether to offer him an appointment with any other Minister.

I am copying this letter to John Mogg (Department of Trade and Industry) and Michael Stark (Cabinet Office).

CHARLES POWELL

Robert Culshaw, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL

CDP



Prime Minister

We could find a slot for Mr. Watanabe. But: Foreign and Commonwealth Office London SW1A 2AH

① it looks like another stage in the competition among Japanese Ministers to see you. We turned down the Minister of Finance.

② he wants to talk about the Economic Summit, but ~~what~~ he does not attend it. He may be trying to lever himself in. Agree not to see him? CDP 17/2

Possible Visit of Japanese Minister of International Trade and Industry to the UK

I enclose a personal letter from Mr Watanabe, the Japanese Minister of International Trade and Industry, to the Prime Minister, asking whether she could find time to see him on either 25, 28 or 29 April (he has planned a visit to Saudi Arabia on 27 April). Mr Watanabe has asked for a short call on the Prime Minister so that he could give Mr Nakasone a direct account of her views in advance of the Economic Summit in May. Mr Watanabe's responsibilities include the structural reform of Japanese industry and measures to improve market access. However, he will not be a participant in the Summit.

As you know, MITI have in the past been keen to get their Minister into the Summits; we cannot rule out the possibility that Mr Watanabe's wish to see the Prime Minister is in some way connected with this (or, of course, designed to strengthen his position in Tokyo). We do not however judge this to be a sufficient reason for saying no to Mr Watanabe.

The visit would be separate from any Mr Watanabe might make in response to the invitation which Mr Channon issued to him earlier this month. He evidently sets great store by a visit to see the Prime Minister. He became Minister for International Trade and Industry in the December 1985 Cabinet reshuffle and has previously been Minister of Finance. He is close to Mr Nakasone and is often spoken of as a future Prime Minister. Mrs Thatcher met him in November 1983 when he paid a Category I visit to the UK.

Although Mr Channon hopes that his own invitation to Mr Watanabe will be accepted at a later date, he would welcome the opportunity of meeting him if a visit to see the Prime Minister were agreed. However, Mr Channon will be abroad on 28 and 29 April and would hope a visit could be arranged for 25 April.

/Mr Watanabe



Mr Watanabe has pledged his support for the proposed UK-Japanese project to build a hydro-electric plant in Sri Lanka (Samalala Weaw^{wa}). Government officials visited Tokyo last week for a preparatory meeting chaired by the MFA on this project. The meeting was most constructive and enormous enthusiasm was shown by the Japanese to work together with Britain. The project, still awaiting a Sri Lankan decision, would have important commercial and political significance for the UK and her relations with Japan.

Although an exchange of views between the Prime Minister and Mr Watanabe in late April is unlikely to add very much to the preparations for the Economic Summit on 4-6 May, it would help our bilateral relations with Japan and our personal contact with Mr Watanabe if she could find time to receive him. It would also provide a useful opportunity to reinforce once more with the Japanese the importance to the EC of resolving the problems caused by their mounting trade surpluses.

I am copying this letter to John Mogg (DTI) and Michael Stark (Cabinet Office).

Yours ever,

R N Culshaw

(R N Culshaw)
Private Secretary

C D Powell Esq
PS/10 Downing Street

7 FEBRUARY



*Minister of International Trade
and Industry*

Her Excellency
Mrs Margaret Thatcher, PC, MP
Prime Minister
10 Downing Street, London, UK

My dear and respected Prime Minister,

I applaud you from across the seas for your continuous devotion to domestic and world affairs with your customary energy, even while in the midst of some thorny problems.

Over two years have passed since I visited the United Kingdom at your invitation after having left my post as Minister of Finance. At that moment the fighting in Grenada was commanding all your attention, yet you kindly shared me some of your valuable time for a memorable talk. It is something I recall with gratitude.

I later served as Acting Secretary-General of the Liberal Democratic Party, and last December, with the reshuffling of the Nakasone Cabinet, I was appointed to my present post as Minister of International Trade and Industry. Now I must tackle the problems of further improving access to our market and reorganising the industrial structure with a view to rectify external disequilibrium. Needless to say, I shall endeavour to strengthen the relationship between the United Kingdom and Japan. I would indeed be grateful for your understanding and further cooperation.

I shall be visiting Saudi Arabia to preside over the Japan-Saudi Arabia Joint Committee on the 27th of April. After a consultation with Prime Minister Nakasone, it was agreed that I should visit your country before or after that date. Our Prime Minister is interested in my listening in to your opinion on various issues and exchanging views with you just before the Tokyo Summit.

I am well aware that you will have a busy schedule before departure, but still I would be very happy if you would share your precious time as you so warmly did on the last occasion.

With my best wishes for your health and success.

Yours sincerely,

Michio Watanabe
Minister of International
Trade and Industry



17. II.



cc PG

*Minister of International Trade
and Industry*

February 7, 1986

Her Excellency
Mrs Margaret Thatcher, PC, MP
Prime Minister
10 Downing Street, London, UK

My dear and respected Prime Minister,

I applaud you from across the seas for your continuous devotion to domestic and world affairs with your customary energy, even while in the midst of some thorny problems.

Over two years have passed since I visited the United Kingdom at your invitation after having left my post as Minister of Finance. At that moment the fighting in Grenada was commanding all your attention, yet you kindly shared me some of your valuable time for a memorable talk. It is something I recall with gratitude.

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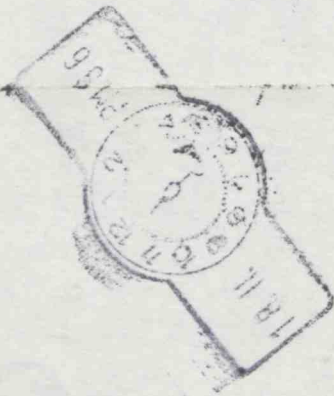
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I am well aware that you will have a busy schedule before departure, but still I would be very happy if you would share your precious time as you so warmly did on the last occasion.

With my best wishes for your health and success.

Yours sincerely,

Michio Watanabe
Minister of International
Trade and Industry



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Handwritten text, including a large number '10' and other illegible characters, located at the bottom right of the page.

John

Caroline

to be coming?

A.S.C. $\frac{29}{4}$

Mr Yamanaka is coming in to see the P.M. at 1030 on Tuesday - have you commissioned any briefing?

If met, shall I ask JoI/fco?

Petis
29/4

~~A.S.C.~~ A.S.C. $\frac{29}{4}$
we will not
- but we'll be back
we might
it still remains
a total mystery
perhaps it can't
might be
Special Adv.
C.



Mr Coles
A.S.C. 7/2
h.a.

From the Secretary of State

RESTRICTED

Jonathan Spencer Esq
Private Secretary to the
Secretary of State for Industry
Department of Industry
Ashdown House
123 Victoria Street
LONDON
SW1

4 February 1983

Dear Jonathan,

You kindly sent me a copy of your letter of 31 January to John Holmes enclosing a draft letter inviting Mr Yamanaka, the MITI Minister, to the UK.

Lord Cockfield wrote to Mr Yamanaka on 8 December also inviting him to visit the UK, and your Secretary of State will no doubt wish to make a joint invitation. As Lord Cockfield is now planning to visit Japan in April, the date of a possible visit here by Mr Yamanaka should be left open for the time being. We therefore suggest that the last paragraph be redrafted as follows:-

"Both I and Lord Cockfield look forward to having an early opportunity to discuss a number of the issues in greater depth and to review developments. I therefore very much hope that you will be able to accept in the near future the invitations to visit the UK which Lord Cockfield made in his letter of 8 December and I followed up at our meeting. Lord Cockfield is himself planning to visit Japan in April and hopes to meet you then."

I am sending copies of this letter to John Coles (No. 10) John Holmes (FCO) and Richard Hatfield (Cabinet Office).

John Rhodes
JOHN RHODES
Private Secretary

24 FEB 1983



RESTRICTED

File

OSJ
Japan

4 February 1983

I have seen your letter of 31 January to John Holmes. The Prime Minister has no objection to your Secretary of State inviting Mr. Yamanaka to visit the United Kingdom in late April/May.

A. I. COLES

Jonathan Spencer, Esq.,
Department of Industry.

RESTRICTED

OSJ

RESTRICTED

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

Telephone Direct Line 01-212 3301
Switchboard 01-212 7676



JF2554

PS/ Secretary of State for Industry

31 January 1983

John Holmes Esq
Private Secretary to the
Foreign Secretary
Foreign and Commonwealth Office
Downing Street
LONDON
SW1A 2AL

Prime Minister

Do you have any objection to Mr.
Tsunai inviting the Japanese Minister for
MITI here in late April / May?

NO
ms

Dear John,

A.J.C. 1/2

THE SECRETARY OF STATE STATE FOR INDUSTRY'S VISIT TO THE FAR EAST

As you know, my Secretary of State visited Japan during his recent visit to the Far East. The centre piece of this visit was his discussion with Mr Yamanaka, the new MITI Minister. As you will have seen from paragraph 13 of Tokyo Telegram No 34 of 20 January, the Secretary of State invited Mr Yamanaka to visit London; Sir Hugh Cortazzi has suggested that late April or early May might be an appropriate time for such a visit, and has suggested that the Secretary of State should write to Mr Yamanaka ... along the lines of the attached draft.

2 The Secretary of State ought to write to Mr Yamanaka in the course of this week, and I should therefore be grateful for an early indication from you and the other copy recipients of this letter that you have no objection to this proposal.

3 I am sending copies of this letter to John Coles (No 10), John Rhodes (Trade), and Richard Hatfield (Cabinet Office).

Yours sincerely,
Jonathan Spencer

J P SPENCER
Private Secretary

Encl

JF2555

DRAFT LETTER FOR THE SECRETARY OF STATE FOR INDUSTRY TO SEND TO:

Mr Yamanaka
MITI Minister

I was very glad to have the opportunity to meet you in Osaka on 19 January and I am grateful that we were able to have such full discussions on what was clearly a particularly busy day for you.

I am sure that our meeting was extremely valuable and timely since the trade and investment relationship between Japan, the UK, and the European Community is currently being given much anxious attention by both our Governments. As I made clear at our meeting, we welcome Mr Nakasone's policy statement of 13 January; but in the end concrete results will be what count.

I should therefore like to propose that we should meet again in the near future to discuss some of the issues in greater depth and to review developments since our meeting on 19 January. I therefore very much hope that you will be able to accept in the Spring the invitation to visit the UK I made to you at our meeting. It occurs to me that one possible opportunity for you to free yourself of engagements in Japan would be during Golden Week, which I understand is from 29 April to 5 May. I can assure you that a visit then, or at about that time, would be warmly welcomed by me and by other Ministers here.

FEB 1983



Japan

~~John~~

Re your letter of 14 April
to John Holmes.

He do not think
it necessary for the PM to
respond to his Esaki.

Content for the note to be
put away?

Peter

Peter
6.5.82

Yes.

AR 6/5.



SW

Japan

10 DOWNING STREET

From the Private Secretary

14 April, 1982

Japan

I enclose a copy of a letter which the Prime Minister has received from Mr. Esaki who, you will recall, met the Prime Minister during his recent visit to London. I should be grateful if you could consider whether a reply is desirable and, if so, provide me in due course with a suitable draft.

574 /

A. J. COLES

John Holmes, Esq.,
Foreign and Commonwealth Office



LIBERAL DEMOCRATIC PARTY

1-11-23, NAGATA-CHO, CHIYODA-KU,
TOKYO, JAPAN

April 8, 1982

Dear Mrs. Thatcher,

I wish to express my most sincere appreciation for your kindness in giving me an opportunity to meet and exchange views with you during my recent visit to London. Your candid expression of views on the present state of British-Japanese relations was truly helpful for us to understand the position of the British Government. Let me assure you that I will continue to make the utmost effort in my capacity as Chairman of the Special Committee for International Economic Measures for the solution of some of the problems we are confronting today from the standpoint of strengthening the bonds between our two countries and of resisting the protectionist pressures.

I hope very strongly that we will have more frequent opportunities in the future for the members of our two Governments as well as the members of the British Parliament and Japanese Diet to meet and exchange views on matters of our immediate concern. In this respect, we are very much looking forward to your visit to Japan in September.

Yours sincerely,

Masumi Esaki
Chairman
Special Committee for
International Economic Measures
Liberal Democratic Party

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

7 APR 1952

LIBERAL DEMOCRATIC PARTY

1-11-3 NAGATA JOO CHYODA-KU
TOKYO JAPAN



3
4
5
6
7
8

Dear Mrs. Thatcher,

I wish to express my most sincere appreciation for your kindness in inviting me to participate in meetings and exchange views with you during my recent visit to London. Your kind expression of views on the present state of British-Japanese relations was truly helpful for me to understand the reaction of the British Government. We are aware you find a very cordial and frank exchange of views the most fruitful in my capacity as Chairman of the Special Committee for International Economic Measures for the solution of some of the problems which are confronting today from the standpoint of strengthening the bonds between our two countries and of transferring the technological resources.

I hope very strongly that we will have more frequent opportunities in the future for the members of our two Governments as well as the members of the British Parliament and Japanese Diet to meet and exchange views on matters of our mutual concern. In this regard, we are very much looking forward to your visit to Japan in September.

Yours sincerely,

Mr. Yoshida

Mr. Yoshida
Chairman
Special Committee for
International Economic Measures
Liberal Democratic Party

The Rt. Hon. Margaret Thatcher, M.P.
10 Downing Street SW1
London, U.K.



file cc: Trade
HMT

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10 DOWNING STREET

From the Private Secretary

17 March, 1982

J. W. John,

VISIT OF MR MASUMI ESAKI

The above called on the Prime Minister at 5 pm today. I enclose the record of conversation.

I am copying this letter and enclosure to John Rhodes (Department of Trade) and John Kerr (HM Treasury).

*John Rhodes
John Kerr*

J Holmes, Esq
Foreign and Commonwealth Office

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RECORD OF A CONVERSATION BETWEEN THE PRIME MINISTER AND
MR MASUMI ESAKI AT 5 PM ON 17 MARCH AT 10 DOWNING STREET

SUBJECT

cc Mr. Esaki

Present:-

Prime Minister	Mr Masumi Esaki
Mr Giffard	Mr Kuranori
Mr A J Coles	Mr Tsuyoshi Hirahara
	Interpreter

Mr Esaki handed over a letter to the Prime Minister from the Prime Minister of Japan (copy attached to this record). He said that Mr Suzuki much respected the Prime Minister's efforts to combat protectionist pressures and wished to join hands in this task. He also hoped that the Prime Minister would visit Japan shortly. The Prime Minister conveyed her warm greetings to Mr Suzuki and said that she hoped to visit Japan in September.

Taking up Mr Esaki's reference to protectionist pressures, the Prime Minister said that she believed these would intensify as unemployment rose, even in countries like our own which had an open trading system. Mr Esaki said that he had visited the United States in February where he had met President Reagan and many congressmen. A number of the latter feared that if protectionist pressures continued to mount, a depression like that of the 1930s might be the result. He had urged that the United States, as leader of the world economy, should avoid triggering such a situation. He had recently met the President of the European Commission who had said that unless Japan took further measures to correct the imbalance in its trade with Europe, some countries in the Community might resort to unilateral protectionist steps. The purpose of his mission to London was to explain the efforts that Japan had been making. He believed that the steps already taken to open the Japanese market, especially in respect of non-tariff barriers, had brought about a situation where the Japanese market was just as open as the European. Mr Suzuki had formed a high-level committee for International Economic Measures and had asked him to assume its chairmanship. The Committee wanted to do everything possible to reach a reasonable solution to the problems in Japan's trading relations. The Office of Trade Ombudsman had been established for the the same purpose. It would answer inquiries made by foreign traders

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within 5 - 10 days and if it was obliged to reject requests would give specific reasons for doing so. The Japanese wanted their market to be as open as European markets. They felt that the time for discussion was now exhausted, given the increase of protectionism, and concrete steps were now desirable.

The European Commission had been sending young executives to Japan to learn about its business practices. Britain had high technology industries and there was scope for more co-operation between Japanese and British firms in the future. It would be easier for Japanese firms to come to Britain if more Britons spoke Japanese and understood Japanese business methods. He, therefore, wished to propose that the United Kingdom Government should send executives to Japan to study its language and business. He had in mind some 12 - 20 people. Japan would do its best to take care of them. The Prime Minister replied that this was a generous offer and we would consider it. We had too few people who understood Japan and the Japanese language. We were conscious of the efforts which Mr Esaki's Committee was making but there were real problems. For example, the sale of Japanese products in Britain was maximised by an efficient distribution network. Japanese firms were very efficient at producing goods but did not have an equally effective distribution system. Thus, any goods that entered Japan encountered problems that were quite different from those posed by non-tariff barriers. Mr Esaki said that he agreed. Mr Suzuki had asked that the Committee study this problem on his return. But it was worth noting that some British firms had succeeded in Japan, despite the problem described. He also wished to make a second proposal. Japan had good official contacts with Britain but this was not sufficient. It would be helpful if the Prime Minister appointed someone in the Conservative Party who could speak on her behalf. If he were able to have direct contacts with Mr Esaki and let him know what the United Kingdom would like done in respect of Japanese trade, he would do his best to deal with the requests quickly. He was specifically suggesting that someone be appointed from outside the Government so that the difficulty which could be involved in formal requests would be avoided. The Prime Minister said that she would wish to reflect on this matter. It was possible that such an appointment would help. But the problems requiring solution ran very deep. Cultural attitudes in Japan were very different.

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The Japanese people's instinct was to buy Japanese - or if a Japanese product was not available, to make one as quickly as possible. Then we had had recent experience, both in Mexico and Hong Kong, where British firms had won a contract put out to tender but where, as soon as the tender price was known, Japanese firms had offered to undercut it by 10%. This sort of thing left an unpleasant taste.

On certain products, such as cars and TV tubes, it was vital to maintain our voluntary agreements. Otherwise we would suffer from the fact that other countries whose economy was less open than ours would restrict Japanese goods which would then find their way to Britain.

Mr Esaki commented that the difficulties which United Kingdom firms had faced in Hong Kong and Mexico were a good example of the kind of problem which were difficult to solve if raised between governments but which might prove soluble if raised informally. The Prime Minister repeated that she would consider this idea but she felt that the real problems ran deeper.

In conclusion Mr Esaki said that he had hoped to exchange views on Poland and the Middle East but there had been insufficient time to do so.

The conversation ended at 5.45 pm.

17 March, 1982

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OFFICE OF THE PRIME MINISTER

TOKYO

Translation

March 9, 1982

Dear Prime Minister,

It gives me great pleasure to send this letter through Mr. Masumi Esaki, an old friend and most trusted colleague in the Liberal Democratic Party. Mr. Esaki is of highest stature in the Party and has served as Minister of International Trade and Industry, Minister for Home Affairs and Chairman of the National Public Safety Commission, Minister of State and Director General of the Defence Agency as well as Prime Minister ad interim in the Ohira Cabinet. I have, therefore, taken the liberty of asking Mr. Esaki to visit the United Kingdom as Special Envoy of the President of the Liberal Democratic Party to exchange views with the distinguished leaders of the British Government and the Parliament on the economic relations between Japan and the United Kingdom.

As you are aware, I have placed the smooth development of external economic relations as one of the primary aims of the new Cabinet. Accordingly, I decided to establish the Ministerial Conference for Economic Measures to expedite the work involved and,

at

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

at the same time, created the Special Committee for International Economic Measures within the Liberal Democratic Party. It is Mr. Esaki that I called upon to serve as chairman of the Committee, and it is with his assistance and efforts that I sought to pursue the examination of various issues concerned by the Party.

As I see the current international economic situation, I am deeply concerned about the increasing protectionist tendencies in some quarters. As I mentioned to you in June last year, the maintenance and strengthening of the multilateral and open trading system not only meet with the interests of our two countries but are indispensable for the peace and prosperity of the Western nations which share the basic political and economic values of liberty and democracy as well as the peace and prosperity of the world as a whole. This recognition was reaffirmed at the Ottawa Summit last year. We must seek, with our further efforts and cooperation, to revitalize the world economy under the free trading system.

I would like to pay my profound tribute to you for the consistent policies, including one to control inflation, which you have been pursuing since taking up your post, and for your resolute stand that the United Kingdom should contribute to the development of the world economy through the maintenance and strengthening of the free trading system. On my part, I am determined to do

my utmost to further strengthen the cooperative relationship between Japan and the United Kingdom and to work together with you in making positive contributions toward our common goal.

I look forward very much to seeing you at the next Summit Meeting in June and also to welcoming you on the occasion of your planned visit to Japan this autumn. I am convinced that, the relations between our two countries will be further promoted through these closer contacts between us.

I wish to take this opportunity to extend to you my most sincere regards and my best wishes for your continued good health and success.

Yours sincerely,

Zenko Suzuki
Prime Minister of Japan



Foreign and Commonwealth Office

London SW1A 2AH

15 March 1982

Dear John,

Visit of Mr Esaki

/ Thank you for your letter of 10 March. I enclose a brief,
the terms of which have been agreed with DOT, DOI and the
/ Treasury, for Mr Esaki's call on the Prime Minister at 5.00 pm
on 17 March. I also enclose a copy of the programme which
Mr Esaki is following in London, his European itinerary, a list
of those travelling with him, a personality note, and Tokyo telno
110 giving further background on his mission.

I understand that Mr Esaki will be accompanied during his
call by the deputy leader of the delegation (Mr Kuranori), the
Japanese Ambassador and an interpreter.

Yours ever

John Holmes

(J E Holmes)
Private Secretary

A J Coles Esq
10 Downing Street



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MR ESAKI'S CALL ON THE PRIME MINISTER: 17 MARCH AT 5 PM

POINTS TO MAKE

1. Looking forward to visiting Japan in September and to discussing political, social and cultural relations as well as economic issues. But glad to have an opportunity now to explain continuing concern about trade.
2. Welcome recent decision by Japanese government to implement recommendations of Mr Esaki's committee. Appreciate this demonstration of political awareness of problem. But neither we nor our EC partners expect these measures by themselves to have a major impact. Understand US Administration is taking a similar view.
3. Much to admire in Japan's economic performance but success implies responsibility to make a major contribution to reduce strain on open trading system.
4. No intention of trying to lay down in detail policies Japan ought to adopt. But look to Japanese government to take much more far-reaching action positively to promote imports of manufactures from industrialised trading partners; UK particularly strong in aerospace products such as BAel46 and defence equipment. Also need for Japan to complement action on trade by a more appropriate mix of economic policies aimed at easing the current account surplus and at appreciation of the yen.



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5. Expect discussion on these lines at Versailles Summit. We need really effective action by Japan to defuse tension over trade imbalances if renewed commitment by Heads of Government to open trading system is to sound credible.

6. (If Mr Esaki proposes an EC/Japan Wise Men's Group) Prepared to consider this with our EC partners. But no substitute for early and effective action by Japan.

7. (If Mr Esaki raises US interest rates or US draft reciprocity legislation) Agree these issues do give cause for concern. But should not divert Japanese government from taking early and effective action on trade. Reciprocity legislation indicative of the sort of protectionist pressures building up on Governments as a result of imbalance of trade with Japan.

BACKGROUND

8. Mr Esaki was MITI Minister in 1978-79 and in that capacity called on the Prime Minister shortly after the May 1979 Election. Recently appointed by Prime Minister Suzuki as Chairman of Liberal Democratic Party's new special committee in International Economic Measures. He is principally responsible for pushing through package of trade liberalisation measures announced in January which includes implementation this year of Tokyo round tariff cuts scheduled for 1984; the



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removal of at least 67 non-tariff barriers; and an ombudsman to deal with complaints by importers. Though some of these measures are potentially helpful (eg certain improvements in pharmaceutical testing procedures and the appointment of the ombudsman), the tariff cuts are marginal and the overall impact is unlikely significantly to reduce the trade deficit.

9. US Administration attacked package as inadequate when Mr Esaki called on President Reagan and Commerce Secretary Baldrige in Washington last month. US officials have since told us that they recognise that failure to show any appreciation for steps taken so far was a tactical error. But in recent bilateral talks in Tokyo Americans have kept up pressure for further action.

10. February Foreign Affairs Council agreed Japanese measures showed an encouraging awareness of the problem but would have very limited practical effect and couldnot be considered as the response the EC was looking for. It was agreed at UK suggestion that 15 March ECOFIN Council should discuss Japanese macro-economic policy and that 22 March Foreign Affairs Council should consider possibilities for common action by EC on trade. We hope ECOFIN Council will reach interim conclusions that adjustment by Japan on macro-economic policy is a necessary complement to further movement on trade and that the Council should pursue its discussions urgently with a view to reaching an agreed Community position.

Meanwhile Commission are working on draft conclusions for Foreign Affairs Council which would include:

- (i) possible recourse by EC to GATT dispute settlement procedure (Article 23 of the General Agreement);
- (ii) Community pressure on Japan on export restraint, macro-economic policy and generally in multi-lateral fora (OECD Ministerial, Versailles Summit);
- (iii) remit to officials to study possibilities of formulating common EC policy on imports from Japan.

11. The Japanese are aware of the divergence which exists in the EC between the liberal wing (Germany, Denmark) and the protectionist wing (France, Italy) and will have been encouraged by the impression given by Tindemans on a recent visit to Japan that he was sceptical about the prospects for Council agreement to GATT action. Tindemans has since said he was misreported. We have been stressing the need for member states to take a consistent line in speaking to Mr Esaki and the importance of making the point firmly that no options for possible action by the Community have been ruled out.

12. During Tindemans' visit Japanese tactics seemed to be to deflect EC pressure from them on to US interest rates and draft reciprocity legislation recently introduced in

VISIT OF MR ESAKI

16 March

1845 Arrival by BA 385 from Brussels. De Havilland Suite, Heathrow Airport.
Met by Colonel Maxwell (FCO greeter) in attendance.

Later Informal dinner with Japanese Ambassador.

17 March

1145 - Chancellor of the Exchequer, 11 Downing Street.
1230

Later Lunch given by Japanese Chamber of Commerce.

1545 - Meeting with Select Committee on Industry and
1645 Trade, House of Commons.

1700 Prime Minister, 10 Downing Street.

1930 Dinner at Japanese Ambassador's Residence.

18 March

1315 for Lunch at Lancaster House given by Secretary of State
1330 for Trade, followed by:-

until meeting with Secretary of State for Trade,
1600 Lancaster House.

1700 Meeting with UK-Japan Parliamentary Group, House of
Commons.

Later Working dinner at House of Commons.

19 March

(Programme subject to alteration)

1030 Depart by BA 306 to Paris. De Havilland Suite, Heathrow Airport.
Colonel Maxwell (FCO greeter) in attendance.

Party accompanying Mr Esaki 16-19 March.

(4)

Mr. Masumi Esaki

Member, House of Representatives

Chairman, Special Committee for Promotion of
International Economic Relations of Liberal
Democratic Party

former Minister of International Trade and Industry

former Minister and Director-General of Self Defence
Agency (twice)

former Acting Prime Minister (on two occasions)

Mr. Tadashi Kurano

Member, House of Representatives

former Minister and Director-General of Economic
Planning Agency

Mr. Tatsuo Murayama

Member, House of Representatives

former Minister of Welfare

former Minister of Finance

Mr. Ichiro Hatoyama

Member, House of Councillors

former Minister for Foreign Affairs

Mr. Toro Nakayama

Member, House of Councillors

former Minister for Prime Minister's Office

Mr. Wataru Hiraizumi

Member, House of Representatives

former Minister and Director-General for Science
and Technology Agency

Mr. Takashi Sato

Member, House of Representatives

Mr. Taichiro Okahara

Member, House of Councillors

VISIT OF MR MASUMI ESAKI

FEJ 026/6

10 MAR 1982

Itinerary:

12 March Leave Tokyo for Brussels:
 16 March Arrive London BA 335 from Brussels at 18.45 confirmed,
 19 March BA306 at 10.50 for Paris.
 ? March To Bonn
 26 March Back to Tokyo (via London)

Members of the Mission (in protocol order)

Mr Masumi Esaki	Mr Wataru Hiraizumi
Mr Tadashi Kuranari	Mr Taro Nakayama
Mr Tatsuo Murayama	Mr Takashi Sato
Mr Ichiro Hatoyama	Mr Taichiro Okawara

Being accompanied by:-

Mr Koichi Yamaguchi	Staff, Liberal Democratic Party (LDP)
Mr Eiichi Sugimoto	Staff, LDP
Mr Taiji Kohara	President, International Public Relations Co.Ltd. and Personal Adviser to Mr Esaki.
Mr Masaki Seo	Deputy Director General, Economic Affairs Bureau, Ministry of Foreign Affairs (MFA)
Mr Koro Besho	First International Economic Affairs Division, MFA
Mr Kinya Katsukawa	Deputy Director General, Customs & Tariff Bureau, Ministry of Finance
Mr Hachiro Mezaki	Deputy Director of Research Division, International Finance Bureau, MoFin.
Mr Katsuhisa Yamada	Director-General, International Economic Affairs Department, International Trade Policy Bureau, MITI
Mr Ryuhei Wakasugi	Deputy Director, West Europe/Africa/Middle East Division, International Trade Policy Bureau, MITI.
Mr Yutaka Furuya	Councillor of the Minister's Secretariat, Ministry of Agriculture, Forestry and Fisheries (MAFF)
Mr Ichiro Ishihara	Deputy Director, Trade and Tariff Division, Economic Affairs Bureau, MAFF
Ms Yukari Harada	Interpreter

Journalists

Mr Katsuhiko Imanari	Kyodo Press
Mr Shintaro Taguchi	NHK

ESAKI

ESAKI, MASUMI

Former Minister for International Trade and Industry.

Born 1915.

Graduated from the Economics Faculty of Nihon University. He was first elected to the House of Representatives in 1947 as a member of the Liberal Party. He has been elected from the same constituency in Aichi Prefecture 14 times. He has held various important party posts which include chairman of the LDP Policy Affairs Council, Chairman of the Executive Council and Chairman of the Budget Committee of the LDP. He served as Director General of the Defence Agency twice, from July to December 1960 and from December 1971 to July 1972. He was Minister for Home Affairs from December 1972 to November 1973. His last post was Minister for International Trade and Industry from December 1978-November 1979.

As a longstanding supporter of Aichihiro Fujiyama he has consistently held dovish views on China. He visited China in 1966 during the cultural revolution. He was a member of the Dietmen's League for the Restoration of Relations with China and in fact chaired the opening session when the League was founded. He was in charge of the LDP campaign in the Tokyo Metropolitan Assembly election in July 1973. As Minister for International Trade and Industry in the first Ohira Cabinet he proved a successful publicist for Japan's case in international trade circles, travelling widely abroad. He makes a good impression by his open and friendly manner. An accomplished off-the-cuff speaker.

Visited London briefly, immediately after the British General Election of May 1979, and was immensely gratified by the interview which was arranged for him with the Prime Minister. He is married, but his wife does not appear socially. Speaks no English.

Tanaka Faction.

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N/T - OUR TEL NO 106: EC/JAPAN TRADE RELATIONS:

VISIT OF MR ESAKI TO EUROPE, 10-22 MARCH.

1. AS YOU WILL HAVE HEARD FROM THE JAPANESE EMBASSY ESAKI, THE FORMER MITI MINISTER WHO IS NOW CHAIRMAN OF THE LIBERAL DEMOCRATIC PARTY'S AD HOC COMMITTEE ON EXTERNAL TRADE PROBLEMS, IS VISITING STRASBOURG, BRUSSELS, BONN, LONDON (16-19 MARCH) AND PARIS WITH OTHER LDP POLITICIANS AND GOVERNMENT OFFICIALS ON THE INSTRUCTIONS OF THE JAPANESE PRIME MINISTER.
2. HIS AIM IS TO EXPLAIN THE MEASURES TAKEN SO FAR, TO DISCUSS AS POLITICIAN- TO- POLITICIAN THE REMAINING ISSUES AND TO ASSESS FOR HIMSELF THE STRENGTH OF EUROPEAN FEELING WHICH HE WILL THEN REPORT IN PERSON TO PRIME MINISTER SUZUKI. THIS DELEGATION HAS MORE IMMEDIATE INFLUENCE ON JAPANESE DECISION-MAKING THAN ANY OTHER VISITORS FROM HERE SINCE THE OTTAWA SUMMIT. THEIR REPORT MAY DETERMINE JAPANESE ECONOMIC POLICY TOWARDS THE EC FOR THE REST OF THE YEAR.
3. THE VISIT FOLLOWS A FORTNIGHT OF INTENSE DEBATE IN JAPAN CENTRING AROUND REPORTS OF ESAKI'S ROUGH RECEPTION IN WASHINGTON, THE CURRENT US CONGRESSIONAL HEARING ON TRADE WITH JAPAN, THE LAST MEETING OF THE EC COUNCIL OF MINISTERS AND THE POSSIBILITY OF E C ACTION AGAINST JAPAN IN THE GATT. THE FIRST JAPANESE REACTION TO ESAKI'S RECEPTION IN THE US WAS NEGATIVE (OUR TEL NO 106). HOWEVER, SINCE HIS RETURN, THE JAPANESE PRESS HAVE BEEN REPORTING A MORE ANXIOUS MOOD IN THE GOVERNMENT AND A SLIGHTLY MORE FLEXIBLE POSTURE. THERE IS TALK OF FURTHER CONCESSIONS BUT THE FARMERS, ON WHOM THE LDP'S PARLIAMENTARY MAJORITY DEPENDS, ARE NOISILY REJECTING ANY EXPANSION OF AGRICULTURAL QUOTAS. JAPANESE OFFICIALS HAVE IN MIND CONCESSIONS ON TOBACCO AND NTBS BUT NOT ON QUOTAS IN THE IMMEDIATE FUTURE. OTHER CONCESSIONS ON SUCH MATTERS AS US AIR SERVICES ARE BEING LEAKED TO THE PRESS TO GAUGE THE STRENGTH OF OPPOSITION TO THEM.

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/4. ALTHOUGH

4. ALTHOUGH PUBLIC ATTENTION HAS BEEN CONCENTRATED ON THE US, THE COMMISSION PROPOSAL FOR ARTICLE XXIII ACTION HAS CAUSED ANXIETY IN THE GOVERNMENT (PARA 6 OF OUR TEL NO 105). BEFORE TINDEMANS' VISIT, BOTH THE PRESIDENCY AND THE EC DELEGATION HERE WERE WARNED BY JAPANESE OFFICIALS THAT SUCH A COMPLAINT WOULD IMPEDE FURTHER CONCESSIONS. WE SEE THIS JAPANESE CONCERN AS A STRONG RECOMMENDATION FOR THE EC PERSISTING WITH THE THREAT OF A COMPLAINT IF NOT NECESSARILY WITH THE COMPLAINT ITSELF. HOWEVER, TINDEMANS' OWN RESPONSE TO QUESTIONS FROM THE JAPANESE AND FOREIGN PRESS IN TOKYO MAY WELL HAVE REDUCED THE LEVERAGE WHICH THE EC CAN HOPE TO APPLY. HE SAID THAT THE EC HAD NOT YET AGREED TO SUCH ACTION: HE DOUBTED WHETHER THEY WOULD AND WAS PERSONALLY OPPOSED TO SUCH A CONFRONTATIONAL APPROACH. HE SUGGESTED THAT USE OF ARTICLE XXIII WAS TOO AGGRESSIVE AND POSSIBLY COUNTER-PRODUCTIVE.

5. WE RECOMMEND THAT YOU TRY TO PERSUADE ESAKI OF THE POLITICAL NECESSITY OF MORE SUBSTANTIAL ACTION AND THE NEED TO MEET YOUR CONCERNS AS MUCH AS THOSE OF THE USA. IN ORDER TO DO SO, IT WILL BE NECESSARY TO GIVE HIM A FAIRLY ROUGH RIDE, WHILE ACKNOWLEDGING THE GOOD INTENTIONS BEHIND WHAT HE HAS DONE SO FAR. WHILE WE SHOULD BE SPECIFIC ABOUT OUR BASIC OBJECTIVES (TOO DIFFIDENT AN APPROACH MAY BE MISUNDERSTOOD) WE SHOULD AVOID GIVING THE IMPRESSION THAT ANOTHER PACKAGE LIKE THE JANUARY ONE WOULD BE SUFFICIENT. WE SUGGEST THE FOLLOWING POINTS SHOULD BE COVERED:

(I) OUR BASIC AIM IS AN INCREASE IN JAPAN'S MANUFACTURED IMPORTS, PARTICULARLY FROM THE EC, TO A LEVEL COMMENSURATE WITH THE SIZE AND SOPHISTICATION OF THE JAPANESE ECONOMY. IT IS FOR THE JAPANESE TO DECIDE HOW BEST TO DO THIS. WE ARE INTERESTED IN THE RESULTS.

(II) HOWEVER GREAT OUR OWN EFFORTS, POSITIVE ACTION BY JAPAN IS ALSO NECESSARY.

(III) WHILE WE APPRECIATE THE JAPANESE EFFORTS SO FAR, THEIR OVERALL TRADE EFFECT WILL BE SMALL.

(IV) THE REMOVAL OF THE REMAINING INDIVIDUAL TARIFF AND NON-TARIFF BARRIERS WOULD BE WELCOME AS A STEP TOWARDS PERMANENT MODIFICATION OF JAPAN'S IMPORT SYSTEM ALTHOUGH THIS WILL NOT GREATLY AFFECT THE BALANCE OF TRADE IN THE SHORT TERM.

(V) OUR MAIN OBJECT IS MEASURES TO DEAL WITH THE ROOT OF THE ECONOMIC FRICTION, JAPAN'S LOW IMPORT PROPENSITY, WHICH DERIVES FROM THE SELF-SUFFICIENCY OF JAPANESE MANUFACTURING INDUSTRY. THIS IS A STRUCTURAL PROBLEM CAUSED IN PART BY TWENTY-FIVE YEARS OF INTENSE PROTECTION BEFORE 1970. STRONG CORRECTIVE ACTION BY THE JAPANESE GOVERNMENT IS NECESSARY INCLUDING INFORMAL GUIDANCE TO THE PUBLIC AND PRIVATE SECTORS TO BUY MORE FOREIGN MANUFACTURERS IN THE NATIONAL INTEREST (ESAKI MAY SAY THAT THIS IS IMPOSSIBLE.

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WE BELIEVE THAT IT CAN BE DONE IT IS OUR BELIEF THAT SIMILAR GUIDANCE WAS GIVEN, FOR EXAMPLE, TO REDUCE IMPORTS AFTER THE FIRST OIL CRISIS).

(VI) JAPANESE MACROECONOMIC POLICY SHOULD BE USED TO MITIGATE THE EFFECTS OF THE STRUCTURAL PROBLEM (OUR IDEAS ARE IN PARA 5 OF OUR TEL NO 107).

POINTS (I), (V) AND (VI) ABOVE ARE THE MOST CENTRAL. BY CONCENTRATING ON BROADER QUESTIONS OF ECONOMIC POLICY AND POLITICAL LEADERSHIP WE MAY MAKE IT POSSIBLE FOR THE JAPANESE TO RESPOND IN A WAY WHICH RAISES THE DEBATE ABOVE THE VESTED INTERESTS OF POWERFUL DOMESTIC LOBBIES SUCH AS AGRICULTURE. IT IS A SLIM HOPE BUT ONE WORTH WORKING FOR.

6. ESAKI WILL BE BRIEFED TO RESPOND TO THE BROADER ARGUMENTS BY SAYING THAT THE JAPANESE HAVE LITTLE FREEDOM FOR MANOEUVRE WITH MACROECONOMIC POLICY: THIS IS ONLY TRUE IF DOMESTIC CONSIDERATIONS ARE GIVEN PRIORITY OVER EXTERNAL ONES. HE MAY TRY TO SHIFT THE ARGUMENT AWAY FROM THE STRUCTURAL PROBLEMS TOWARDS SPECIFIC TRADE BARRIERS IN ORDER TO CLAIM CREDIT FOR THE MEASURES ANNOUNCED ON 30 JANUARY (OUR TEL NOS 47, 71 AND 72) . HE ATTACHED PARTICULAR IMPORTANCE TO THE OMBUDSMAN AS A MEANS OF BRINGING BROADER POLITICAL CONSIDERATIONS TO BEAR ON ENTRENCHED DEPARTMENTAL ATTITUDES. SINCE THIS IS VERY MUCH HIS OWN CHILD IT WOULD BE TACTICALLY ADVISABLE TO GIVE IT A WELCOME AND TO URGE THAT IS SHOULD BE MADE AS EFFECTIVE AS POSSIBLE.

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Mr. C. Stephens,
Japan

10 March 1982

VISIT OF MR. ESAKI

B/P
Thank you for your letter of 9 March.
The Prime Minister could see Mr. Esaki at
5 p.m. on 17 March. We shall allow half an
hour for the call. I should be grateful if
you could let me have a brief by close of
play on 15 March.

A. J. COLES

John Holmes, Esq.,
Foreign and Commonwealth Office.

6



5.00 on 12 April

Foreign and Commonwealth Office

London SW1A 2AH

9 March 1982

066

I'm afraid I shall
have to be here
not

Prime Minister

There are severe diary difficulties on these
days. I am reluctant to add to your foreign
affair commitments during this period.

Dear John,

Regret?

A.F.C. $\frac{9}{3}$

Visit of Mr Esaki: 16 - 19 March

At Prime Minister Suzuki's request, a delegation of senior Japanese Parliamentarians led by Mr Masumi Esaki is visiting the UK from 16 - 19 March in the course of a tour of European countries. Mr Esaki would very much like to call on the Prime Minister (for whom he bears a letter from Mr Suzuki).

Mr Esaki, who is a former Minister of International Trade and Industry, was recently appointed by Mr Suzuki as the Chairman of the Liberal Democratic Party's new Special Committee on International Economic Measures. He is principally responsible, reporting direct to Mr Suzuki, for pushing through the various trade liberalisation measures taken by the Japanese Government over recent months and further measures presently under discussion.

The purpose of his visit is to hear first hand from European leaders at the highest political level the extent of their concern about trade relations with Japan so that he and Mr Suzuki can use this in attempting to overcome domestic opposition in Japan to further measures for which we and our Community partners are pressing.

Mr Esaki's mission has just been in the United States where they were received by President Reagan as well as by the Commerce Secretary and Congressional leaders. Although we would not expect the Prime Minister to find the meeting adding greatly to her knowledge we consider that it is important to use this opportunity to impress our concern on Japanese political leaders at the highest level. Lord Carrington therefore hopes that the Prime Minister can find time for a brief call by Mr Esaki. Arrangements have been made for a longer meeting with

/the Secretary



the Secretary of State for Trade who is also offering lunch;
and for discussions with the Select Committee on Industry
and Trade. Mr Esaki also wishes to call on the Chancellor
and the Secretary of State for Industry.

Yours ever

John Holmes

(J E Holmes)
Private Secretary

A J Coles Esq
10 Downing Street

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Japan file gu
Econ Pol -
Copy to Tokyo Economic
Summit - May 79

10 DOWNING STREET

From the Private Secretary

25 May 1979

Dear Steven,

Call on the Prime Minister by the Japanese Minister for International Trade and Industry, Mr. Esaki, at 10 Downing Street on 25 May 1979

At the special request of the Secretary of State for Trade, the Prime Minister agreed to receive the Japanese Minister for International Trade and Industry, Mr. Esaki, for a brief courtesy call at No. 10 this morning at 1125 (Mr. Esaki arrived half an hour late). Mr. Esaki was accompanied by the Japanese Ambassador and an interpreter. The following is a summary of the main points which arose during a short discussion.

Mr. Esaki told the Prime Minister that he had valued his talks with the Secretaries of State for Trade, Industry and Energy. The Prime Minister asked Mr. Esaki whether he would be personally involved in the forthcoming Economic Summit in Tokyo at the end of June. Mr. Esaki said that he would and that he expected the conference to concentrate on energy issues. The Prime Minister told Mr. Esaki that, in her view, it was better that Economic Summit meetings should discuss a limited number of specific issues, rather than attempt a more generalised agenda. Mr. Esaki said that he agreed with this.

Mr. Esaki then stressed to the Prime Minister, at some length, the enthusiasm of the Japanese Government for intensified exchanges between Japan and the UK in the industrial field, referring in particular to co-operation between British Leyland and Honda - which he said was going ahead smoothly - and to collaboration with Rolls Royce on the manufacture of aircraft engines. Mr. Esaki said that, given the fortunate position of the UK with regard to energy supplies, the Prime Minister should be able to preside over a golden age for the UK economy; the Prime Minister commented that the UK would be fortunately placed on oil for a decade but not indefinitely. The Government now had a chance to set the British economy on a different course and they intended to succeed: investment in nuclear power, however, would have to be undertaken on a bigger scale than hitherto. Mr. Esaki paid tribute to the nuclear reactor which Japan had purchased from the UK, which was still operating very well: Japan would need the UK's co-operation in the nuclear field in the future and valued the arrangement for the reprocessing of nuclear waste at Windscale.

/Taking his

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-2-

Taking his leave, Mr. Esaki said that his Prime Minister, Mr. Ohira, had asked him to convey to Mrs. Thatcher his warm greetings: he was looking forward to exchanging views with the Prime Minister in Tokyo.

I am sending copies of this letter to Tom Harris (Department of Trade) and Martin Vile (Cabinet Office).

Yours ever,
Roger Carridge.

J. S. Wall, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL

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NOTE OF A MEETING HELD AT 4.30 pm on TUESDAY 24 MAY IN
ROOM 11.01 ASHDOWN HOUSE

Present

Secretary of State
Lord Trenchard
Mr Warren
Miss Mueller
Mr Silver
Mr Mathrani
Mr Fry

Mr Esaki
(Japanese Minister for
International Trade & Industry)
HE Mr N Fujiyama
(Japanese Ambassador)
Mr Miyamoto (MITI: International
Trade Policy)
Mr Morimoto (Japanese Embassy)
Mr Matsuo (MITI: European,
African and Middle Eastern Trade)
Mr Aso (Japanese Embassy)
Mr Noguchi (PS/Mr Esaki)
Mr Okamatsu (MITI)
Miss Morita (Interpreter)

Nizam
SW
W

1. After the usual exchange of courtesies, Mr Esaki said that energy would be a major issue in the forthcoming Tokyo summit and he wanted to learn from the Secretary of State in the closely related field of industrial policy in order to make the summit a success. He recalled that before the Election, the UK had warmly welcomed a Japanese import promotion mission. This had achieved good results and he wanted to continue these efforts to increase Japanese purchases of UK goods. He also wanted to say how much the Japanese Government appreciated the welcoming attitude of the UK to Japanese inward investment and to assure the Secretary of State that where the UK was prepared to support such investment MITI would also support it. He recalled that he had received the General Secretary of the TUC in Japan in March and had been impressed by Mr Murray's understanding of Japanese inward investment and had heard Mr Murray's views about industrial relations in the UK and of the successful introduction by Japanese enterprises of Japanese working practices. At the same time Japan could learn from UK technology.

2. The Secretary of State said that the UK welcomed Japanese investment because of their management, technical and social skills and emphasised that the new Government wanted to introduce a more encouraging framework for effort and work. He hoped that he would be able to welcome more Japanese enterprises, particularly where this would enable Japan to fill gaps in our technological capability.

3 Mr Esaki recalled that he had also received a mission from Rolls Royce who were considering a joint venture with a Japanese partner. He was also aware of several recent UK investment announcements by Hitachi, Mitsubishi and Toshiba. He attached particular significance to the recent selection by BL of Honda as their investment partner, particularly in view of BL's importance in the UK's national industrial policies. This project would be very important for Japan and must be seen to succeed, as an example of what could be achieved through industrial collaboration. Honda was a company which had grown fast with a very Japanese style of management. MITI would back up Honda's management capability, and in general do its utmost to support the BL/Honda venture and was looking for reciprocal support from the British Government. The Secretary of State said that the Government did not interfere in the management of BL but the company needed approval for big projects. It would consider the BL/Honda project in due course. He emphasised that money would only be advanced to the company if they showed steady progress towards profitability.

4 The Secretary of State asked whether there was a steady stream of proposals by Japanese industry for inward investment in the UK and about the role of MITI in seeking out opportunities. He asked whether there was any way in which the British Government could help improve information for Japanese companies. Mr Esaki said that in the first instance the initiative for inward investment came from the private sector and if MITI was content it gave every encouragement. He suggested it might be fruitful if the UK and Japan could institute regular meetings at official level to discuss industrial issues. At a later stage meetings between businessmen might also develop. The Secretary of State said that he welcomed this suggestion of more contact at official level as it would provide an opportunity for each side to learn and to raise and discuss questions of mutual interest more quickly. His officials would follow the matter up with Ambassador Fujiyama.

5 Mr Esaki said he was very interested in the views of the new Government on economic policy. The Secretary of State said that the aim was to facilitate the reduction in the scale of those industries which could not compete on their present

scale, whilst removing obstacles to the success of growth industries. The new Government intended to encourage a framework for enterprise and initiative by reducing state spending and so reducing Government borrowing and taxation. Of course this philosophy had its critics. He would be interested to know about Japanese industrial policy; in particular how it approached the problem of declining industries and how it used its public purchasing to encourage and accelerate technological development, for example in the telecommunication industry.

Mr Esaki said that the instruments available to MITI included administrative guidance; loans to companies from public financial institutions and smoothing the path of companies who wished to seek loans from the commercial banks. On public procurement Mr Esaki noted that this would be opened up under the procurement code being discussed in the Tokyo Round.

Mr Miyamoto said that 10 or 20 years previously the Government had a policy of encouraging certain aspects of industry. It now left this to spontaneous development by companies except for areas of high technology such as aircraft and aero engines. Telecommunications was outside the field of MITI but he did not believe that there was any specific intervention in this industry.

6 The Secretary of State said that certain Japanese competitive practices in third countries led to doubts about Japan's intentions to reduce its trade surplus. He had in mind export credit levels for trade with China and apparently uneconomic pricing of certain contracts there. Mr Esaki said that Japanese practices in this field had been misunderstood. Their assistance to China was untied and related to the development of China's resources which would be of mutual benefit. There had been no infringement of OECD guidelines or of international commitments. As yet, no particular project had come fully to fruition and any discussion of, for example, deferred payments was yet to be completed. Japan's business practices in South East Asia were also misunderstood. In fact, as a result of the rise in the value of the yen Japanese enterprises were more and more losing their competitive edge. He would welcome more Anglo-Japanese joint ventures on major overseas projects.

7 The meeting ended with a further exchange of compliments.

Peter Stredder.

PETER STREDDER
PS/Secretary of State for Industry
Rm 11.01 Ashdown Ext 3301

4 June 1979

Circulation:

Ministers
Secretary
Miss Mueller
Mr Lippitt
Mr Dearing
Mr Bullock
Mr Binning
Mr Benjamin
Mr Farrow
Mr Bell
Mr Atkinson
Mr Williams
Mr Leeming
Mr Silver
Mr Maynard
Mr Ingram
Mr Mathrani
Mr Hagestadt
Mr Solomon
Mr Neville Jones
Mr Wigglesworth
Dr Thynne
Mr Harrison
PS/Prime Minister
PS/Chancellor
PS/SoS (Foreign & Commonwealth
Affairs)
PS/SoS (Trade)

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

-4 JUN 1979

Ref: A09636

*Original on Econ PA
Tokyo Summit
May 74.*

MR. CARTLEDGE

Tokyo Economic Summit

At the recent Preparatory Meeting in Washington I argued, on the Prime Minister's instructions, that (i) we did not want a rerun of the Bonn Summit with macro targets and a long analytical communique and (ii) the Summit should concentrate on particular areas, notably energy, where progress could be made. In my minute A09599 of 21st May I reported that I had some success, although I warned that the Japanese themselves wanted a long and platitudinous communique.

I was therefore somewhat disconcerted to get a telephone call this afternoon from Mr. Henry Owen at the White House saying that the Economic Minister in the Japanese Embassy in Washington had told him that the Japanese Foreign Minister, Mr. Sonoda, had been relieved to discover when he met the Prime Minister on 21st May that Mrs. Thatcher shared the Japanese wish that the Summit should concentrate on generalities and not seek to reach any conclusions. Your record of the discussion between the Prime Minister and Mr. Sonoda does not lend support to his interpretation of the Prime Minister's approach, but it may be that he read too much into a remark of the Prime Minister's.

I understand that the Prime Minister is seeing the Japanese Minister for International Trade and Industry tomorrow. It would be very helpful in keeping the Japanese from lapsing into an over-generalised approach to the Tokyo Summit if the Prime Minister felt able to tell Mr. Esaki that she was encouraged by the report she had had from the recent meeting of personal representatives that there seemed general agreement that the Summit should concentrate on those areas where progress could be made in particular energy.

If the Prime Minister is content I would also like to confirm to Henry Owen that this is the Prime Minister's view and to arrange for our Embassy in Tokyo to be informed so that they can put the matter in context if they get similar reports of the Prime Minister's views from the Japanese.

I am sending a copy of this minute to Sir Michael Palliser, who was with me at the Washington meeting.

JOHN HUNT

John Hunt

24th May, 1979

PRIME MINISTER

Call by Mr. Esaki, Japanese Minister for
International Trade and Industry, on
25 May at 1100

You agreed with the Secretary of State for Trade that you would, after all, receive Mr. Esaki briefly and the call has been arranged for Friday morning at 1100. The Japanese accept that you can spare Mr. Esaki no more than ten minutes. There is no need for you to do more than exchange courtesies with Mr. Esaki; the purpose of his call on you is primarily to avoid being upstaged by his political rival, Mr. Sonoda (Foreign Minister) whom you saw on Monday.

Mr. Esaki will be accompanied by the Japanese Ambassador and by an interpreter. If you agree, I shall meet them at the front door and escort them up to the White Drawing Room.

If you have no objection, and in order to enable Mr. Esaki to keep up with Mr. Sonoda, I could arrange for one or two photographers to be in the hall outside your study for a very brief photocall when Mr. Esaki departs.

24 May 1979

*But now
see Sir
John Hunt's
important
minute
within.
6/24
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But.



From the Secretary of State

Bryan Cartledge Esq
10 Downing Street
LONDON SW1

23 May 1979

Dear Bryan,

*B-a. BYW
20/5*

As agreed with you this morning, I now submit a brief (prepared in consultation with the FCO) for the Prime Minister's meeting with Mr Esaki, the Japanese Minister of International Trade and Industry, scheduled to take place at 11.00 am on Friday 25 May. We have made it very clear to the Japanese Embassy that the Prime Minister can spare Mr Esaki no more than 10 minutes. I understand that he will be accompanied only by the Japanese Ambassador and an interpreter.

W The Secretary of State was extremely grateful for the Prime Minister's agreement to Mr Esaki's call. Mr Esaki is, of course a very important visitor but the Secretary of State told the Prime Minister last night that he would severely restrict the number of future occasions on which he made such requests for calls on the Prime Minister.

I am sending a copy of this letter to George Walden in the FCO.

Yours Sincerely,

T G Harris

T G HARRIS

Private Secretary



PRIME MINISTER'S MEETING WITH MR ESAKI, 25 MAY

SPEAKING NOTES

1 Pleased to have this, admittedly short, opportunity of renewing acquaintance with Mr Esaki. Hope discussions with Mr Esaki's opposite numbers in British Cabinet have helped strengthen relations between UK and Japan, to which HMG attaches much importance. Sure there will now be even deeper understanding on the major issues of trade, industry and energy for which Mr Esaki's Ministry is responsible.

2 Looking forward to visiting Tokyo again for the Summit. Although trade is unlikely to be the dominant issue since Multilateral Trade Negotiations concluded, know Japan recognises the importance of working together to maintain the world open trading system on which both UK and Japan, as great trading nations, depend.

DEFENSIVE

(If Mr Esaki picks up Mr Sonoda's reference to establishing "permanent machinery" for Economic Summits)

3 We will of course consider the suggestion but our first reactions are cautious since we believe the present system of ad hoc meetings works well.

Commercial Relations and Exports Division 2
Department of Trade

23 May 1979

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PRIME MINISTER'S MEETING WITH MR ESAKI, 25 MAY

BACKGROUND NOTE

The visit has been engineered by the Japanese at short notice, no doubt to enable Mr Esaki to find out for himself whether the new Government will be, as they expect, less defensive about trade with Japan than their predecessors, and, in advance of the Tokyo Summit, to stress the efforts that Japan is making to reduce the sources of friction in her trade with the other main industrial countries.

2 UK policy must start from a recognition of Japanese industry's vastly greater efficiency than our own, and the fact of a society that is structured so as to give every incentive to grow and to export. The current account surplus is therefore likely to be a permanent feature of our relationship, and our efforts should be directed towards improving access for UK exports, softening the impact of Japanese imports in particular UK sectors, promoting Japanese investment in the UK and co-operation with us in third markets and encouraging Japan to adopt appropriate macro-economic measures of a kind that will not automatically stimulate further Japanese exports.

3 British exports to Japan increased by over 15 percent in 1978 (to £542 million) but imports from Japan rose by over 20 percent (to £1,283 million), widening the bi-lateral trade gap even further. Japanese figures for the first quarter of 1979 show the same trend (UK figures are not available), and there are indications that the UK is performing significantly worse than some of our major competitors particularly the USA and France. Britain has a surplus on invisibles with Japan, but latest estimates suggest that it is declining and was at most £75 million in 1977. A table of key trade statistics is attached.

...



4 At his meeting with the Prime Minister on 21 May, Mr Sonoda raised the subject of "permanent machinery" for Economic Summits. The Foreign and Commonwealth Office have advised a cautious response if this is raised again, since the present system of ad hoc meetings of personal representative of Heads of Government seems to work well. A more formal system could further offend those Western countries who do not participate, suggest dissatisfaction with the workings of other international economic institutions (which is not the case) and make it almost impossible to avoid holding Summits at regular intervals, even when the international economic situation did not require this.

5 A Personality Note on Mr Esaki prepared by the Foreign and Commonwealth Office is attached. Mr Esaki played a leading part in the Liberal Democratic Party's programme for Mrs Thatcher during her visit to Japan in 1977. The Prime Minister may wish to remind him of their meeting at that time. Mr Esaki claims to be the most powerful member of the Cabinet after Prime Minister Ohira for whom he deputised during the latter's recent visit to Washington. In his present capacity, Mr Esaki is responsible for most of the important questions in Anglo-Japanese relations. His programme includes calls on the Secretaries of State for Trade, Industry and Energy.

6 For ease of reference, the Background Note on Anglo-Japanese Relations prepared by the FCO for the Prime Minister's meeting with Mr Sonoda is re-submitted.



UK/JAPAN TRADE

£ millions (figures in brackets are % change from year earlier)

	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>
UK exports	309 (- 3)	359 (+16)	470 (+31)	542 (+15.3)
UK imports	673 (+18)	796 (+18)	1061 (+33)	1283 (+20.9)
Balance	-364 (+45)	-437 (+20)	-591 (+35)	-741 (+25.4)

JAPANESE TRADE (not seasonally adjusted)

US \$ millions

(i) Trade Balances - Customs Clearance

	<u>World</u>	<u>USA</u>	<u>EEC</u>	<u>UK</u>
Jan-Mar 1979	-107	1280	1302	355
Jan-Mar 1978	3743	2416	991	166
Percentage change		-47.0	+31.4	+113.9

(ii) Balance of Payments

	<u>Trade Balance</u> (BOP Basis)	<u>Current</u> <u>Account</u>	<u>Overall</u> <u>Balance</u>
Jan-Mar 1979	1800	-510	-3310
Jan-Mar 1978	5812	3978	4925
Percentage change	-69.0		

(iii) Balance of Payments - fiscal year

	<u>Trade Balance</u> (BOP Basis)	<u>Current</u> <u>Account</u>	<u>Overall</u> <u>Balance</u>
Apr 1978-Mar 1979	20750	12490	-2280
Apr 1977-Mar 1978	20431	14042	12126
Percentage change	+ 1.6	- 11.1	

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VISIT OF THE JAPANESE MINISTER FOR INTERNATIONAL TRADE AND INDUSTRY
23-25 MAY

PERSONALITY NOTE: MASUMI ESAKI
BORN 1915

1. A graduate of the Economic Faculty of Nihon University, Mr Esaki was first elected to the House of Representatives in 1947, as a member of the Liberal Party. He has been re-elected to the same constituency in Aichi Prefecture twelve times and held several important Party and Government posts before being appointed Minister for International Trade and Industry in December 1978.
2. His previous positions include the Chairmanship of the Lower House's Budget and Steering Committees, as well as the General Affairs Committee and Executive Council of the Liberal Democratic Party. As Chairman of the Party's Policy Research Council under Prime Minister Fukuda, he established a close working relationship with Mr Ohira, the current Prime Minister. In 1960, and again from December 1971 to July 1972, he was Director-General of the Defence Agency and from December 1972 to November 1973 he served as Home Affairs Minister.
3. He is an experienced all-rounder with good administrative ability. Although he speaks no English, the Embassy reports that the impression he makes is both friendly and frank.

Far Eastern Department
FOREIGN & COMMONWEALTH OFFICE

21 May 1979

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*Original on: Econ PD:
Tokyo Economic Summit,
May 1979.*

Ref. A09599

PRIME MINISTER

Tokyo Summit Preparations

You may like to have this brief report on the Preparatory Meeting which I attended in Washington on 17th-19th May.

2. We achieved a satisfactory measure of agreement on the following points:-
 - (a) Tokyo should not be a rerun of the Bonn Summit. There was no case for pressing individual countries to take further action to stimulate world demand. The Summit should avoid percentages and targets.
 - (b) Given the short time available (only a day and a half not counting finalisation of the communique and Press conference), the Heads of Government ought to be selective in what they discuss. It was unlikely that they could take any useful decisions on international monetary matters (no great currency instability likely and too soon to judge the effect of EMS) or on trade (following reasonably satisfactory conclusion of the MTNs). UNCTAD would just have finished: and unless it ended in disaster some of the heat would be off the North/South question. The main topic which deserved discussion and on which progress could be made was energy and its relationship to the world economy.
 - (c) The communique should be shorter than usual: and both less analytical and more action-orientated.
3. This led us to feel that the main theme of the Summit might be:-
 - (i) The Summit participants have largely honoured the undertakings they gave at Bonn.
 - (ii) However new factors have intervened. The rise in oil prices and the energy shortage could have serious implications for growth, inflation and unemployment if we do not face up to reality.
 - (iii) This leads to two main lessons:-
 - (a) The need for structural change.
 - (b) The need to ease the energy shortage.

(iv) Action to ease the energy shortage should include:-

- (a) What oil price strategy is envisaged? How do we play our cards with the oil producers?
 - (b) Conservation measures.
 - (c) Greater use of coal in some countries.
 - (d) A determined international effort to ensure the highest standards of nuclear power safety, and to demonstrate this.
 - (e) Investment in new sources and renewables
- (v) The under-developed countries could be particularly vulnerable to energy shortage and rising oil prices. The best way we can help them and they can help us to help them is by maintaining open markets. There are however a few specific measures which can be considered.

4. The next meeting of Personal Representatives is in Paris on 14th-16th June. I should like, if I may, to report further to you before this because in Paris we shall have a first discussion of the draft communique which the Japanese are preparing. At that stage I suspect we will have to re-fight some of the battles we won in Washington because the Japanese were alone in wanting a long and platitudinous communique. (At one point Mr. Miyazaki said "Mr. Ohira is a philosopher who does not mind platitudes".) In the meantime I shall be discussing with those concerned, including CPRS and the Department of Energy, how we can make most impact on the energy front: and Sir Jack Rampton and Sir Douglas Wass will be attending further meetings of the sub-groups on energy and inflation that have produced papers for the Personal Representatives.

JOHN HUNT

John Hunt

21st May 1979

Japan

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FM TOKYO 210830Z MAY 79

TO IMMEDIATE FCO

TELEGRAM NUMBER 187 OF 21 MAY, 1979

MY TELNO 173: VISIT OF JAPANESE MINISTER OF INTERNATIONAL TRADE AND INDUSTRY

1. DEPUTY DIRECTOR-GENERAL OF INTERNATIONAL TRADE BUREAU AT MITI ASKED MY ECONOMIC COUNSELLOR TO CALL ON 21 MAY. TAKAHASHI, WHILE EXPRESSING APPRECIATION FOR THE ARRANGEMENTS MADE FOR HIS MINISTER TO MEET HIS COUNTERPARTS, WISHED TO CONVEY THE DISAPPOINTMENT OF HIS MINISTRY THAT IT HAD NOT YET PROVED POSSIBLE TO INCLUDE A BRIEF COURTESY CALL ON THE PRIME MINISTER IN THE PROGRAMME.
2. TAKAHASHI REMINDED US THAT MR ESAKI HAD, BEFORE BECOMING MITI MINISTER, HELD SUCCESSIVELY TWO OF THE THREE OR FOUR MOST POWERFUL POSTS IN THE LIBERAL DEMOCRATIC PARTY (THE CHAIRMANSHIPS OF THE EXECUTIVE COUNCIL AND THE POLICY COUNCIL) AND CLAIMED THAT HE WAS THE MOST POWERFUL MEMBER OF THE CABINET AFTER THE PRIME MINISTER, FOR WHOM HE HAD DEPUTISED DURING MR OHIRA'S VISIT TO WASHINGTON (MY TELNO 148). HE RECALLED, AS MR ESAKI HAD DONE WHEN I SAW HIM ON 16 MAY (MY TUR), THAT THE MINISTER HAD PLAYED A LEADING PART IN THE LDP'S PROGRAMME FOR MRS THATCHER DURING HER VISIT HERE IN 1977. HE ALSO POINTED OUT THAT IN HIS PRESENT CAPACITY MR ESAKI WAS RESPONSIBLE FOR MOST OF THE IMPORTANT QUESTIONS IN ANGLO-JAPANESE RELATIONS.
3. TAKAHASHI WENT ON TO SAY, SPEAKING PERSONALLY AND IN CONFIDENCE THAT IT WOULD BE EMBARRASSING FOR MITI IF MR SONODA WERE TO BE RECEIVED BUT NOT MR ESAKI. BOTH MINISTERS WERE BEING RECEIVED (TOGETHER) BY THE FRENCH PRIME MINISTER. FIVE OR TEN MINUTES WOULD SUFFICE. THERE COULD BE NO (NO) DIFFICULTY WITH MR SONODA, WHO WOULD IN ANY CASE HAVE BEEN RECEIVED EARLIER.

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/ 4. TAKAHASHI

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4. TAKAHASHI WAS TOLD BY THE COUNSELLOR ONLY THAT I WOULD REPORT HIS REPRESENTATIONS. IT IS CLEAR, HOWEVER, THAT FOR ALL THE UNDERSTANDING MR ESAKI SHOWED OF THE PRESSURES UPON THE PRIME MINISTER, HE DOES NOW REGARD HIS PRESTIGE AS AT STAKE, AND AS I SAID IN MY TELNO 177 THERE IS AN ELEMENT OF PERSONAL RIVALRY IN HIS RELATIONSHIP WITH MR SONODA. IT IS OF COURSE TRUE THAT MUCH OF THE MOST IMPORTANT BUSINESS OF ANGLO-JAPANESE RELATIONS COMES WITHIN HIS PROVINCE. I AM SURE THAT HIS GOODWILL TOWARDS US WOULD BE GREATLY STRENGTHENED IF HIS REQUEST COULD BE ACCOMMODATED. IN THESE CIRCUMSTANCES I FEEL OBLIGED TO ASK THAT FURTHER CONSIDERATION SHOULD BE GIVEN TO THE POSSIBILITY OF A VERY SHORT CALL IN THE LIGHT OF THESE FURTHER REPRESENTATIONS.

WILFORD

F I L E S

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EID
ECON D
PLANNING STAFF
PS

PS
PS/SIR I. GILMOUR
PS/MR BLAKER
PS/MR RIDLEY
PS/EUS
SIR A BUFF
MR CORRAZZI
MR BULLER
MR MURRAY

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10 DOWNING STREET

From the Private Secretary

18 May 1979

Japanese Minister for International Trade
and Industry

Thank you for your letter of 17 May about the forthcoming visit to London of the Japanese Minister for International Trade and Industry, Mr. Esaki.

The Prime Minister has seen your letter but regrets that, owing to her very heavy commitments at the time of Mr. Esaki's visit, she will be unable to receive him.

I am sending a copy of this letter to Michael Richardson (Lord Privy Seal's Office).

B. G. CARTLEDGE

T.G. Harris, Esq.,
Department of Trade.

Handwritten initials/signature

PRIME MINISTER'S MEETING WITH MR SONODA

BACKGROUND NOTE ON ANGLO-JAPANESE RELATIONS

1. Relations are generally good, but trade problems continue to be a potential source of friction. The Japanese Government had hoped that the Prime Minister might stay on in Japan for an official visit after the Summit, but other high level contacts should provide opportunities to deepen our contacts with the Japanese on a wide range of multilateral as well as bilateral issues.
2. Since the War, the over-riding British and Western interest in Japan has been that it should remain a stable and democratic member of the Western industrialised world. At the same time we have a major interest to ensure that Japan's continued development does not put impossible strains on the rest of the world economy, in particular through the continuation of a large structural surplus on current account. This will require a reasonably high rate of growth fuelled by internal demand rather than by constant increases in exports.
3. British exports to Japan made good progress in 1978, rising by over 15 per cent to £542 million. But imports from Japan rose even faster to £1,283 million. Britain has a surplus on invisibles with Japan, but the latest estimates suggest that it is declining and was at most £75 million in 1977. Imports from Japan in sensitive sectors, such as cars and domestic electrical equipment, could again cause difficulties in our bilateral relations, although Japanese measures of self restraint are, at least for the time being, working well. BL announced on 17 May plans to manufacture a Honda designed small specialist car in BL plants. Firm proposals will be presented to Government in about two months. Successful collaboration between BL and Honda would strengthen the prospects for other

/Japanese

Japanese companies investing in manufacturing operations in Britain as a base for the whole European market. Conversely, the prospects will be set back if the talks should run into opposition from other sectors of industry and from Trade Unions as Hitachi's plans to build a television manufacturing plant in North-East England did in 1978.

4. There is still a lack of knowledge about Japan in Britain which needs remedying. More could be done in Japan to increase knowledge about Britain, but already the role of English as the first foreign language and respect for British culture help our interests. Princess Chichibu, who is Patron of the Japan/British Society in Japan, is due to pay a visit to Britain as a guest of the Government in June.

Political Background

5. The Conservative Liberal Democratic Party has been in power virtually all the time since the War, but at the last election had only a tiny majority in the Diet over the other parties together. Now that Mr Ohira has succeeded Mr Fukuda as President of the Party and Prime Minister, he may be tempted to build on his Party's success in the local elections this April and to call a general election later this year. In the meantime, Japanese policies continue much as before under a new and relatively unknown team, although Mr Sonoda has been retained as Foreign Minister and Mr Ohira himself has wide experience as a former Foreign Minister and Minister of Finance.

FAR EASTERN DEPARTMENT
FOREIGN & COMMONWEALTH OFFICE

17 May 1979



From the Secretary of State

Bryan Cartledge Esq
10 Downing Street
London SW1

- 1. Mrs Thatcher ✓
- 2. Prime Minister

You have agreed to see the Japanese Foreign Minister. I really do not think you need see Mr. Esaki as well (he is already seeing three Cabinet Ministers).
 17 May 1979
 Regret?
 BM
 17/5

No

Dear Bryan,

THE JAPANESE MINISTER FOR INTERNATIONAL TRADE AND INDUSTRY

The Japanese Embassy have asked, on instructions from Tokyo, whether it would be possible for Mr Esaki, the Minister for International Trade and Industry, to pay a fifteen minute courtesy call on the Prime Minister. Mr Esaki will be in London on Thursday 24 May and Friday 25 May, during which time appointments have been arranged with the Secretaries of State for Trade, Industry and Energy. As the Minister responsible within the Japanese Government for all three departments, Mr Esaki holds one of the most senior posts in Mr Ohira's Cabinet and was apparently Chairman of the Liberal Democratic Party Policy Research Centre at the time of Mrs Thatcher's visit to Tokyo and thus responsible for the arrangements for it.

The Japanese are already aware of the difficulties in arranging a meeting with the Prime Minister for courtesy purposes only, and at such short notice. They are also aware that no decision has yet been made on their previous request for an interview with Mr Sonoda, the Foreign Minister.

However, trade is the single most important issue in Anglo/Japanese relations; and in the past Mr Esaki's Ministry has been co-operative in formulating export policies with regard to the UK which, to some extent, take account of sectoral problems in British industry. I should be grateful, therefore, if you could seek the Prime Minister's views.



I am copying this letter to Maurice Richardson in the Lord Privy Seal's Office.

Yours Sincerely,

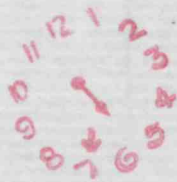
Ton Harris

T G HARRIS
Private Secretary

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17 MAY 1979



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FM TOKYO 170750Z MAY 79

TO IMMEDIATE FCO

TELEGRAM NUMBER 178 OF 17 MAY, 1979

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COMMERCIAL AND ECONOMIC RELATIONS WITH JAPAN

1. THE KEEN INTEREST SHOWN BY SENIOR JAPANESE MINISTERS IN CALLING ON MINISTERS IN LONDON IS ENCOURAGING AND COMPLIMENTARY. THE JAPANESE ARE ANXIOUS AT THE FORTHCOMING SUMMIT TO AVOID CRITICISM OF THEIR OWN POLICIES AND PRACTICES, IN BOTH TRADE AND ECONOMICS. THEY BELIEVE THAT WE HAVE BEEN ONE OF THEIR KEENEST CRITICS IN EUROPE. BUT THEY RESPECT OUR EXPERIENCE AND JUDGEMENT IN INTERNATIONAL AFFAIRS, AND MANY OF THEM CLING TO THE BELIEF THAT WE MAKE GOOD NATURAL PARTNERS FOR THEM.
2. THEY FEEL THAT THEY ARE GETTING INTO A MUCH MORE DEFENSIBLE POSITION FROM WHICH TO COUNTER FOREIGN CRITICISM. THEIR SEASONALLY ADJUSTED SURPLUS ON THE CURRENT ACCOUNT OF THE BALANCE OF PAYMENTS FOR THE FIRST QUARTER OF THIS CALENDAR YEAR GAVE AN ANNUAL RATE OF LESS THAN US DOLLARS 1.5 BILLION, AS COMPARED WITH A RATE OF US DOLLARS 22 BILLION FROM THE FIRST QUARTER OF 1978. THEIR CAPITAL EXPORTS LOOK LIKE CONTINUING TO RUN AT ABOUT US DOLLARS 1 BILLION PER MONTH. THEIR SURPLUS WITH THE US IS SHRINKING, BUT WITH THE EEC OBSTINATELY PERSISTS. THERE ARE MANY UNCERTAINTIES ABOUT THIS YEAR'S OUTTURN, BUT CONFIDENCE IN THE JAPANESE ECONOMY IS NOW STRONG AND DEMAND IS STANDING UP WELL. INFLATION REMAINS A POTENTIAL DANGER, WITH RISING OIL AND COMMODITY PRICES, BUT THERE IS A DETERMINATION TO CONTROL IT. THE JAPANESE AUTHORITIES HAVE RESISTED THE RECENT TENDENCY OF THE YEN TO WEAKEN.
3. THEY CAN ALSO CLAIM THAT THEY HAVE MADE A MAJOR EFFORT TO CONCENTRATE IN THEIR ECONOMIC POLICIES ON THE STIMULATION OF DOMESTIC DEMAND, AND THAT THE GROWTH RATE FOR THE CURRENT FINANCIAL YEAR, WHICH WAS SET IN THE BUDGET AT 6.3% OF GNP IN REAL TERMS, IS ATTAINABLE. SEMICOLON THERE ARE INDEED SIGNS THAT FOR FISCAL '78 IT WILL BE CLOSE TO 6%. LAST YEAR'S SHARP INCREASE IN IMPORTS OF MANUFACTURED GOODS AS A PROPORTION OF TOTAL IMPORTS WAS ALSO /TO

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TO BE WELCOMED AND IS LIKELY TO BE SUSTAINED, IF AT A SLOWER RATE. AT THE SAME TIME, THEY REMAIN WILLING TO EXERCISE CONTINUED RESTRAINT OF EXPORTS IN SENSITIVE SECTORS. THEIR AID DISBURSEMENTS IMPROVED SUBSTANTIALLY IN 1978.

4. THEY HAVE MADE SOME IMPRESSION ON THE PSYCHOLOGICAL RESISTANCE TO IMPORTS WHICH HAS CHARACTERISED THE JAPANESE ECONOMY IN THE PAST, AS WELL AS REMOVING OF REDUCING SOME PRACTICAL BARRIERS. THE FEDERATION OF ECONOMIC ORGANISATIONS (KEIDANREN) WHICH REPRESENTS JAPANESE INDUSTRY POWERFULLY IN THE FORMULATION OF JAPANESE POLICIES, SUPPORTS THE GOVERNMENT ON THESE MATTERS AND HAS INDEED IF ANYTHING BEEN PUSHING THEM FORWARD, CERTAINLY NOT HOLDING THEM BACK. THIS IS A FACTOR WHOSE SIGNIFICANCE HAS NOT BEEN FULLY RECOGNISED BY JAPAN'S TRADING PARTNERS. IT DOES NOT REMOVE RESISTANCE TO IMPORTS IN SPECIFIC CASES, BUT IT MEANS THAT JAPANESE INDUSTRY IS FORMALLY COMMITTED TO AN OPEN MARKET POLICY AND THAT KEIDANREN OFFICIALS WILL HELP TO OVERCOME OBSTACLES. ADVANCE TARIFF CUTS FOLLOWING THE CONCLUSION OF THE MTNS WILL WORK IN THE SAME DIRECTION.

5. THERE IS A TENDENCY NOW, EVEN AMONG RESPONSIBLE JAPANESE, TO FEEL THAT THEY HAVE DONE MOST OF WHAT THEY WERE ASKED TO DO BY THEIR INDUSTRIALISED TRADING PARTNERS. THEY WOULD LIKE TO SEE MORE ABUNDANT EVIDENCE OF A DETERMINATION ON THE PART OF WESTERN INDUSTRIALISTS TO MAKE THE MOST OF THE OPPORTUNITIES WHICH NOW EXIST IN THIS LARGE MARKET, WITH ITS CONTINUING GOOD GROWTH PROSPECTS. WHILE IT WOULD BE RIGHT TO SUSTAIN PRESSURE ON THE JAPANESE, IT REMAINS MY VIEW THAT PRESSURE IS MOST EFFECTIVE WHEN IT IS DIRECTED AT SPECIFIC POINTS IN PRIVATE NEGOTIATIONS. I BELIEVE THAT SOME PUBLIC ACKNOWLEDGEMENT ON OUR PART THAT THE JAPANESE GOVERNMENT ARE MOVING IN THE RIGHT DIRECTION, IN ENCOURAGING IMPORTS OF MANUFACTURED GOODS FROM THEIR INDUSTRIALISED TRADING PARTNERS, WILL ASSIST THEM TO GO FURTHER RATHER THAN LEAD THEM TO CONCLUDE THAT THE PRESSURE IS OFF.

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6. IT ALSO REMAINS MY VIEW THAT WHATEVER FURTHER MEASURES THEY MAY BE INDUCED TO TAKE, JAPAN WILL NEVERTHELESS REMAIN THE MOST DIFFICULT AND COMPLEX OF OUR INDUSTRIALISED MARKETS AND THAT IN WHICH THE GREATEST EFFORT IS REQUIRED FOR A RETURN WHICH THOUGH ULTIMATELY VERY RESPECTABLE IS LIKELY TO BE SLOW IN COMING. CONDITIONS FOR OUR EXPORTERS TO JAPAN ARE HOWEVER ON MORE FAVOURABLE THAN THEY HAVE EVER BEEN, AND I HOPE THAT MR ESAKI'S VISIT CAN BE USED TO DEVELOP RECOGNITION OF THIS IN BRITAIN. WHEN I SAW HIM ON 16 MAY, I SUGGESTED THAT HE SHOULD ENCOURAGE BRITISH INDUSTRIALISTS TO MAKE THEIR OWN SERIOUS ASSESSMENTS OF THE MARKET POTENTIAL HERE AND OF POSSIBILITIES OF INDUSTRIAL COLLABORATION, SUCH AS THAT ON AEROENGINES OF WHICH SIR K KEITH HAD SPOKEN TO HIM EARLIER THIS WEEK. IF IT COULD BE ARRANGED FOR HIM TO MEET SOME LEADERS OF THE CBI WHILE HE IS IN LONDON, I BELIEVE (PROVIDED THAT THE OCCASION WAS APPROACHED IN A CONFIDENT AND CONSTRUCTIVE SPIRIT) THAT THIS COULD BE MOST HELPFUL. THERE IS A DANGER, WHICH I HAVE NOTED BEFORE, THAT TOO GREAT A CONCENTRATION ON MACRO-ECONOMIC PROBLEMS, ON THE DEFENSIVE ASPECT OF OUR RELATIONS WITH JAPAN, AND AS TO THE ADMITTED DIFFICULTIES OF THIS MARKET, MAY LEAD BRITISH INDUSTRY TO HOLD BACK WHEN IT SHOULD BE PRESSING FORWARD.

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FM TOKYO 170740Z MAY 79

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TELEGRAM NUMBER 177 OF 17 MAY 2
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13 MAY 1979	

VISITS OF MR SONODA AND MR ESAKI:

1. MR SONODA AND MR ESAKI ARE THE TWO MEMBERS OF THE PRESENT CABINET WHO HAVE LONGEST SERVICE IN THE DIET (RE-ELECTED 12 TIMES), AND THERE IS AN ELEMENT OF RIVALRY IN THEIR MUTUAL RELATIONSHIP. THE JAPANESE PRESS HAVE COMMENTED (ON THE DISPUTE ABOUT MINISTERIAL ATTENDANCE AT THE IEA MEETING) THAT MR ESAKI IS SEEKING TO WIN FOR HIMSELF A SEAT AT THE ECONOMIC SUMMIT NEXT MONTH, ON THE GROUNDS THAT THERE IS NO CLEAR RULE THAT THE THIRD MINISTER (AFTER THE PRIME MINISTER AND THE FOREIGN MINISTER) WHOULD NECESSARILY BE THE FINANCE MINISTER, AND THAT ENERGY AND TRADE QUESTIONS WILL BULK LARGE IN THE AGENDA. MR ESAKI, WHO IS A SKILFUL POLITICAL OPERATOR BUT HAS NOT UNTIL HIS PRESENT APPOINTMENT BEEN IN THE FOREFRONT OF JAPANESE POLITICS, MAY ALSO SEE THIS AS HIS CHANCE TO CHALLENGE FOR EVENTUAL POLITICAL LEADERSHIP: BUT THE GENERAL OPINION IS THAT MR SONODA IS A MORE CONSIDERABLE POLITICAL FIGURE, BY VIRTUE OF HIS LEADING POSITION IN THE FUKUDA FACTION (SONODA WAS HIMSELF ONCE LEADER OF A SMALL FACTION IN THE LDP).

2. MR SONODA'S RECORD AS FOREIGN MINISTER HAS DEMONSTRATED HIS ABILITY TO TAKE A POSITIVE LINE IN FOREIGN POLICY. THE MFA ARE PLEASED WITH HIM AS A MINISTER AND WERE GLAD THAT HE REMAINED AFTER MR OHIRA'S SUCCESSION. IN RECENT MONTHS MR SONODA HAS BEEN CONCENTRATING ON SUMMIT PREPARATIONS, AND HAS VISITED THE US TO PREPARE THE GROUND FOR MR OHIRA: HIS PRESENT VISIT TO LONDON IS OF COURSE ALSO IN THIS CONTEXT. AFTER THE SUMMIT HE WILL ONCE MORE CONCENTRATE ON THE POLICY OF EXPANDING JAPAN'S ROLE IN OTHER AREAS OF THE WORLD WHICH HAS BEEN HIS OWN PARTICULAR CONTRIBUTION. HE PLANS TO ATTEND THE MEETING OF ASEAN FOREIGN MINISTERS IN EARLY JULY, AND MAY IN THE SAME MONTH BE ABLE TO FIT IN A TOUR OF SOME AFRICAN COUNTRIES. HE IS ALSO CONTEMPLATING A VISIT TO LATIN AMERICA IN AUGUST.

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3. THE PROGRAMME FOR THE LATE SUMMER AND AUTUMN IS HOWEVER COMPLICATED BY THE LIKELIHOOD OF AN ELECTION TO THE HOUSE OF REPRESENTATIVES. ALTHOUGH THE TERM OF THE PRESENT HOUSE DOES NOT EXPIRE UNTIL TOWARDS THE END OF 1980, IT IS NOW GENERALLY THOUGHT THAT MR OHIRA WILL WISH TO TAKE ADVANTAGE OF THE FAVOURABLE TREND TOWARDS HIS PARTY IN THE RECENT LOCAL ELECTIONS AND CALL AN ELECTION IN ABOUT OCTOBER, HOPING TO MAKE GAINS ESPECIALLY AT THE EXPENSE OF THE JSP AND THUS REVERSING THE STEADY DECLINE OF RECENT YEARS. THE ONLY SORT OF COALITION WHICH NOW SEEMS ON THE CARDS WOULD INVOLVE A CENTRIST PARTY SUCH AS THE DSP ENTERING THE GOVERNMENT.

4. THE SITUATION IN THE DIET AT PRESENT REMAINS COMPLICATED BY SCANDALS OVER AIRCRAFT PURCHASE SOME YEARS AGO. INVESTIGATIONS INTO THE LOCKHEED AFFAIR HAVE BEEN CONTINUING, BUT THE VERDICT ON THE INVOLVEMENT OF FORMER PRIME MINISTER TANAKA IS NOT EXPECTED BEFORE NEXT YEAR. THERE HAS BEEN CONFUSION OVER THE GRUMMAN/MCDONNELL-DOUGLAS AFFAIRS, WHICH HAVE COME TO LIGHT MORE RECENTLY. THE LDP HAVE BEEN REFUSING TO ALLOW FORMER PRIME MINISTER KISHI AND MATSUNO (A FORMER DIRECTOR-GENERAL OF THE DEFENCE AGENCY) TO GIVE SWORN EVIDENCE BEFORE THE DIET COMMITTEE WHICH IS INVESTIGATING THESE AFFAIRS. THE OPPOSITION PARTIES, SEEING THIS AS AN OPPORTUNITY TO EMBARRASS THE GOVERNMENT, HAVE BEEN INSISTING THAT THESE TWO MEN TESTIFY. DIET BUSINESS HAS BEEN STOPPED TOTALLY WHILE THIS MATTER IS RESOLVED, AND NO SOLUTION IS YET IN SIGHT. THE OUTCOME MAY BE THAT MATSUNO WILL TESTIFY BUT THAT KISHI, WHO HAS VERY CONSIDERABLE SUPPORT FROM THE RIGHT-WING OF THE PARTY INCLUDING MR FUKUDA, WILL NOT. IT REMAINS TO BE SEEN IF MR OHIRA WILL BE ABLE TO RECONCILE THE NEED TO MAINTAIN PARTY UNITY WITH THE NEED TO GET DIET BUSINESS GOING AGAIN IN TIME FOR THE DIET TO ADJOURN COMFORTABLY BEFORE THE SUMMIT. THE SESSION WAS DUE TO END ON 20 MAY, BUT AN EXTENSION OF 30 DAYS IS NOW LIKELY, ALTHOUGH THE REMAINING ITEMS FOR DEBATE ARE OF RELATIVELY MINOR IMPORTANCE.

5. AGAINST THIS BACKGROUND, TOO MUCH PUBLIC PRESSURE ON THE JAPANESE ON ECONOMIC QUESTIONS COULD ENGENDER A DANGEROUS SENSE OF ALIENATION. A GREATER SENSE THAT THEY ARE REGARDED AS EQUAL PARTNERS COULD HELP TO KEEP THEM STEADY ON THE WESTERN COURSE: ON THIS, PLEASE SEE MY.I.F.T.

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TO PRIORITY FCO

TELEGRAM NUMBER 173 OF 16 MAY

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DEPARTMENT OF TRADE NO CRED A 52, PARAGRAPH 3:

VISIT OF JAPANESE MINISTER FOR INTERNATIONAL TRADE AND INDUSTRY:

1. I HAVE REPORTED SEPARATELY (MY TELNO 59 CRED A) ON MY TALK WITH MR ESAKI ON 16 MAY. BEFORE I SAW HIM, MIYAMOTO, DIRECTOR GENERAL OF THE INTERNATIONAL TRADE BUREAU TOLD ME THAT INSTRUCTIONS HAD JUST BEEN SENT TO THE JAPANESE EMBASSY ASKING FOR AN INTERVIEW WITH THE PRIME MINISTER IF IT WERE AT ALL POSSIBLE. I DID NOTHING TO ENCOURAGE HIM.

2. IN MY TALK WITH MR ESAKI THE MINISTER RAISED THE SUBJECT SAYING THAT HE WELL UNDERSTOOD THE MANY CALLS ON THE PRIME MINISTER'S TIME AND HE HAD HOPED THAT IF HE AND MR SONODA HAD GONE TO LONDON TOGETHER THEY WOULD HAVE BEEN ABLE TO PAY JOINTLY A COURTESY CALL ON HER. HOWEVER, HE REMINDED ME THAT HE HAD BEEN CHAIRMAN OF THE LDP POLICY RESEARCH COUNCIL AT THE TIME OF MRS THATCHER'S VISIT TO TOKYO AND THUS RESPONSIBLE FOR THE ARRANGEMENTS FOR IT. HE HAD MET HER THEN, STRESSING AGAIN HIS COMPLETE UNDERSTANDING IF IT WERE NOT POSSIBLE FOR MRS THATCHER TO RECEIVE HIM, HE NEVERTHELESS SAID THAT HE GREATLY HOPED SHE COULD SPARE HIM A FEW MINUTES. AGAIN I DID NOT COMMENT BEYOND THANKING HIM FOR HIS UNDERSTANDING ATTITUDE AND SAYING THAT I WAS SURE THAT HIS REQUEST WOULD BE GIVEN FULL CONSIDERATION.

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FM TOKYO 150830Z MAY 79
TO IMMEDIATE FCO
TELEGRAM NUMBER 171 OF 15 MAY

MY TELEGRAM NO ⁹¹163: JAPANESE MINISTER OF INTERNATIONAL TRADE AND INDUSTRY:

1. MITI TELEPHONED THIS EVENING TO SAY THAT MR ESAKI NOW DEFINITELY PROPOSED TO ARRIVE IN LONDON ON WEDNESDAY EVENING 23 MAY. HE ALSO NOW PROPOSED TO LEAVE LONDON ON FRIDAY AFTERNOON 25 MAY, BY BA5 ETD 1340. THIS WAS BOTH BECAUSE HE HAD BEEN INFORMED THAT THAT DAY WAS A PRIVILEGE HOLIDAY IN WHITEHALL AND ALSO BECAUSE HE HAD BUSINESS IN TOKYO ON SUNDAY 27 MAY. IF NO APPOINTMENTS AT ALL WERE POSSIBLE ON 25 MAY HE MIGHT LEAVE BY JL 442 ETD 1255.

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YR TELNO 153 OF 9 MAY: VISIT OF JAPANESE MINISTER OF INTERNATIONAL TRADE AND INDUSTRY.

1. THE SECRETARY OF STATE FOR TRADE WOULD VERY MUCH WELCOME A VISIT TO LONDON BY MR ESAKI. HE WOULD PROPOSE TO HAVE A SUBSTANTIVE DISCUSSION WITH THE JAPANESE MINISTER AT 3.00PM ON THURSDAY 24 MAY AND TO OFFER HIM A DINNER THAT EVENING. THE SECRETARIES OF STATE FOR INDUSTRY AND ENERGY WOULD ALSO LIKE TO SEE MR ESAKI. UNFORTUNATELY THERE IS THE WEEKLY CABINET MEETING IN THE MORNING OF 24 MAY AND ALL THREE MINISTERS ARE LIKELY TO BE OUT OF LONDON ON 25 MAY FOR LONGSTANDING ENGAGEMENTS. WE SHALL OF COURSE DO OUR BEST TO MAKE THE NECESSARY ARRANGEMENTS FOR THE OTHER MINISTERIAL ENGAGEMENTS TO BE FITTED INTO 24 MAY.

2. A FORMAL INVITATION FROM MR NOTT WILL FOLLOW BY BAG BUT YOU MAY WISH TO INFORM MR ESAKI WHEN YOU MEET HIM ON 16 MAY THAT THE SECRETARY OF STATE WILL BE WRITING ALONG THE FOLLOWING LINES: QUOTE YOU WILL RECALL THAT MY PREDECESSOR HAD INVITED YOU, AND BEFORE THAT YOUR PREDECESSOR, TO PAY A VISIT TO LONDON. UNFORTUNATELY THIS HAS SO FAR PROVED DIFFICULT TO ARRANGE. I WAS THEREFORE DELIGHTED TO HEAR THAT YOU WILL BE IN EUROPE LATER THIS MONTH FOR A MEETING OF THE IEA. MY COLLEAGUES AND I WOULD LIKE TO TAKE THE OPPORTUNITY TO RENEW THE INVITATION FOR YOU TO VISIT THIS COUNTRY AND VERY MUCH HOPE THAT IT WILL BE POSSIBLE FOR YOU TO COME HERE AFTER THE MEETING IN PARIS. PRECISE DATES CAN BE AGREED THROUGH DIPLOMATIC CHANNELS BUT I VERY MUCH WELCOME THE OPPORTUNITY TO MAKE YOUR EARLY ACQUAINTANCE UNQUOTE.

A/O, Mr Torr v/431
 2 Mr Jack FED/FCO
 3 Mr Field EJU
 4 PS/SOS Trade

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3. FOR YOUR OWN INFORMATION, WE HAVE NOT BEEN ASKED TO ARRANGE A MEETING WITH THE PRIME MINISTER AND ARE NOT PURSUING THIS. AT THIS STAGE SUCH A MEETING WOULD ANYWAY BE DIFFICULT TO ARRANGE AT SHORT NOTICE, PARTICULARLY FOR A COURTESY CALL.

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TELEGRAM NUMBER 163 OF 14 MAY

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FOR CORTAZZI:

YOUR TELNOS 113 AND 117: VISITS OF JAPANESE MINISTERS:

1. THE MFA TELL US THAT THE PROPOSAL WHICH IS BEING PUT TO THE JAPANESE CABINET TOMORROW, AND WHICH THE JAPANESE EMBASSY ARE BEING INSTRUCTED TO PUT TO YOU, IS AS FOLLOWS:

- (A) BOTH MR SONODA AND MR ESAKI WILL ATTEND THE IEA MEETING IN PARIS. MR SONODA WILL GIVE THE INITIAL JAPANESE STATEMENT AT THE FIRST COUNCIL MEETING ON THE MORNING OF 21 MAY, AND WILL THEN HAND OVER TO MR ESAKI FOR THE REMAINDER OF THE MEETING.
- (B) MR SONODA WILL THEN GO TO LONDON, PROBABLY IN THE AFTERNOON OF 21 MAY. HE HOPES DURING THE REMAINDER OF THAT AFTERNOON AND ON 22 MAY TO CALL ON THE PRIME MINISTER, THE FOREIGN AND COMMONWEALTH SECRETARY AND THE CHANCELLOR OF THE EXCHEQUER. HIS INTENTION WILL BE TO CONVEY THE CONGRATULATIONS OF THE JAPANESE GOVERNMENT TO THE NEW CONSERVATIVE ADMINISTRATION, AND TO HAVE A BRIEF EXCHANGE OF VIEWS ON QUESTIONS FOR DISCUSSION AT THE TOKYO ECONOMIC SUMMIT. HE IS NOT BEING BRIEFED TO RAISE ANY PARTICULAR ISSUES OR TO GO VERY DEEPLY INTO THE SUBSTANCE. HE WILL THEN RETURN TO PARIS, AND WILL GO ON TO BRUSSELS ON 23 OR 24 MAY, FOR DISCUSSIONS THERE.
- (C) MR ESAKI WILL AS ORIGINALLY PROPOSED GO TO LONDON ON 24 MAY, AND HOPES ON THAT DAY TO CALL ON THE SECRETARIES OF STATE FOR TRADE, ENERGY AND INDUSTRY, AS HIS OWN OPPOSITE NUMBERS WITH CABINET RANK. (YOU WILL RECALL THAT MITI HAD EARLIER TOLD US THAT MR ESAKI ALSO WISHED TO CALL ON THE PRIME MINISTER. THIS IS STILL HIS WISH). THESE CALLS TOO WILL BE IN THE NATURE OF AN INITIAL COURTESY VISIT, AND WE ARE NOT AWARE OF ANY SPECIFIC ISSUES WHICH WILL BE PROPOSED FOR DISCUSSION. MR ESAKI'S VISIT IS NOT, REPEAT NOT, RELATED TO SUMMIT PREPARATIONS. HE WOULD BE PREPARED TO RIVE ON THE EVENING OF 23 MAY (AF820, ETA 2030) IF THAT WOULD SIMPLIFY ARRANGEMENTS.

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2. THE MFA ARE AWARE OF THE COINCIDENCE OF MR SONODA'S PROPOSED VISIT WITH THAT OF MR VANCE, AND REALISE THE DIFFICULTIES OF MAKING AN APPOINTMENT EVEN WITH THE FOREIGN AND COMMONWEALTH SECRETARY, LET ALONE WITH THE PRIME MINISTER. IT APPEARS HOWEVER THAT THESE ARE THE ONLY DAYS WHICH WILL BE CONVENIENT. OFFICIALS ARE CONFIDENT THAT THESE PROPOSALS WILL BE ACCEPTED BY THE CABINET (AS THE BEST WAY OF RECONCILING THE INTERESTS OF THE TWO MINISTERS, NEITHER OF WHOM IS READY TO GIVE WAY AND ALLOW THE OTHER ALONE TO REPRESENT JAPAN AT THE IEA). NEVERTHELESS I PROPOSE TO CHECK AGAIN TOMORROW, IN VIEW OF THE WAY THE JAPANESE HAVE HANDLED THIS MATTER HITHERTO, OFFICIALS ALSO EXPECT THAT THE DIET WILL APPROVE THE ABSENCE OF BOTH MINISTERS, EVEN THOUGH THE DIET SESSION IS LIKELY TO BE EXTENDED BEYOND 20 MAY, ON THE GROUNDS THAT PREPARATIONS FOR THE SUMMIT AND THE ENERGY QUESTION ARE THE TWO MAJOR DIPLOMATIC ISSUES WHICH JAPAN NOW FACES. THERE MAY HOWEVER BE SOME DIFFICULTY IN SECURING THE DIET'S AGREEMENT TO MR ESAKI'S VISITING LONDON IF THE DIET EXTENSION IS FOR ONLY ONE WEEK, AS HE MIGHT IN THAT EVENT BE EXPECTED TO ATTEND AT LEAST SOME PART OF THE SESSION.

3. WE HAVE REITERATED TO THE MFA THE DIFFICULTIES OF THIS TIME-TABLE FROM THE POINT OF VIEW OF OUR OWN MINISTERS, WITHOUT SEEKING TO DISCOURAGE THEM FROM THE PROPOSAL THAT THE TWO JAPANESE MINISTERS SHOULD AT THIS EARLY STAGE MAKE THE ACQUAINTANCE OF THEIR BRITISH OPPOSITE NUMBERS, WHICH IN GENERAL WE OF COURSE GREATLY WELCOME. WE ARE TAKING A FURTHER OPPORTUNITY THIS AFTERNOON TO MAKE THESE POINTS BOTH TO THE MFA AND TO MITI. GIVEN THAT THE TWO MINISTERS HAVE DIFFERENT PURPOSES IN MIND FOR THEIR VISITS, AND THAT THE JAPANESE ARE CLEARLY WELL AWARE OF THE DIFFICULTIES, I HOPE THAT AS MANY AS POSSIBLE OF THE APPOINTMENTS THEY SEEK CAN BE ARRANGED.

4. I HAVE AN APPOINTMENT TO SEE MR ESAKI ON THE MORNING OF 16 MAY. IF I CAN BE INSTRUCTED BY THEN TO CONVEY A FIRM INVITATION FROM THE NEW SECRETARY OF STATE FOR TRADE THAT WOULD BE EXTREMELY HELPFUL (AND ACCORDING TO MITI OFFICIALS WOULD IN PARTICULAR SMOOTH MR ESAKI'S PATH IN HIS QUEST FOR DIET APPROVAL.) I SHOULD ADD THAT IF WE WERE TO SPURN MR ESAKI'S INITIATIVE NOW I DOUBT IF WE SHOULD GET HIM TO COME AT A TIME OF OUR OWN CHOICE IN THE NEAR FUTURE.

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MR MURRAY

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FM TOKYO 090850Z MAY 79

TO IMMEDIATE FCO

TELEGRAM NUMBER 153 OF 9 MAY, 1979

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RECEIVED IN REGISTRY No. 50		
11 MAY 1979		
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INTERNATIONAL TRADE		

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MY TELEGRAM NO. 148: JAPANESE MINISTER OF
AND INDUSTRY

1. MITI TOLD US TODAY THAT INSTRUCTIONS TO THE JAPANESE EMBASSY HAD NOT (NOT) YET ISSUED BECAUSE THE PRIME MINISTER'S CLEARANCE HAD NOT (NOT) YET BEEN OBTAINED. THEY DID NOT THINK THERE WAS ANY DOUBT THAT MR OHIRA ENDORSED MR ESAKI'S PLANS BUT THE QUESTION OF HIS FORMAL APPROVAL WAS RELATED TO THAT OF THE DIET. AS YOU KNOW, THE DIET SESSION IS AT PRESENT SCHEDULED TO END ON 19 MAY, ON THE EVE OF THE IEA MEETING, BUT AN EXTENSION IS UNDER CONSIDERATION.
 2. MITI SAID IT WOULD GREATLY FACILITATE DIET APPROVAL OF MR ESAKI'S PLANS IF HE WERE TO RECEIVE A WRITTEN INVITATION FROM THE BRITISH GOVERNMENT. AFTER DISCUSSION, IT WAS AGREED, SUBJECT TO YOUR VIEWS, THAT THIS MIGHT BEST TAKE THE FORM OF A LETTER FROM THE SECRETARY OF STATE FOR TRADE, RENEWING THE INVITATION EXTENDED BY HIS PREDECESSOR (AND ACCEPTED BY MR ESAKI), AND ENQUIRING WHETHER MR ESAKI COULD VISIT LONDON AFTER THE IEA MEETING. MITI SAID IT WOULD BE HELPFUL IF THIS INVITATION COULD BE EXTENDED IN THE NAME OF MR NOTT'S COLLEAGUES AS WELL AS HIMSELF, SINCE MR ESAKI'S RESPONSIBILITIES AND THE SUBJECTS HE WOULD LIKE TO DISCUSS INVOLVED OTHER BRITISH MINISTRIES, THOUGH THEY DID NOT THINK IT WOULD BE NECESSARY TO SPECIFY WHO THE COLLEAGUES IN QUESTION WERE.
 3. MITI WOULD BE GRATEFUL FOR THE EARLIEST POSSIBLE INDICATION FROM US AS TO WHETHER THE DATES MR ESAKI HAS IN MIND ARE CONVENIENT FOR BRITISH MINISTERS AND, IF THEY ARE, FOR AN INVITATION ON THE ABOVE LINES.
- WILFORD

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P.A.
 Jim
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JAPANESE MINISTER OF INTERNATIONAL TRADE AND INDUSTRY

1. THE DEPARTMENT WILL RECALL THAT I HAVE BEEN IN TOUCH WITH THEM ABOUT THE POSSIBILITY OF AN INVITATION TO MR ESAKI TO VISIT LONDON AFTER THE IEA MINISTERIAL MEETING ON 21 AND 22 MAY IN PARIS AT WHICH HE IS LEADING THE JAPANESE DELEGATION. MR ESAKI HAS ALREADY RECEIVED A SIMILAR INVITATION FROM THE GERMAN GOVERNMENT. THIS MORNING'S PRESS CARRIED REPORTS THAT MR ASAKI WISHES TO VISIT LONDON, BONN AND POSSIBLY BRUSSELS AT THAT TIME.
2. MR ESAKI'S MINISTRY TELL US HOWEVER THAT MR ESAKI'S WISH IS TO VISIT LONDON ONLY ON THIS OCCASION. HE WOULD LIKE TO TRAVEL OVER FROM PARIS ON THE MORNING OF THURSDAY 24 MAY (EITHER BY AFB10 ETD 1030 OR BY BE303 ETD 1100) AND WOULD LEAVE LONDON FOR TOKYO ON 26 MAY (BY JL422 ETD 1400). MR ESAKI HOPES TO MEET THE SECRETARIES OF STATE FOR TRADE, INDUSTRY AND ENERGY (HIS OWN PORTFOLIO COVERS ALMOST ALL THE AREAS DEALT WITH BY THESE THREE BRITISH DEPARTMENTS) AND TO CALL UPON THE PRIME MINISTER. INSTRUCTIONS TO THE JAPANESE EMBASSY TO APPROACH YOU IN THIS SENSE ARE LIKELY TO ISSUE LATER TODAY ONCE FINAL CLEARANCE FOR THE VISIT HAS BEEN RECEIVED FROM THE JAPANESE PRIME MINISTER.
3. ASKED WHETHER WE THOUGHT MINISTERS WOULD WELCOME A VISIT BY MR ESAKI, WE REPLIED THAT WE WERE CERTAIN THAT SUCH A VISIT WOULD BE VERY WELCOME IN PRINCIPLE BUT NATURALLY HAD NO (NO) KNOWLEDGE AS TO WHETHER THE DAY AND A HALF IN QUESTION WOULD BE POSSIBLE. I RECENTLY SAID AS MUCH TO MR ESAKI HIMSELF. I REALISE THAT MINISTERS WILL HAVE MANY HEAVY CLAIMS UPON THEIR TIME, BUT I STRONGLY RECOMMEND THAT MR ESAKI SHOULD BE RECEIVED. HE NOT ONLY HEADS ONE OF THE MOST IMPORTANT MINISTRIES IN JAPAN BUT IS ONE

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OF THE MOST INFLUENTIAL POLITICIANS IN THE LIBERAL DEMOCRATIC PARTY AND ACTED AS PRIME MINISTER DURING MR OHIRA'S RECENT VISIT TO WASHINGTON. HE IS EASY AND AGREEABLE TO DEAL WITH AND ADMIRABLY SUITED TO INITIATE THE DIALOGUE BETWEEN THE JAPANESE GOVERNMENT AND THE NEW BRITISH GOVERNMENT. IT WOULD INDEED ALSO BE ENTIRELY APPROPRIATE FOR YOU YOURSELF TO RECEIVE HIM IF THAT WERE POSSIBLE, AS I HOPE IT MAY BE.

4. MR. ESAKI ACCEPTED IN PRINCIPLE AN INVITATION TO VISIT BRITAIN FROM THE PREVIOUS SECRETARY OF STATE FOR TRADE.

WILFORD

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