

Confidential Filing

Visit of Japanese Prime Minister,
Mr Kaifu

JAPAN

Part 1: Feb 1984

Part 3: March 1990

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date	
3.90		See Relations						
22.6.92								
25.6.92								
21.7.92								
closed		PREM 19/3836						

CCPS

EMBASSY OF JAPAN
LONDON

Prime Minister ②

21st July 1992

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1) 2/1/92


1/1/92

Dear Prime Minister,

X-97

I am asked by Prime Minister Kiichi Miyazawa to forward the text of his letter to you.

... I have pleasure in enclosing this herewith and will forward the original letter as soon as it is received in London.

Yours sincerely.


Hiroshi Kitamura
Ambassador

The Rt.Hon. John Major, MP,
Prime Minister and First Lord of the Treasury,
10, Downing Street,
LONDON, S.W.1.

OFFICE OF THE PRIME MINISTER
TOKYO

SUBJECT
MASTER

Filed on:

20 July 1992

Dear John :

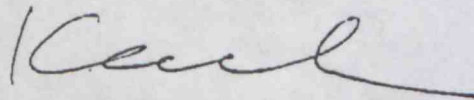
Thank you very much for your cordial hospitality during my recent visit to your country.

The exchanges of views we had on 4 July were enormously enjoyable and useful. They were highly valuable in enhancing our policy coordination and ensuring the success of the Munich Summit.

Based on the personal relations we have reaffirmed, I intend to further enhance our bilateral relations. As the EC's presence is carrying more weight in various international decision-making processes, I deem it of particular importance for Japan to strengthen political dialogue with the EC through our close contacts.

I fully enjoyed my stay in London. It was a pleasant surprise that the Commander of the Guard of Honour spoke to me in fluent Japanese. I am indeed looking forward to seeing you in Japan at the early part of the next year. On that occasion I should very much like to reciprocate the kind consideration you extended to me during my stay in London.

Sincerely yours,



Kiichi Miyazawa
Prime Minister of Japan

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T1588/92

The Right Honourable John Major, MP
Prime Minister of the United Kingdom
of Great Britain and Northern Ireland

(7)

✓ CCB

EMBASSY OF JAPAN
LONDON

1/ a PSIF
he PSIF
-1/ Jiji
1/2


30th June, 1992.

Dear Prime Minister,

I am asked by Prime Minister Kiichi Miyazawa to transmit a message to you.

I have pleasure in enclosing herewith the text of this message.

I also look forward to seeing you in the Japan-EC Summit Meeting and Japan-UK Prime Ministerial Meeting this week.

yours sincerely,


Hiroshi Kitamura
Ambassador

The Rt. Hon. John Major, M.P.,
Prime Minister and First Lord of the Treasury,
London.

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T147/92.....

SUBJECT
MASTER

Filed on:

Dear Prime Minister,

It is with the utmost regret, that I inform you that Deputy Prime Minister and Foreign Minister Michio Watanabe, a mainstay of my Cabinet, will not be able to attend the Japan-EC Summit Meeting, Japan-UK Prime Ministerial Meeting and the Economic Summit in Munich due to unavoidable circumstances of which I assume you are well aware.

With your kind understanding, I would like to have Advisor to the Minister for Foreign Affairs, Ambassador Nobuo Matsunaga, a seasoned diplomat who has my utmost confidence, attend these meetings in order to assist me, and to speak in the sessions in place of Deputy Prime Minister and Foreign Minister Watanabe.

Ambassador Matsunaga was appointed Envoy of the Japanese Government at the Cabinet Meeting on June 26, 1992.

I am convinced that Ambassador Matsunaga is a man of ability and insight who will make a significant contribution toward bringing these meetings to a successful conclusion.

I would be most grateful for your kind understanding of this decision of mine and the Japanese Government.

Sincerely yours,

Kiichi Miyazawa
Prime Minister

The Rt. Hon. John Major, M. P.,
Prime Minister and First Lord of the Treasury,
London.

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



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

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

26 June 1992

P.A. S 2/7
cc 6/4
cc
Yes / Lane
S 52/2
S 2/7
Sub (G)
I think you have
spoken to Mr
Roberts' office.
Sandra

Dear Stephen

EC/JAPAN SUMMIT: SATURDAY 4 JULY

You kindly invited the President of the Board of Trade to attend or be represented at this meeting and the bilateral with the Japanese Prime Minister on Saturday 4 July.

Unfortunately, both Mr Heseltine and Mr Needham have other commitments that prevent them from attending. You said that you would be prepared to accept representation at official level and the President would like Christopher Roberts (Deputy Secretary with responsibility for International Trade Issues) to be the representative of this Department. Mr Roberts' secretary will contact Sandra Phillips about the detailed arrangements.

Yours

KEITH LOADER
Private Secretary

JW6370



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file
sent

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

25 June 1992

Dear Sir,

VISIT OF THE JAPANESE PRIME MINISTER

Thank you for your letter of 17 June.

As we discussed, the Prime Minister would be very happy for the President of the Board of Trade or another DTI Minister or official to be present both at the Summit and at the bilateral talks.

I am waiting to hear from the DTI on this.

The Prime Minister would be happy to have a chat with John Boyd at the end of the talks.

Guard of Honour

The Prime Minister agrees to a guard of honour. He also agrees with your proposals for handling M. Delors' arrival. You may want to have a protocol officer with M. Delors for this purpose.

Agenda

The agenda is fine. The Prime Minister is happy to take some items over lunch. He would like to invite the full Japanese delegation to the lunch. Seating will be at a number of round tables.

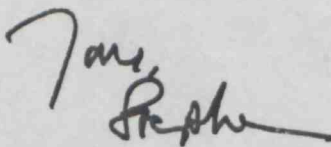
Press Conference

The arrangements for the press conference are fine.

Prime Minister's visit to Japan

I am writing to you separately about this.

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


J. S. WALL

Simon Gass, Esq.,
Foreign and Commonwealth Office

dg

CONFIDENTIAL

9F



Foreign &
Commonwealth
Office

London SW1A 2AH

Telephone: 071-

File J

22 June, 19.30

Dear Stephen,

Sorry to come back on Hereltine and the EC Japan Summit, but when I touched base with ECDF I was reminded that ^{at} the 8 May meeting, the PM agreed orally on two principals per delegation in order to keep numbers down. This was later the basis for planning with the Commission and the Japanese: it was not included in your report of the meeting, but I do now recall discussing it, the PM asking which Minister would be involved and we and Mr Stud agreeing it would only be those two of them.

It would be very helpful to stick to two a side:

- The Japanese will be very upset and feel obliged to bring along a MITI Minister,
 - Mr Hereltine would only be in a position to contribute on subjects on which the Commission have competence,
 - there is no pressure from the DTI, who are closely involved in preparation, for the President to be present.
- Mr Stud would have a role in the afternoon bilateral, but it would only complicate matters with no visible benefit, to include

him in the morning.

It may be too late to change things, and
the PM may have strong views of his own one way
or the other. But ^{if it's evenly balanced and you don't} ~~unless~~ you feel strongly, perhaps you
could tilt it back to the status quo!

Have you lit your pillow before 01.30.

Yours

A handwritten signature in dark ink, consisting of a stylized, cursive name that appears to be 'John' or similar, followed by a horizontal line underneath.

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PRIME MINISTER

(1) Pl. refer re. guard of honour.
(2) lunch: small table - continue work ??
(3) Pl. refer re. Japan dates

VISIT OF THE JAPANESE PRIME MINISTER AND
VISIT OF THE CANADIAN PRIME MINISTER

4 29.6.

You are due to have talks with the Japanese Prime Minister on 4 July. In the morning and over lunch the talks take the form of the EC/US Summit - ten on the Japanese side, M. Delors, Mr. Andriessen and two or three officials from the Commission side; and about eight people from the UK, including the Foreign Secretary and Mr. Goodlad. I think our team should also include Mr. Heseltine since trade issues loom fairly large.

I attach the programme (flag A) and should be grateful for your agreement:

- ✓ Yes
- (a) that we should have a Guard of Honour for Mr. Miyazawa at 0945 on Saturday, 4 July;
 - (b) that we cover the agendas attached (flag B) for the Summit talks and for the separate bilateral talks in the afternoon;
 - (c) on the attached draft Summit Statement (flag C) which would be issued at your joint Press Conference with Mr. Miyazawa.

Yes!

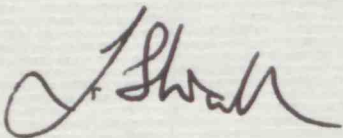
The talks will take place in the Cabinet Room (in which interpretation booths will be installed the previous day). The lunch will be in No. 10. If you agree, the lunch will be for the entire delegation. There are a number of subjects you may need to take over lunch but these could be done privately between you and Mr. Miyazawa rather than having one discussion covering the entire table, which would be difficult with 24 people present. Since Mr. Miyazawa speaks English, the problem of interpretation will not arise at that point.

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Your talk with Mr. Mulroney

You and Mrs. Major are due to give Mr. and Mrs. Mulroney and their daughter an informal dinner in No. 10 (just the five of you) at 1930 on Saturday, 4 July. Mr. Miyazawa will have left at 1600. ✓

Mr. Mulroney has asked to have a talk beforehand. I suggest you see him at 1900 with just one notetaker a side. If you agree, I will make the agreements accordingly.



J. S. WALL

22 June 1992

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Foreign &
Commonwealth
Office

cc RB
S/P
SG
Admin
only

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London SW1A 2AH

17 June 1992

Dear Stephen,

VISIT OF JAPANESE PRIME MINISTER

I am writing to consult you about the programme for the visit of Mr Miyazawa from 3-5 July.

We have a provisional list of the Japanese delegation to the Summit, numbering ten in all namely:

- Prime Minister, Mr Kiichi Miyazawa
- Foreign Minister, Mr Michio Watanabe
- Deputy Chief Cabinet Secretary, Mr Motoji Kondo
- Deputy Minister for Foreign Affairs, Mr Kunihiko Saito
- Deputy Minister for Foreign Affairs,
Mr Koichiro Matsuura
- Director General, Economic Affairs Bureau, Ministry of
Foreign Affairs, Mr Kazuo Ogura
- Director General, European and Oceanian Affairs Bureau,
MFA, Mr Nagao Hyodo
- Press Secretary, MFA, Mr Masamichi Hanabusa
- Japanese Ambassador, London, Mr Hiroshi Kitamura
- Notetaker

The Foreign Minister is suffering from gallstones and may well not be able to come to London (his place may then be taken by a senior ex-diplomat).

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Subject to the Prime Minister's agreement, the UK delegation at the Summit might consist of:

- The Prime Minister
- The Foreign Secretary
- Mr Goodlad
- Sir John Coles, FCO
- Sir John Boyd, Ambassador-designate Tokyo
- Mr Appleyard, FCO
- Mr Jay, FCO
- Mr Wall, No 10
- Notetaker

We have had no confirmation from the Commission of the members of their delegation. We believe that M. Delors wishes to keep it small, to include Mr Andriessen and two to three officials. The total UK/Commission team would then marginally outweigh the Japanese. (If you thought this too large, we could reduce the number of officials. Sir John Boyd could reserve himself for the bilateral meetings).

At the bilateral meeting between the Prime Minister and Mr Miyazawa on the afternoon on 4 July, the supporting team could be smaller, perhaps Mr Goodlad, Sir J Coles and Sir John Boyd. The DTI may also wish to be represented. As Sir John Boyd will be leaving to take up his post in Tokyo soon after 4 July, it would be very helpful if the Prime Minister could also spare 5 or 10 minutes to talk to him that day, possibly after the bilateral meeting.

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Guard of Honour

A Guard of Honour for Mr Miyazawa would be normal and expected. There is no convenient gap during the day and Guards of Honour are not normally held at the end of programmes. The most practical time would be 09.45 on 4 July, just before the EC/Japan Summit (please see enclosed draft programme). But M Delors will be present at the Summit and we would not wish to include him in the Guard of Honour as he is not a Guest of Government and that is not the usual way to receive the President of the Commission. But we should ensure that M Delors is properly received as part of the Community team and does not feel slighted. The press will pounce on any over-lavish treatment of Delors on our part, and would equally exploit it if there is a suggestion that he has been snubbed.

Short of dropping the Guard of Honour altogether, which would almost certainly be seen as a slight by the Japanese, the Foreign Secretary believes that we have no alternative but to hold the Guard of Honour at the time originally planned and stage-manage M Delors' arrival so that he gets to No 10 just after the Prime Minister and Mr Miyazawa arrive there from reviewing the Guard. This should be possible if the Special Escort Group brings M Delors from Northolt, but the timing will have to be precise. The Foreign Secretary would hold the fort at No 10 during the Guard of Honour ceremony in case M Delors turned up a minute or two early.

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I should be grateful for your views. We need to finalise arrangements soon with the Guards.

Agenda

It would be useful to know whether the Prime Minister is happy to take certain of the agenda items for the Summit over lunch. There is a lot to be got through and the Japanese are already thinking in this direction. Some areas for discussion fall within EC competence, where M Delors would expect to lead. We would need to clear lines with the Commission on the order of batting in advance, perhaps by discussing a steering briefing with them.

Yes
Would the Prime Minister want to entertain the whole Japanese delegation to lunch? We recommend that he does so.

/ I enclose draft provisional agendas for the Summit and the bilateral. These have been given to the Commission for their comments. They are very close to a Japanese draft agenda which had been drawn up independently. Also enclosed is a draft Summit statement which we are clearing with the Japanese and the Commission. We shall not be able to finalise this until after the 15/16 June FAC and further negotiations with the Japanese and the Commission in Tokyo on 22 June.

Language Regime

Mr Miyazawa speaks good English, but if present,

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the Foreign Minister Watanabe would need interpretation. M. Delors will wish to speak French. Whispering interpretation therefore will not work and two interpretation booths rather than cumbersome consecutive interpretations will be required to interpret three languages. I understand that these could be fitted into the Cabinet Room as the maximum number attending the Summit would be 24. Full interpretation will be provided at the press conference where Mr Miyazawa is likely to speak in Japanese and M Delors in French.

Yes

Press Conference

We are aiming to issue a joint statement / communique after the Summit, reaffirming the principles contained in the EC/Japan Declaration issued at the first Summit in The Hague last year, but also highlighting areas of future cooperation between the EC and Japan. Given that the time set aside for the press conference is relatively short (from 12.15 to 12.50) we suggest that the Prime Minister say a few words about the Summit and the joint statement, inviting comments from M Delors and Mr Miyazawa, but then proceed quickly to questions by journalists from the floor.

Meeting and Entertainment

The Prime Minister will wish to note that Mr Hunt has agreed to meet Mr Miyazawa at Heathrow on 3 July. Mr Miyazawa will rest for the remainder of the morning and afternoon, attending a reception organised by the Japan Society in the evening and a private dinner hosted by the Japanese Ambassador. On the evening of 4 July he



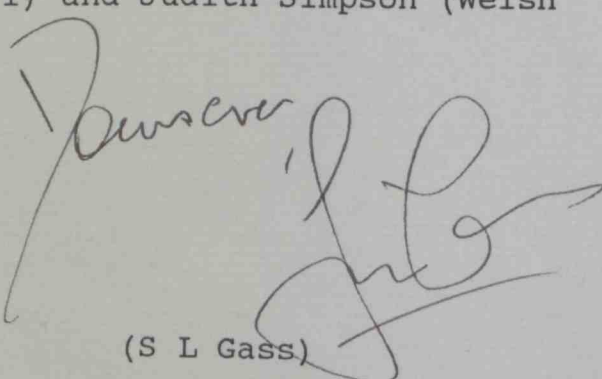
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has also decided that he wishes to have a private dinner.

Prime Minister's Visit to Japan

The Prime Minister may wish to discuss with Mr Miyazawa at their bilateral his visit to Japan, and possibly agree dates. The Japanese Embassy have told us that they would be thinking of a visit in the period from November this year to March next year. Given that the Prime Minister will be visiting Japan for next year's G7 Summit, probably in July, it would be sensible for the bilateral visit to be as early as possible. This argues for a January visit, after the end of our EC Presidency. Would the Prime Minister be able to offer any dates during the period suggested by the Japanese? If it were possible to announce during the Summit a firm commitment for the Prime Minister to visit Japan, this would be much welcomed by the Japanese and signal the importance we attach to the bilateral relationship.

I am copying this letter to Jeremy Heyward (HM Treasury), Peter Smith (DTI) and Judith Simpson (Welsh Office).


(S L Gass)

Private Secretary

J S Wall Esq CMG LVO
10 Downing Street

CONFIDENTIAL

Red Crest

(8 June 1992)

HER MAJESTY'S GOVERNMENT
IN THE UNITED KINGDOM
OF GREAT BRITAIN
AND NORTHERN IRELAND

Visit of

His Excellency

the Prime Minister of Japan

and Mrs Miyazawa

3 to 5 JULY 1992

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His Excellency Mr Kiichi Miyazawa, Prime Minister of Japan,
and Mrs Miyazawa will be accompanied by :

His Excellency Mr Michio Watanabe,
Minister for Foreign Affairs

Mrs Watanabe

His Excellency Mr Hiroshi Kitamura,
Ambassador of Japan to the Court of St James's

Government Hospitality Fund Escort Officers in attendance :

Wing Commander Tommy Cody, RAF (Ret'd)
Miss Pamela Ridler
Colonel Tom Seccombe, RM (Ret'd)
Wing Commander Peter Anstee RAF (Ret'd)
Wing Commander Max Higson RAF (Ret'd)

The Visitors will stay at :

The Hyde Park Hotel
66 Knightsbridge, SW1

Programme

FRIDAY, 3 JULY

0900 hrs Arrive at London Heathrow Airport by Special Flight
from Washington
Royal Suite

Met by the Secretary of State for Wales,
The Rt Hon David Hunt, MP

Ceremonial Carpet-lining Party provided by
The Queen's Colour Squadron,
Royal Air Force Regiment

0915 Leave London Heathrow Airport by car

0950 Arrive at the Hyde Park Hotel
66 Knightsbridge, SW1
(Royal Entrance, South Carriage Drive)

No Official Engagements during the Morning

Private Luncheon

Leave the hotel

Arrive at

to Reception given by the Japan Society
Host :

Dress :

Leave

continued on next page

FRIDAY, 3 JULY (Cont'd)

hrs Arrive at the Residence of the Ambassador of Japan
[Address]

for Dinner given by the Ambassador of Japan
Host : The Ambassador of Japan to the Court of St James's,
His Excellency Mr Hiroshi Kitamura
Dress :

SATURDAY, 4 JULY

A

0935 hrs Leave the hotel

0945 Arrive at the Foreign and Commonwealth Office
South Arch, King Charles Street, SW1

Met by the Prime Minister,
The Rt Hon John Major, MP

A Guard of Honour found by the Battalion Guards,
with the Colour, the Band of the Guards
and the Corps of Drums of the , under the
command of , is mounted in King Charles Street

His Excellency the Prime Minister of Japan will inspect the
Guard of Honour, accompanied by the General Officer
Commanding London District and Major General Commanding
the Household Division,
Major General R J S Corbett

Proceed to 10 Downing Street accompanied by the Prime
Minister,
The Rt Hon John Major, MP

1000 His Excellency the Prime Minister of Japan will attend the
European Community - Japan Summit Talks

1145 Leave 10 Downing Street

1150 Arrive at the Queen Elizabeth II Conference Centre
Broad Sanctuary, SW1

1215 Press Conference
[Room]

1250 Leave the Queen Elizabeth II Conference Centre

continued on next page

SATURDAY, 4 JULY (Cont'd)

1255 hrs Arrive at 10 Downing Street

1300 Working Luncheon

1430 Talks with the Prime Minister,
The Rt Hon John Major, MP

1600 Leave 10 Downing Street

1610 Arrive at the hotel

1700 The President of the European Commission,
to M Jacques Delors,
will call at the hotel

SUNDAY, 5 JULY

0815 hrs Leave the hotel

0845 Arrive at London Heathrow Airport
Royal Suite

0900 Depart by Special Flight for Munich

will bid Farewell

PROGRAMME FOR HIS EXCELLENCY MR MICHIO WATANABE,
MINISTER FOR FOREIGN AFFAIRS
FRIDAY, 3 JULY

hrs Arrive at London Heathrow Airport by Flight
from

Suite

Met by the Special Representative of the Secretary of State
for Foreign and Commonwealth Affairs,

Leave London Heathrow Airport by car

Arrive at the Hyde Park Hotel
66 Knightsbridge, SW1

DIRECTORY

Government Hospitality Fund <i>8 Cleveland Row, St James's, SW1A 1DH</i>	071-210 4291
Foreign and Commonwealth Office Protocol Department Far Eastern Department	071-210 6364 071-270 2956
Embassy of Japan <i>101 - 104 Piccadilly, W1V 9FN</i>	071-465 6500
London Heathrow Airport Royal Suite Suite	081-745 5284 081-745
Hyde Park Hotel <i>66 Knightsbridge, SW1Y 7LA</i>	071-235 2000
10 Downing Street	071-930 4433
Queen Elizabeth II Conference Centre <i>Broad Sanctuary, SW1P 3BB</i>	071-222 5000

UK/JAPAN: BILATERAL MEETING OF PRIME MINISTERS, 4 JULY

PROVISIONAL AGENDA

(incorporating initial Japanese comments of 12 June)

1. UK/Japan Bilateral Relations
2. Prime Minister's Visit to Japan
3. UK/Japan Trade/Economic Relations (Including Japanese Investment in the UK)
4. Hong Kong
5. US/Japan (Political and Strategic)
6. Environmental Issues
7. G7 Summit Issues
8. Northern Territories
9. Korean Peninsula
10. South East Asia Country Issues: Thailand, Cambodia, Vietnam, Burma (if time permits)

SECOND EC/JAPAN SUMMIT: LONDON, 4 JULY

DRAFT AGENDA

(Incorporating comments by EC Commission) [Not cleared with Japanese]

EC/Japan relations

- Review of EC/Japan relations since the Hague declaration
 - . enhancement of political dialogue
 - . trade and market access issues
 - . further areas for developing cooperation

EC, Japan and the world

- Developments in Europe
 - . European Union/CFSP
 - . EC enlargement
- Former Soviet Union
 - . ~~future of Russian Federation~~
 - . economic assistance
 - . Japan/Russia
 - . nuclear safety
- Assistance to Central and Eastern Europe
- Uruguay Round

Arms control and disarmament (including non-proliferation)

* * *

- Summit communique

6/0

* * *

Topics taken over lunch:

- Yugoslavia
- CSCE
- Asian issues (ASEAN/APEC)
- China
- Cambodia
- Middle East

DRAFTSECOND EC/JAPAN SUMMIT, LONDON, 4TH JULY 1992

SUGGESTIONS FOR DRAFT SUMMIT COMMUNIQUE

[cleared with
Commission, but not
Japanese]

I. PREAMBLE

The Rt. Hon John Major MP, President of the European Council and Mr. Jacques Delors, President of the European Commission, on 4 July 1992 met the Prime Minister of Japan, HE Mr. Kiichi Miyazawa, for the second summit meeting between the European Community and Japan. They have issued the following statement.

II. INTRODUCTION

At the first EC/Japan summit in the Hague in July 1991 the Community and Japan agreed a joint declaration of shared values and objectives. Among other things, it affirmed their common attachment to freedom, democracy, the rule of law, human rights, the promotion of free trade and the development of a prosperous and sound world economy. The declaration affirmed both sides' commitment to inform and consult each other on major international issues, and established a strengthened framework for consultation and cooperation.

The deepening of the EC/Japan relationship embodied by the the declaration is a continuous process. At the Summit both sides reaffirmed their commitment to the spirit and the letter of the declaration and undertook to strengthen cooperation and consultation in the future.

III. REVIEW OF EXISTING COOPERATION

The two sides reviewed existing cooperation, and agreed that a balanced and global approach to EC/Japan relations was the most productive way forward. This approach should be based, on the one hand,

on policies to further access to the Japanese market by Community firms, and, on the other, on the strengthening of dialogue and the development of cooperation in areas of mutual interest.

Political Issues

[They discussed in detail a number of international issues, including:

- developments in Europe, including the future development of the Community;
- the situation in Yugoslavia, where both the EC and its member states and Japan support [an early end to the conflict...etc.];
- Japan's relations with the Conference on Security and Cooperation in Europe;
- the situation in the former Soviet Union and Central and Eastern Europe.

The Community and Japan discussed the United Nations and reaffirmed their commitment to strengthen the role of the U.N. in resolving international disputes.]

Both sides welcomed the cooperation that has developed in the G24 on assistance to the countries of Central and Eastern Europe and confirmed their intention to strengthen and extend this assistance.

Economic and Trade Issues

The two sides reviewed EC/Japan trade relations. The Community welcomed the steps taken by the Japanese Government in recent years to improve access to certain sectoral markets. It is concerned, however, that its trading position with Japan has deteriorated in recent months. At the same time, the full implementation of the Single Market, with its freedom of movement, will provide improved trading opportunities for all; it is a contribution to the development of international trade.

The two sides re-stated their resolve for equitable access to their respective markets and removing obstacles, whether structural or other, impeding the expansion of trade and investment on the basis of

comparable opportunities. The two sides reaffirmed the importance they attached to ensuring that measures to improve access to the Japanese market, would be implemented in a transparent and non-discriminatory manner, as would the award of public contracts. They agreed on the need to keep the economic relationship under permanent review, in order to allow adjustments to be made as necessary.

The EC and Japan welcomed continuing Japanese direct investment, in Europe as a contribution to industrial development and renewal throughout the Community. The Japanese side confirmed its intention further to improve the atmosphere and conditions for foreign investment in Japan.

The EC and Japan recognised the importance of industrial cooperation as a means of strengthening and improving the economic relationship. They have resolved to facilitate industry's participation in mutually beneficial cooperation.

IV. COOPERATION IN THE FUTURE

The EC and Japan noted the gratifying progress made in a number of areas of cooperation since the July 1991 EC-Japan Declaration. [On the political side, the intensification of the political dialogue was particularly remarked. In a rapidly changing world, it is important that the EC and Japan should remain in close contact on their respective approaches to international problems. Ways of further strengthening this dialogue will be studied.

In conformity with the commitment in the EC-Japan Joint Declaration to enhance consultation and coordination on non-proliferation in order to promote world peace and stability, in 1991 Japan and the EC jointly tabled the UN Security Council Resolution establishing a register of conventional arms transfers. They have resolved to work in close cooperation in preparation for the 1995 Non-Proliferation Treaty Extension Conference and to ensure the success of the UN arms register.]

Progress has been made in areas such as scientific research, information technology and telecommunications, the environment, development assistance, social affairs, and energy. It was agreed that further efforts would be made both to develop the dialogue on policies and to seek out further concrete areas for cooperation.

Examples of such cooperation, which are at an advanced stage of preparation, are the holding of a joint workshop on emissions of CO² and other greenhouse gases, and the setting-up of a Science Forum.

The two sides stressed the importance of developing mutual understanding, including that of each other's societies, cultures, and political and administrative processes. It was agreed in principle to set up an EC-Japan Foundation dedicated to this end.

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→ SUBJECT
MASTER



File c:/foreign/
Kaifu MEM

bcc AC

Filed on:

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

14 July 1991

Dear Richard,

THE PRIME MINISTER'S LUNCH WITH
THE JAPANESE PRIME MINISTER

Thank you for the briefing that was provided for Mr. Kaifu's lunch with the Prime Minister today. Thank you too for the supplementary briefing on the Japanese internal scene.

I attach a list of those who attended the lunch. The atmosphere was friendly and the Prime Minister took quite a liking to Mr. Kaifu.

The Prime Minister opened the discussion by hoping that this would be the first of many meetings between the two Prime Ministers in Japan or London. We were very pleased at the state of our bilateral relations. Mr. Kaifu agreed. UK/Japanese relations were basically excellent. In the main, we had the same position on G7 Summit issues. Mr. Kaifu had been interviewed that morning by the BBC. One of the questions had been about trade matters (which the Prime Minister had indicated should be discussed). He had replied that the British Government's efforts in the 'Opportunity Japan' campaign and the response of the Japanese Government had led to UK exports nearly doubling over three years. He had endorsed the follow-up campaign of 'Priority Japan' and had looked forward to continued positive co-operation. Mr. Kaifu had visited the site of the Japan Festival which emphasised the importance of strengthening our bilateral ties in all areas, including culture and the arts. He had taken time out to see 'Phantom of the Opera'. People of our two nations could share the same sentiments and pleasures and could be touched by the same scenes. As regards trade, Mr. Kaifu was pleased that the imbalance had been reduced by 15 per cent last year. Japan would continue to promote imports and the restructuring that made them possible. Our joint efforts would ensure we avoided problems. Mr. Kaifu understood that the Prime Minister was interested in visiting Japan. He looked forward to welcoming him there at the earliest opportunity.

The Prime Minister said that although he had travelled a good deal in the Far East he had never been to Japan, and looked forward to the opportunity to discuss the growing importance of issues which our two countries needed to consult about. He was very pleased that the trade gap was closing. He could also assure Mr. Kaifu that we would continue to take a robust position within the Economic Community on Japanese cars. We did not want restraint on trade. We were also very keen to be able to make

CONFIDENTIAL

"big ticket" Aerospace sales to the Japanese, not just aircraft but also engines as well. Japan would want to chose the best, and we believed we could offer the best.

Mr. Kaifu welcomed the Prime Minister's positive assessment of trade relations. This was "very rewarding for the Japanese Government". The Japanese Government was increasingly aware of the excellence of the aero-engines which Britain produced. The Japanese Defence Minister had already written to Mr. King to say that Japan would buy British engines for their new warship. Japanese airlines had bought Airbus. Japan would continue to look for the best products. He welcomed the Prime Minister's comment about Japanese cars.

EC-Japan Summit

The Prime Minister looked forward to the EC-Japan Summit as an occasion for worthwhile dialogue. Mr. Kaifu expressed thanks for Britain's support over the Joint Declaration. He had discussed it with M. Delors in Tokyo. He hoped the Declaration could be issued in time for the Summit, but the French were proving difficult. He hoped he could count on our support. The Foreign Secretary described the difficulties we were facing over French demands for a phrase covering a balance of economic benefits. He thought it should be possible to find a compromise to avoid the word "balance". Mr. Kaifu had succeeded in changing Delors' attitude. Others in the Community were not so easily moved but we must continue to make the effort. We attached importance to developing a political dialogue. Mr. Kaifu reiterated his wish for our strong support for the Declaration and for its completion in time for the Summit, as a means of revitalising dialogue. The Prime Minister assured him he would continue to press the case.

Iraq

The Prime Minister described the situation in Iraq including the motivation behind the establishment of safe havens and the criteria which we had established for the relocation of our forces. He went on to say that we had no doubt that Iraq was cheating over her nuclear, biological and chemical weapons capacity and was not co-operating fully with the UN Special Commission. If, following the assessment team's return to New York, we established that Saddam Hussein was still cheating, we would take whatever action was necessary to ensure that the Iraqis did not have nuclear weapons under their control.

Mr. Kaifu paid tribute to the important role that the British Government had played over Iraq. We must do all we could to help the Kurds. Japan had sent a team of 49 to help and had contributed \$60m in various forms. Japan would continue to consider what else she might do. He had discussed with President Bush in Maine Iraq's sabotage of the Special Commission's investigations. He agreed that we must ensure Iraq's compliance with UN Security Council Resolutions. It was very important not to allow the emergence of a second or third Saddam Hussein. We

needed to restrict the transfer of weapons of mass destruction and establish a system of arms openness and transparency on conventional sales. Mr. Kaifu had raised this issue in the Japanese Parliament and at the UN Disarmament Conference in Kyoto in May. We needed a system of reporting to the United Nations on conventional arms sales. He knew Britain had the same view and we should consult.

The Prime Minister agreed. He discussed the French objections to the proposed Declaration and suggested that we and the Japanese should work together to try to persuade the French to accept comminque language. We were not seeking to duplicate the work of the Permanent Five, but we could not have a meeting of the G7 and not include in our statement the kind of sentiments Mr. Kaifu had expressed.

China

The Prime Minister said that he expected to go to China in early September. We were very grateful for China's help over Hong Kong, and the Airport Agreement in particular. That help had been very well received in Britain. We should keep in touch and pool our assessments. In particular, the Prime Minister would welcome Mr. Kaifu's assessment following his own visit. He in turn would reciprocate.

Mr. Kaifu said he believed that both countries approached the issue on the same basis. It was important that China should not be internationally isolated. He took every opportunity to meet Chinese leaders in Tokyo and to impress on them the importance of Hong Kong - not just the airport but Hong Kong as a whole, as a centre of freedom and economic vitality. The future of Hong Kong was important for every Asian country. Japan had clear interests in a free and prosperous Hong Kong not least because of her own high level of investment in Hong Kong and the conduct of her relations with China through Hong Kong. During his forthcoming visit Mr. Kaifu would urge the Chinese that it was in their interest to develop a form of openness and to come closer to the West. After China he would go on to Mongolia. They too were following a policy of openness and Mr. Kaifu hoped the Prime Minister would give it his personal attention. I cannot pretend that Mongolia has loomed large in the Prime Minister's mind in recent weeks, but the Foreign Secretary came to the rescue and described the recent visit of the Mongolian Foreign Minister.

Vietnamese Boat People

The Prime Minister described the growing pressures on the camps in Hong Kong, our efforts to set up an international centre in Vietnam and the possibility that we might have to send back some double-backers.

Mr. Kaifu said that he knew that this was one of the most serious issues facing Hong Kong. He could understand why the British Government felt it necessary to consider unilateral

action. Although it was not comparable in seriousness, Japan faced an influx of several thousand immigrants. They were working on legislation to allow a proportion of economic immigrants to work in Japan for a certain time and then leave.

Mr. Nakayama described his discussions in Vietnam on the boat people. Many of those now in Hong Kong had returned to Vietnam once and had now gone back to Hong Kong because they knew they would get a hand-out for being repatriated. There had just been a re-shuffle in the Vietnamese Government. The new Secretary-General of the Communist Party was a clever, clear-headed man with a good understanding of the issues. He advised us to get through to him the importance of a positive response to our approach.

The Foreign Secretary expressed gratitude for Japanese co-operation on this issue and described the present state of negotiations. We have taken no decision on double-backers but it was possible that we would have to act before we had full agreement with the Vietnamese on internationally managed centres.

Mr. Gorbachev

Mr. Kaifu said his initial assessment of Mr. Gorbachev's message to the G7 Summit was that it laid much stress on fundamental reform but was based on the Pavlov plan, while calling for external help as per Yavlinsky. There were many references to a mixed economy but the document was also clearly drafted to gain the support of Soviet conservatives. It was far from being a full programme for economic reform. There were major gaps and doubts about whether the plan could be implemented. Many of the measures had been on the table since last year and nothing had happened since. The document referred to the 9+1 agreement. Certainly, following the agreement, relations between the Centre and the Republics had improved but the status of those relations was fluid and unstable and different Republics had different objectives. The Soviet Union needed a government with public support but Gorbachev was relying on the Pavlov government to persuade the Republics and that government was full of conservative bureaucrats.

The Prime Minister said our assessment was very similar. We had very real doubts about the proposals on taxation, the emphasis on centralised control, what was meant by privatisation and price liberalisation, the size of the deficit and the strong hint of re-scheduling. How could the plan be implemented when many of the mechanisms were now in the hands of the Republics, whose commitment to the 9+1 agreement was partial and contingent? The document was disappointing but unsurprising. We needed to ask some difficult questions of Gorbachev. We also needed to decide how to follow up the meeting. Gorbachev needed a success even though we should not give him large scale financial help. The Sherpas had discussed various formulas. An associate relationship with the IMF was clearly desirable. We were inclined to think there should be some framework for follow up which we should discuss. It might perhaps be based around the

OECD. It should be a means of keeping ourselves informed of Gorbachev's intentions and of informing him of our views.

Mr. Kaifu said he wanted to see a democratic transformation of the Soviet Union. The political context in which exchange took place was very important. Kaifu was in favour of a special relationship between the USSR and the IMF/IBRD and in favour of a shadow programme. The Japanese supported technical assistance to the Soviet Union and had signed a Technical Co-operation Agreement during Gorbachev's visit in April. As regards follow up, the four international financial organisations should be asked to continue their assessment, and the 7 Summit countries should continue to exchange views at senior official level without necessarily creating a special group as such. He anticipated that the German and French leaders would argue for step-by-step synchronisation of support for the Soviet Union in the economic reform area only. Britain, the United States and Japan should stress the political context and the need for Gorbachev to achieve consensus.

The Prime Minister agreed. We also had to take account of Soviet arms expenditure and continued support for Cuba. The Soviet attitude to the Northern Islands was important in that context as well. The French and Germans might indeed argue for the grand bargain step-by-step. The Prime Minister understood that that was not acceptable to Japan or the United States. Nor was it attractive to the United Kingdom. We wanted to set in place a framework for follow up to the G7 meeting with President Gorbachev but without a commitment to resources.

Mr. Kaifu said that his thinking was similar, hence his idea that a group of officials from G7 countries could carry matters forward. Did the Prime Minister think that was not sufficient? The Prime Minister said he would need to take soundings of other colleagues. There were two attractions in widening the follow up group beyond the G7. One was that it widened the pool of available help to the Soviet Union. The second was that it might make it easier to bring the United States along.

GATT Round

The Prime Minister said that we would not solve the outstanding disagreements this week but he hoped we could agree to solve them this year, and that Heads of Government would take a personal interest. The EC needed to move on agriculture, the United States on services and intellectual property and the Japanese on rice. The Prime Minister described the dangers if no agreement was reached this year. We would not get agreement without the commitment of Heads of Government.

Mr. Kaifu agreed that we should and must settle this year. He would continue to deploy his own best efforts on market access, agriculture, intellectual property rights and services. Japan was doing lots of internal work to try and help achieve progress. It was important to have language in the economic declaration on food safety. (I was distracted from note-taking at this point by an unsuccessful search to find the relevant

passage in the draft, but Sir John Whitehead told me that what Mr. Kaifu then went on to say about Japan's position on rice was pretty standard and unforthcoming.)

The Prime Minister said he would look carefully at the point Mr. Kaifu had raised. The main problem would be with the French on agriculture. He was reasonably optimistic that we could find suitable language. He had valued and enjoyed this opportunity for discussion with Mr. Kaifu. The G7 process gave us an opportunity to share with Japan views on issues of wide interest. That was a very attractive opportunity and he hoped we could build on it. Mr. Kaifu said it was very important for Japan to be a participant in the G7 process. Japan was not involved in any other forum of that magnitude. He emphasised the political as well as economic importance of G7 and hoped that G7 would promote political discussions among the participating countries. The London Summit would be seen as a touchstone for future political discussion.

I am copying this letter to Jeremy Heywood and Nigel Wickes (HM Treasury), David Rossington (Ministry of Agriculture, Fisheries and Food), Martin Stanley (Department of Trade and Industry) and Sonia Phippard (Cabinet Office).

Jan.
Stephen

J.S. WALL

Richard Gozney, Esq.,
Foreign and Commonwealth Office

LIST OF GUESTS ATTENDING THE LUNCHEON TO BE GIVEN BY THE PRIME
MINISTER IN HONOUR OF HIS EXCELLENCYMR TOSHIKI KAIFU ON SUNDAY
14 JULY 1991 AT 12.30 PM FOR 12.45 PM

The Prime Minister

His Excellency Mr Toshiki Kaifu Prime Minister

His Excellency Dr. Taro Nakayama Minister for Foreign Affairs

His Excellency the Ambassador of Japan

Mr Hishashi Owada Deputy Minister for Foreign
Affairs and Political Director

Mr Nago Hyodo Director General for European
and Oceanic Affairs in
Ministry of Foreign Affairs

Rt Hon Douglas Hurd, MP

Sir John Whitehead

Mr John Weston

Mr Stephen Wall

(Interpreter: Mr T. Himeno)

PRIME MINISTER

MEETING WITH MR. KAIFU: 14 JULY

The main items are covered in the FCO letter (reduced version attached).

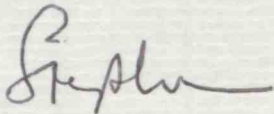
You should be aware of one other item which is the issue of compensation for former Prisoners of War of the Japanese (letter in the folder). Sir Bernard Braine has written to you on this subject asking you to put the case for reparation to the Japanese Prime Minister. Sir Bernard Braine also telephoned yesterday, not asking you to raise reparation so much as to secure an apology from the Japanese for war crimes.

At my request the FCO have told the Japanese Embassy that Mr. Kaifu should at least be aware that this is a live issue and that he might be asked about it by the media. What Sir Bernard Braine is looking for is the kind of indication of regret which Mr. Kaifu made when he was in Canada. President Bush has apparently been asked by the US veteran organisations to seek reparations.

The sums paid by the Japanese under the 1951 Treaty of Peace with Japan and a subsequent agreement were paltry. But the fact is that legally the Japanese have fully discharged their obligations. The question is whether Mr. Kaifu should seek an opportunity to say something publicly on the issue, and whether you should advise him to do so. The Foreign Secretary and our Ambassador, John Whitehead, will advise on this on Sunday morning. The Japanese are very sensitive on this point. If you were going to raise it (and I suspect the Foreign Secretary and John Whitehead will advise against), I think you would have to do so privately, saying something like:

"because of continuing public interest and concern in this country you may well be asked by the Press about Japanese war reparations. One way to handle this would be to say

that of course people in Japan deeply regret what happened in the war. Japan itself paid a very heavy price. But 50 years later there is a whole new generation of Japanese [of whom Mr. Kaifu is one] who are working with the United States and the countries of Europe to build a new partnership. The best way to make amends for the past is through the kind of transformation that has made modern Japan."



J. S. WALL
13 JULY 1991



Call
Step

Foreign &
Commonwealth
Office

13 July 1991

London SW1A 2AH

J S Wall Esq
Private Secretary,
10 Downing Street
London SW1

Dear Stephen,

PRIME MINISTER'S LUNCH WITH MR KAIFU: 14 JULY

1. You asked for additional material on the domestic political scene in Japan and, in particular, on the recent share scandal.
2. The LDP (Liberal Democratic Party) have been in power since 1955. Although the scandals that led to the resignation of Mr Kaifu's two predecessors, Mr Takeshita and Mr Uno, in 1989, dented the LDP's popularity and robbed the party of a majority in the Upper House of the Japanese Parliament, the failure of the opposition parties (especially the Japan Socialist Party - JSP) to press home their advantage has ensured that the LDP maintains a crushing lead in the opinion polls. There is no credible alternative - the JSP has failed to evolve policies that are attractive to the electorate and the possibility canvassed at one point during the Gulf conflict that the LDP might establish a de facto coalition with one of the smaller opposition parties, the Clean Government Party, to enable key legislation to get through the Diet, has not materialised.
3. Japan is gearing itself up to taking a greater world role. In domestic political terms, this has two important aspects:
 - an active debate is continuing on how Japan can contribute personnel to UN operations and more generally contribute to international peace and security. The aim is to despatch Self-Defence Force Units to take part in UN "blue-beret" operations or to participate in international forces backed by UN resolutions. There is no consensus in favour of this in Japan: an attempt to introduce legislation on these lines during the Gulf war had to be withdrawn, ostensibly for lack of time, in reality for lack of support;
 - electoral reform. Mr Kaifu hopes to convene a special Diet session to debate a package of political reform bills designed to rationalise the existing multi-member constituency system, which necessitates LDP candidates

/...



competing expensively against each other and contributes to the widespread financial corruption that bedevils Japanese politics. It is hoped that one long-term effect of this will be to introduce a less insular and more internationalist type of Japanese politician.

4. Attention is currently focussed on Mr Kaifu's own future (his term as Prime Minister ends on 27 October). He has hitherto held his position because of his personal popularity (which fluctuated severely during and after the Gulf war) and the absence of an obvious successor: he has no personal power-base within the LDP and came to power in 1989 as a compromise candidate untainted by corruption. If he is to avoid becoming a lame duck, he must keep up his Government's momentum (eg on electoral reform) and hope for a stand-off among his challengers. The odds are against him, not least because opposition to electoral reform is deep-rooted across the deeply conservative Japanese political spectrum. But there is still no clear front-runner to succeed him, although there is speculation that Mr Takeshita might seek to return to office, and Mr Hastimoto, Finance Minister, is also seen as a heavyweight candidate. It will therefore be a major priority for Mr Kaifu to assert his political credibility by showing at the Summit that Japan's voice is heard among the G7 powers.

5. Mr Kaifu may benefit domestically by any resurgence of corruption, particularly scandals touching his rivals. The most recent scandal involved disclosures of irregularities in the operations of the big four Japanese securities companies, in particular compensation for clients' losses as a result of illegal contractual arrangements. In addition, senior executives in two major companies (Nomura and Nikko) were shown to have close relationships with criminal figures (now under Department of Justice investigation). The four securities companies were ordered to suspend dealing with corporate clients from 10 to 14 July and brokers have been banned from managing the special discretionary accounts for clients that led to the abuses. The Ministry of Finance has been criticised for inadequate regulation and the Minister has taken a notional pay cut in recognition of the errors of his department. The Prime Minister has expressed regret for the scandal.

6. The possibility that Mr Kaifu might be re-selected in October in a reaction against such malpractices cannot be ruled out: but the weakness of his political position is such that this is likely to be only for one year rather than two. At present, the probability is still that he will be replaced as leader.



J S Wall Esq

- 3 -

13 July 1991

7. I am copying this letter to John Weston, Richard Gozney and FED.

*Yours etc,
Dominick*

D J Chilcott
Resident Clerk

KINAAO



Foreign &
Commonwealth
Office

London SW1 2AH

12 July 1991

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Dear Stephen,

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etc
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**PRIME MINISTER'S BILATERAL WITH MR KAIFU, 14 JULY:
COMPENSATION FOR FORMER PRISONERS OF WAR OF THE JAPANESE**

I understand that Sir Bernard Braine has approached the Prime Minister about the possibility of raising the question of further compensation for former Prisoners of War of the Japanese during Mr Kaifu's visit to London.

The background to the issue is as follows. Our position is that the question was settled by the 1951 Treaty of Peace with Japan and by a subsequent Agreed Minute of 1954 between the Allied Powers and Japan in which the Allied Powers accepted that the Japanese had fully discharged their obligations under the Peace Treaty.

The Japanese agreed to pay reparations to the Allied States (including the UK) for "the damage and suffering caused by it during the war", and also to compensate "members of the armed forces of the Allied Powers who suffered undue hardships while Prisoners of War of Japan". The total sum received by the UK for compensation was £4,816,473. The compensation was paid to claimants in instalments between 1952 and 1956. Approximately 50,000 former Far Eastern Prisoners of War, or their dependants, received the equivalent of £76.50 each. About 8,800 former civilian internees, or their dependants, received the equivalent of £48.50 each. The level of compensation was less than the Government would have wished for. But at the time the British Government and the other Allied States did not wish to repeat the mistakes of the Versailles Treaty with Germany at the end of the First World War.

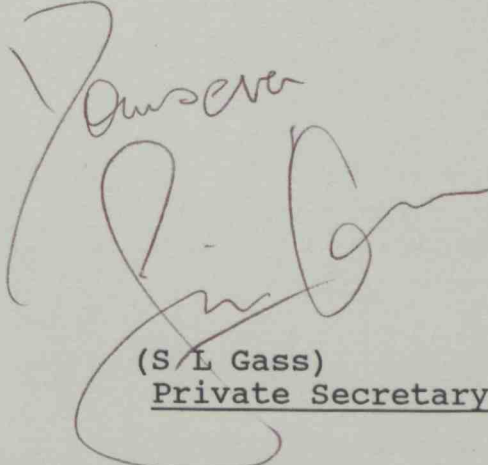
The Adjournment Debate on this subject moved by Sir Bernard Braine on 6 June has provoked renewed requests from MPs and members of the public to raise the

/matter

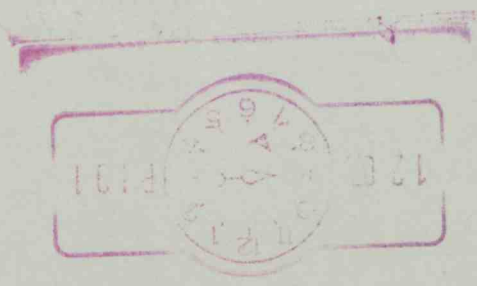


matter with Mr Kaifu while he is in London. We have responded by saying that while we sympathise greatly with those who suffered such hardships as Prisoners of War, the 1951 Peace Treaty explicitly provided for compensation and our Treaty obligations prevent us from making further approaches to the Japanese on the question of compensation. This line has been taken by successive Governments since the ratification of the Peace Treaty.

The Foreign Secretary will be glad to discuss this question with the Prime Minister before the lunch with Mr Kaifu. We have warned the Japanese Embassy that the subject may be raised at the bilateral talks. They would prefer not to be, as they can see no alternative to the line that the matter has been legally settled, and are unhappy at the thought that any public reference might have to be made to this issue in the context of Mr Kaifu's talks with the Prime Minister. They will advise Mr Kaifu of the probability that the matter will arise in some form during his visit, to enable him to respond to questions from the press.

S. L. Gass

(S/L Gass)
Private Secretary

J S Wall Esq
10 Downing Street





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Foreign &
Commonwealth
Office

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10 July 1991

London SW1 2AH

Dear Stephen,

Prime Minister's Bilateral with Mr Kaifu,
Lunch 1230, 14 July

The Prime Minister will be meeting Mr Kaifu for the first time since taking office although he met him, as Chancellor, at the Houston Summit in 1990. This will be the first meeting of Prime Ministers since Mrs Thatcher met Mr Kaifu at the World Summit for Children held in New York on 29 and 30 September 1990. The Foreign Secretary and the Japanese Foreign Minister will also be present at the bilateral.

Mr Kaifu's term as Prime Minister ends on 27 October, when the elections for President of the ruling Liberal Democratic Party (LDP) are due to take place. Already some heavyweight candidates are lining up to compete for his job including, it is believed, Mr Hashimoto, the Finance Minister, who will accompany Mr Kaifu to the Summit. If Mr Kaifu is to stand a chance of retaining his position, he will want to be seen to have stood up for Japanese interests at the Summit.

The following are the key points for the talks. A fuller briefing and points to make are in the enclosed annex.

Summit Issues

- Mr Kaifu will wish to talk about the Summit discussion on assistance for Soviet economic reform.
- On Iraq and the Middle East peace process, the Prime Minister may wish to give our assessment of the latest situation in Iraq, including the timing of the withdrawal of coalition forces, Iraq's deception over the nuclear programme, and the prospects for Mr Baker's peace conference proposals.

/- The Prime Minister

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- The Prime Minister might like to give our views on Conventional Arms Transfers and Non-Proliferation.
- There might also be discussion on the need to give impetus to the GATT Uruguay Round, particularly over agriculture.
- On bilateral issues the Prime Minister might like to mention the possibility of a visit to Japan in January; to welcome further Japanese inward investment and to remind Mr Kaifu of our wish to make "big ticket" aerospace sales to Japan.
- Discussion of other issues could cover the EC/Japan political declaration (the first EC/Japan summit will take place in The Hague on 18 July) and the negotiations on the post-1992 EC regime on Japanese cars.
- Mr Kaifu is to visit China from 10-13 August. The Prime Minister might like to have an exchange of views on China/Hong Kong and to thank Mr Kaifu for the recent helpful Japanese approaches to the Chinese.
- The Prime Minister might also like to thank Mr Kaifu for Japan's support for our efforts to solve the Vietnamese migrant problems.
- Mr Kaifu might raise the question of the deletion of the so-called "enemy states" clauses of the UN Charter on which the Japanese have recently been pressing the Permanent Five and others.

I also enclose personality notes on Mr Kaifu and those who will accompany him to the lunch on 14 July.

Yours ever,
Christopher Prentice.

(C N R Prentice)
Private Secretary

J S Wall Esq
10 Downing Street

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PRIME MINISTER'S BILATERAL WITH MR KAIFU: 12.30-14.30,
14 JULY

Summit Issues

Mr Kaifu will wish to talk about the Summit discussion on assistance for Soviet economic reform. Our line will to some extent depend on the contents of the paper which Gorbachev has promised to provide on 12 July to give advance notice of the kind of points he will want to raise at the meeting of G7 leaders. In general, however, the Prime Minister will want to reassure Mr Kaifu that we have no intention of taking decisions at the Summit on large scale financial assistance to the Soviet Union. We do, however, want to be sure that the outcome of the Summit and of the meeting with Gorbachev are seen as a positive contribution to reform. It is in the interests of the Japanese (in spite of their reservations over Soviet Asia/Pacific policy) to encourage continued economic and political reform in the Soviet Union. The Prime Minister might draw on the following points:

- Important in discussion of Soviet Union at Summit to tread careful line between suggestions of unrealistic (and unhelpful) levels of Western aid, and danger of appearing insufficiently to support reform. ✓
- Technical assistance the best way to help. Soviet problem is not lack of resources but organisational/systemic. Must focus on structural change and mobilising Soviet resources. ✓

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- IMF can help with macro-economic policy advice. IFIs/Western nations can advise on legal structures to help independent sector flourish. EBRD can encourage development of small business sector.
- Must also make clear that economic reforms more likely to succeed if underpinned by legitimate democratic institutions: repressive internal policies or uncooperative foreign policy would cut across economic help.
- (If raised) Understand Japanese reservations. Soviet attitude to Northern Territories unhelpful. UK sympathetic to Japanese concerns (Prime Minister's message to Mr Kaifu of 8 March). But in Western interests to encourage those in Soviet Union pushing in our direction.

On Iraq and the Middle East peace process, the Prime Minister may wish to give our assessment of the latest situation in Iraq, including the timing of the withdrawal of coalition forces.

- Those elements we wish to see to create the climate for a withdrawal - an effective UN presence; a continuing military presence and clear warnings to the Iraqis and the maintenance of sanctions - are now broadly in place.
- Remain concerned about the humanitarian situation in the north and the south: important that we all maintain the maximum of pressure on Iraq to meet the requirements of SCR 688.

/- We

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- We also need to ensure the UN has adequate resources for the humanitarian relief effort and the financing of the UN guards. ✓
- Hope Japan will continue to make a generous contribution to these activities. Despatch of minesweepers to Gulf welcome. Know how sensitive these issues are for you. ✓
- Grateful for Japan's contributions to our military costs in the Gulf (\$350 million in all), which are still continuing. ✓

The peace process is stalled as the Americans continue their efforts to reconcile Israeli and Syrian differences in the nature of any peace conference, and particularly on a role for the UN (which the Israelis will not buy) and the powers of the plenary (Israel wants a short, one-off event to launch bilateral negotiations). The European Council Declaration on the Middle East of 29 June reaffirmed the Community's full support for the Baker initiative. It is difficult to be too optimistic about its chances of success, but there is no alternative in sight. The Prime Minister may wish to say to Mr Kaifu that:

- We believe that there is still life in the Baker initiative and are fully committed to it: doing all we can with the main players to encourage them to show flexibility needed for these efforts to succeed. Hope Japan will also. ✓

/The

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The Japanese have played a full part in drafting the Summit Declaration on Conventional Arms Transfers and Non-Proliferation. They are sympathetic to the idea that the Summit should establish an open-ended G7 working group on conventional arms control. We are sceptical, because key "problem" exporters (eg USSR, China) would not be involved: we do not want another talking shop. The Japanese are also keen to promote their initiative to link aid levels to arms spending by aid recipients. (We already take this into account as an element of "good government". Mr Kaifu has seized on the Prime Minister's initiative to establish a UN Register of arms transfers, and has promised a Japanese resolution at the next UNGA. This risks cutting across plans for a similar resolution put forward by the Twelve. We have told Japanese officials that competing resolutions would only strengthen the opponents of a register. The Prime Minister may wish to reinforce this message to Mr Kaifu.

Negotiations in Geneva on the GATT Uruguay Round are at a crucial stage. There are signals from some of the major players, including the US, that the Round cannot be concluded this year unless there is substantial progress by end July. Of the three areas where most work is needed (agriculture, services and market access), agriculture is the key. There are indications that Japan may be willing to open up the domestic rice market, but only as a part of a wider GATT deal. The Prime Minister might say:

/- Strong

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- Strong commitment from G7 to successful conclusion this year to Uruguay Round essential. Negotiations in real danger of stalling unless substantial progress is made this month.
- Agriculture is the key. Further flexibility needed on all sides if the entire Round is to succeed. Hope our declaration will give clear political support for early progress in this area. Also need rapid progress on services and market access.
- Hope that G7 Heads of Government will follow progress of the Round closely and intervene personally if necessary.

Bilateral Issues

Our relations with Japan are excellent with no major problems. The meeting will be an opportunity to reiterate our continuing high-level commitment to the political dialogue. The Prime Minister might mention to Mr Kaifu the possibility of a visit to Japan in January. Prime Minister might wish to make the following points:

- Stress the UK's continued welcome to Japanese investors and to emphasise there are no formal barriers to overseas companies setting up over here. There is still plenty of room for more investment.
- Japan our third biggest market after Western Europe and the US. Grateful for Japanese support for Priority Japan export campaign. British exports to Japan increased by 75% during the 1988-90 "Opportunity Japan" campaign.

/- Forthcoming

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- Forthcoming Japan Festival (from September) an exciting showcase of Japanese culture and society throughout UK. ✓

UK and European aerospace manufacturers do have difficulty in making "big ticket" aerospace sales to Japan, which tends to favour US sources. Rolls Royce are hoping to supply aero engines to Japan Airlines and All Nippon Airways (ANA). The ANA decision is expected after the Summit. Rolls Royce are also hoping to sell the SM1C gas turbine engine to the Japan Maritime Self Defence Force. British Aerospace have two current bids: search and rescue aircraft to the Japan Air Self Defence Force, and a direct broadcast satellite to the Japan NHK broadcasting corporation. The Prime Minister might wish to convey the message that:

- Neither British nor European shares of the Japanese aerospace market reflect their respective shares of world markets. ✓
- Hope that purchasing decisions will be taken on commercial and technical, rather than political, grounds: concerned by tendency to placate US on such issues. ✓

Work on an EC/Japan political declaration (requested by Japan in December 1990) is nearly finished: the Presidency aim to have it concluded by the first EC/Japan summit in The Hague on 18 July. The UK has strongly supported a positive Community position, though negotiations have been slowed by French insistence on restrictive references to balance of economic benefits.

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The Prime Minister might say:

- Hope that first EC/Japan summit in The Hague will be a success. Community's relationship with Japan has matured beyond trade squabbles; EC/Japan declaration and new framework of meetings should help enhance political side of relationship.

We are continuing to encourage Japan to resist any linkage between production of cars made in the UK by Japanese firms and any future ceilings on imports from Japan in the negotiations on the post-1992 EC regime on Japanese cars. The Prime Minister might say:

- Do not want Commission proposals for EC cars regime to affect Japanese commercial decisions on investment and production in the Community in any way. ✓
- Will continue to work for a liberal arrangement and as short a transitional period as possible. Transplant production must continue to have free movement within the EC. ✓

Prime Minister Kaifu is to visit China from 10-13 August: the first G7 Head of Government to do so since Tiananmen. The Chinese have issued an invitation for the Emperor to visit in 1992. Japan, which shares our desire to rebuild a cooperative relationship with China, has welcomed our agreement on the airport, and our concern about the risk of Chinese interference damaging Hong Kong (though they focus more on Hong Kong's economic autonomy than wider aspects). Mr Kaifu and Foreign Minister Nakayama spoke helpfully to the Chinese Foreign Minister ✓

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Minister during his visit to Tokyo 25-29 June. The Prime Minister may like to make the following points:

- Thank Mr Kaifu for recent Japanese approaches to the Chinese, which may have helped bring agreement on the airport. ✓
- Know that we share views on the importance of rebuilding contacts with China. Essential to keep China constructively engaged in important international issues, eg arms control. China still keen to re-establish her international respectability. We must build on this. Importance of these contacts shown in achievement of agreement over Hong Kong airport. ✓
- China still seems set on economic reform, albeit at a cautious pace. This deserves our encouragement. But must recognise that this has not been paralleled by similar progress in Chinese thinking on political reform which still seems a long way off. ✓
- Chinese human rights practice still a source of anxiety. Hope you will stress Western concerns during your own contacts. ✓
- Any particular achievements you expect from your forthcoming visit? ✓
- Suggest that our two Governments keep in close touch on Hong Kong and China. ✓
- Urge him to keep talking to the Chinese about Hong Kong, reminding them that international business confidence depends on a smooth transition in 1997, with good Sino-British cooperation to that effect, and on Hong Kong's clearly retaining a high degree of autonomy. ✓

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The Japanese are generally supportive of our efforts to solve the Vietnamese migrant problem although prefer to remain in the international consensus. The Prime Minister might say:

- Grateful that Mr Nakayama raised Hong Kong's problems over Vietnamese migrants and the proposal for an Internationally Managed Centre with Foreign Minister Thach in Hanoi. Also for continued Japanese financial support of UNHCR's Comprehensive Plan of Action activities.
- Talks began in Geneva on 2 July. Aim to conclude agreement in Hanoi at end of July. But much work still to be done.
- Essential for IMC proposal to succeed, if CPA is to survive. But IMC unlikely to be established before September at the earliest. Pressures on Hong Kong such that we may need to take action before then.

Japan/UN. Japanese have been active this year in pressing the Permanent Five (and others) for deletion of the so-called "enemy states" clauses of the UN Charter, which broadly allow action to be taken against World War II "enemy states" which would otherwise be prohibited under the Charter. We believe that this is a pretext for a debate on Charter reform leading to permanent Japanese membership of the Security Council. If Mr Kaifu raises this issue, the Prime Minister might wish to respond by saying:

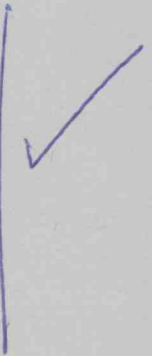
/- Clauses

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- Clauses are an anachronism. Sympathise with Japanese concerns. Willing to discuss ways of making progress, perhaps initially among the Five.
- But deleting them would entail Charter reform. Not easy. How could we accommodate your concerns short of Charter reform?



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**KAIFU, Toshiki**

Prime Minister since August 1989.

Kaifu was born in Aichi Prefecture on 2 January 1931.

A graduate of Waseda University law faculty, he worked as a secretary to an LDP Dietman, Kinsho Kono, before "inheriting" the latter's constituency, Aichi No 3 (adjacent to the industrial city of Nagoya), in 1960. At the time of his first election he was, at 29, the youngest MP in the Diet. A senior member of the small (30 members) Komoto faction, Kaifu's previous Government posts have been Parliamentary Vice-Minister for Labour, Deputy Chief Cabinet Secretary and Minister for Education (twice - in 1976/77 under Fukuda and in 1985/86 under Nakasone).

A protege of former Prime Minister Miki, Kaifu is an eloquent speaker (he was a leading light of Waseda debating club, a cradle for many budding politicians) with a relaxed and friendly manner. He is an expert on education. Generally pro-British, Kaifu has been a member of the UK/Japan 2000 Group since its inception and was Director-General of the Japan/British Parliamentarians' League. He received an Honorary KBE on The Queen's visit to Japan in 1975.

Some members of his faction within the Liberal Democratic Party (LDP) have been suspicious of Kaifu's close links to former Prime Minister Takeshita who was his senior at Waseda University. He owes his present position to the support which Takeshita and former Foreign Minister Abe threw behind him in the LDP presidential race in August 1989. Most political commentators believe that (like Uno) he was chosen as a stop-gap Prime Minister to tide the party over until Abe and others involved in Recruit could return to public office (Mr Abe has since died). For a time his open manner, clean image and relative youth defused at least some of the hostility towards the LDP which had built up during the Takeshita and Uno administrations, and this contributed to the LDP's general election victory in February 1990. But his handling of the Gulf crisis has latterly eroded much of his popularity and weakened his position. He is not expected to last beyond October when the elections for President of the LDP are due to take place.

He is married with one son and one daughter. His hobbies include sports, music, art, photography. He understands a little English but does not speak any.

**NAKAYAMA, Taro**

Minister of Foreign Affairs (since August 1989).

Nakayama was born into a political family in Osaka on 27 August 1924. Both his parents were members of the Diet. His mother, when she became Minister of Health, was the first female member of the Cabinet. His brother is also a Dietman, who has served as Minister of Posts and Telecommunications. Nakayama, himself graduated from the Law Department of Waseda University and then went on to study medicine at Osaka College of Medicine. He entered politics in 1955 when he became a member of the Osaka Municipal Assembly.

When he entered national politics, in 1968, Nakayama succeeded his father as a House of Councillors member for Osaka but after serving as a Councillor for three terms he resigned his seat and stood successfully for the Lower House in 1986 for Osaka No 5 constituency. He retained his seat in the February 1990 general elections. He is a member of the Abe faction. His previous government posts have included Parliamentary Vice-Minister for Labour and Director-General of the Management and Coordination and Hokkaido and Okinawa Development Agencies. Despite calls from within the Abe faction for another politician to be given the Foreign Minister's post he was retained during the reshuffle of December 1990. This was because there was need for continuity in dealing with the Gulf crisis, the Uruguay Round and Gorbachev's visit to Japan in April 1991.

Nakayama was not Prime Minister Kaifu's first choice as Foreign Minister. Kaifu would have preferred to keep on Uno's Foreign Minister, Mitsuzuka, or give the job to a professional diplomat. Nakayama's main interests had been mainly in medical ethics (such as transplants and the definition of brain death, etc) and science. He was a keen proponent of an independent Japanese space programme and on the exploitation of new energy sources (writing a book, "Scientific Strategy for the Post-Oil Age"). He nevertheless has always had a general interest in foreign affairs and in particular on the "Northern Territories" issue (as Director-General of the management and Coordination Agency he instituted Northern Territories Day). He was one of the first Japanese politicians to hire a foreign secretary. Dapper in dress he is rather jolly in manner.

He is married with two children. His hobbies are music, the cinema, swimming and golf.

He speaks English.

**BIOGRAPHICAL NOTE: MR HIROSHI KITAMURA**

1. Born in Osaka, in 1929, Mr Kitamura graduated in 1951 from the Faculty of Law, Tokyo University and joined the Ministry of Foreign Affairs in 1953. In the early part of his career he served in Washington, New York, New Delhi and in London from 1963-66. His subsequent posts have included:

- 1974 Director, Policy Planning Division, Research and Planning Department, Ministry of Foreign Affairs
- 1974 Private Secretary to the Prime Minister
- 1976 Deputy Director-General, Research and Planning Department, Ministry of Foreign Affairs
- 1977 Deputy Director-General, American Affairs Bureau, Ministry of Foreign Affairs
- 1979 Consul-General at San Francisco, USA
- 1982 Director-General, North American Affairs Bureau, Ministry of Foreign Affairs
- 1984 Deputy Vice-Minister, Ministry of Foreign Affairs
- 1987 Deputy Minister for Foreign Affairs
- 1988-90 Ambassador to Canada.

2. As the above biography shows, Mr Kitamura has held a number of senior positions in the Ministry of Foreign Affairs. Our Ambassador in Tokyo has commented that we are lucky to have him offered to us. He describes Mr Kitamura as thoughtful, considered in his judgement and likely to be generally receptive to our representations. He is "clubbable" and should feel instinctively at home in Britain. The Ambassador has also commented that while he is unlikely to be as incisive and stylish as his predecessor, Mr Chiba, he is more impressive than several of his other predecessors.

3. Mr Kitamura is accompanied by his wife, Sachiko. They both speak English and have two daughters aged 30 and 28, who live in Tokyo. His hobbies include golf, theatre, classical Japanese music and the culinary arts.



OWADA, HISASHI

Deputy Minister for Foreign Affairs (DUSS equivalent, since mid 1989).

Owada was born in Niigata Prefecture on 18 September 1932. He entered the Ministry of Foreign Affairs in 1955 after graduating from the Liberal Arts Department of Tokyo University.

Posts that he has held in the Ministry include Director of the Oceania Division, Private Secretary to the Foreign Minister, Director of the Treaty Division of the Treaty Bureau, Director of the Political Affairs Bureau of the UN Bureau, Deputy Director-General of the Economic Affairs Bureau, Director-General of the Treaties Bureau, Deputy Vice-Minister in the Minister's Secretariat and, since August 1989, the Deputy Minister for Foreign Affairs specialising in politics. He has also been the Prime Minister's Private Secretary. Abroad he has served as Second and later First Secretary in Moscow, Minister in the Japanese Embassies in Washington and Moscow and as Ambassador at Japan's Delegation to the OECD in Paris.

Outside his government duties he has taken a graduate course in International Law at Cambridge, taught as a part-time lecturer at Tokyo University and, probably around the time of his Washington tour, was a visiting professor at Harvard.

His daughter, Masako, is also a diplomat.

Owada will reportedly succeed Kuriyama, the Administrative Minister for Foreign Affairs (PUS equivalent), in July after the G7 Summit in London.



HYODO, NAGAO

Director-General of European and Oceanic Affairs Bureau (since July 1990).

Hyodo was born in Tokyo on 17 June 1936. He graduated from the Law Department of Tokyo University in 1961 and joined the Ministry of Foreign Affairs.

He has served as Deputy Director-General of the General Affairs Division (1969-71), Private Secretary to the Foreign Minister (1971-72), Second and later First Secretary in London (1972-74), First Secretary and later Counsellor in Moscow (1975-77), Director of the Resource Division of the Economic Affairs Bureau (1977-78), Director of the Soviet Division (1978-81), Consul-General in Manila, Minister in Washington, Assistant Vice Minister for Administration (1988-90) and, since July 1990, Director-General of European and Oceanic Affairs Bureau.

He is considered to be one of the MFA's leading Soviet experts; having taken the Ministry's Russian language course and having been involved in Soviet affairs since.



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

1 March 1990

I enclose a copy of a letter to the Prime Minister from Mr Kaifu, thanking her for the hospitality he received during his visit to the United Kingdom.

Charles Powell

Bob Peirce Esq
Foreign and Commonwealth Office



PART

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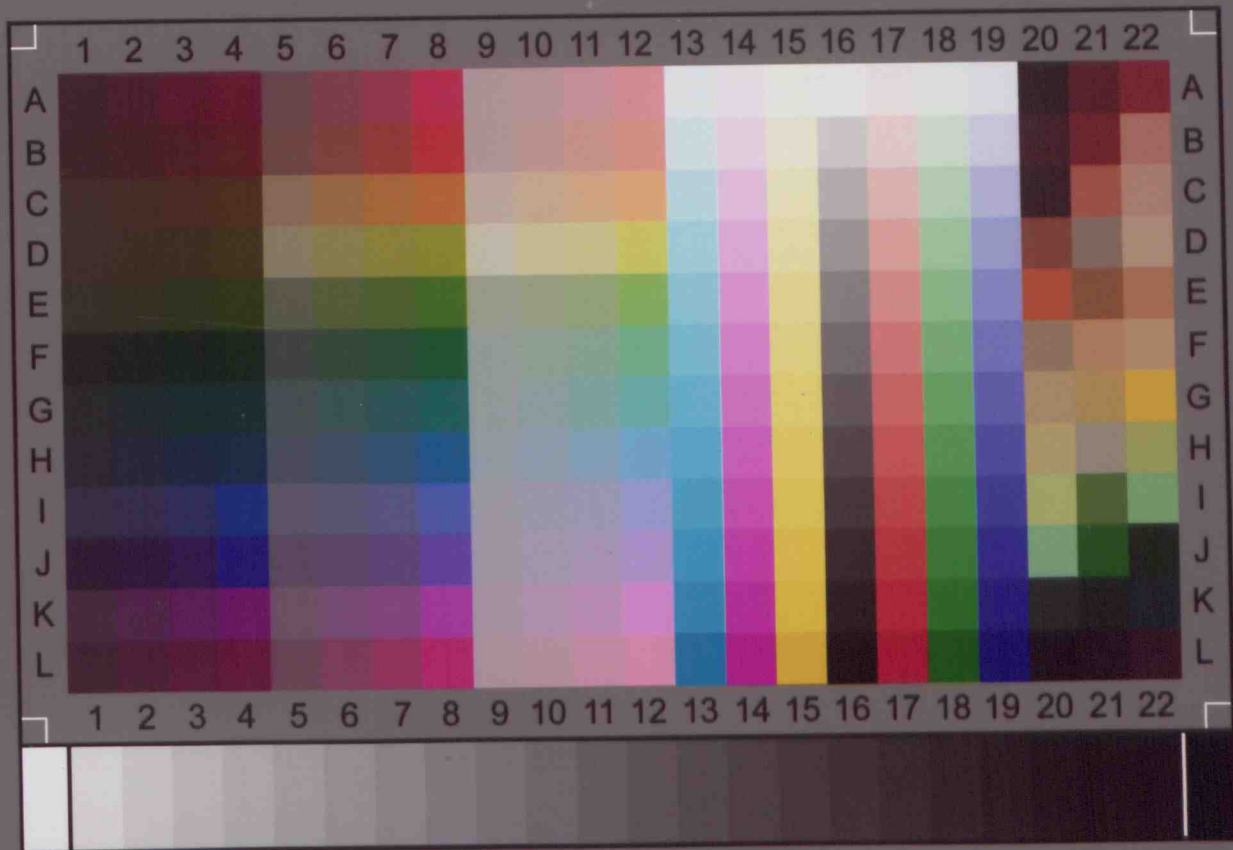
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