

SECRET

PRIME MINISTER

NISSAN

Following the meeting of Ministers under your Chairmanship on 11 December, E Committee formally approved on 17 December the proposals on Nissan in my minute to you of 9 December.

2. The way is now therefore clear to tell Nissan that the Government welcomes and supports in principle their intention to invest in the United Kingdom.

3. It was agreed at your meeting on 11 December that careful attention would have to be given to handling, and that the decision should be announced as soon as possible, but not before the announcement of the Government's decision on BL's 1981 Corporate Plan.

4. We have a commitment to inform Nissan in early January of the Government's decision on their proposal. The longer the interval between Nissan's receipt of the information and an announcement, the greater the risk of a leak. Nissan's offices are shut for the Japanese New Year holiday from 28 December until 4 January inclusive, so the earliest date on which they could receive a letter is 5 January.

SECRET

/5. ...

*I think the need for
confidentiality will be
emphasised in it.*

cc. A. Duquid.

Prime Minister

*Again, subject to
Mr. James' views? -*

general approach seems

sensible.

DL

22/12



5. I propose, therefore, that we should communicate the Government's welcome to Nissan via the Ambassador in Tokyo on 5 January. It is proposed that at the same time Tom Trenchard should invite Mr Okuma back to this country for final discussions in the third or fourth week of January, leading to an announcement, probably by a statement in the House, before the end of January. This assumes that Ministers will reach final decisions on BL's Corporate Plan, and that I shall announce them to the House, in the week beginning 11 January or the one beginning on 18 January.

6. I think that we should press for Mr Okuma to stay in London for the announcement in order to handle press enquiries made about Nissan's point of view and so that we can ensure coordination between the Government's and the company's comments. The date of 5 January for informing the company is proposed as being the latest which would enable arrangements to be made for Mr Okuma to come to London in the third week of January, if appropriate, while minimising the risk of a leak.

7. If you and other colleagues are content with these proposals, officials will need to agree the terms of the Government's welcome during the early part of the week beginning on 28 December, with a view to conveying them in a telegram for our Ambassador in Tokyo to transmit on 5 January.

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3.

8. I am sending copies of this minute to the Chancellor of the Exchequer, the Foreign and Commonwealth Secretary, the Secretary of State for Trade, Robin Ibbs and Sir Robert Armstrong.

KJ.

K J

22 December 1980

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

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File

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CH



cc: Mr Hoskyns

10 DOWNING STREET

From the Private Secretary

30 December, 1980

NISSAN

The Prime Minister has read your Secretary of State's minute of 22 December and, subject to other colleagues' views, she agrees with his proposals for letting Nissan know of the Government's decision on their investment plan in Britain.

In view of the continued sensitivity of the company's proposal, the Prime Minister trusts that absolute confidentiality will be maintained until the announcement which is planned for some time towards the end of January.

I am sending copies of this letter to John Wiggins (HM Treasury), George Walden (Foreign and Commonwealth Office), Stuart Hampson (Department of Trade), Robin Ibbs (CPRS) and David Wright (Cabinet Office).

J. P. LANKESTER

I Ellison, Esq
Department of Industry

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01-493 6030.

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

Ly. Am

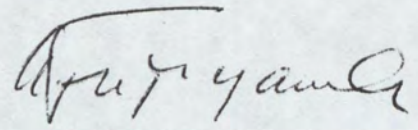
December 1980

Dear Sir,

Following the good response to the report on Japan/EEC relations I would like to draw your attention to a document which outlines the relationship between our two countries.

I hope that you will find this background material useful and should you require further explanation, please do not hesitate to contact Mr. Y. Hatano, Director of the Japan Information Centre.

Yours sincerely,



Naraichi Fujiyama
Ambassador

UK-JAPAN RELATIONS

Overall View

In recent years interdependence between nations has grown. The recognition of the need for industrial democracies to co-operate in dealing with the problems of world politics and economy has deepened. Against this background the United Kingdom and Japan have been endeavouring to reinforce further their friendly and co-operative relations over a wide range of diversified areas.

A closer relationship, of course, presupposes the furtherance of mutual understanding between the two nations through personal contact. The visit of Queen Elizabeth II and the Duke of Edinburgh to Japan in May 1975, and the visit of the Emperor and Empress of Japan to the United Kingdom in October 1971, reminded the two nations of the long tradition that they both share. British Prime Minister Margaret Thatcher's visit to Tokyo in June 1979 and Japanese Prime Minister Takeo Fukuda's visit to London in May 1977, both attending the seven-nation economic summits, as well as the many visits by Cabinet Ministers, Parliamentarians, business leaders and trade missions testify to the growing depth of UK-Japan political and economic relations. (The latest figure for annual visits two-way is reaching 300,000 annually.)

Japan, an industrial democracy, realises its responsibility to work for the preservation of peace in the international community and the improvement of the welfare of mankind. - It is hoped that the two countries will intensify their co-operation in striving to achieve this target. Japanese Foreign Minister Masayoshi Ito's visit to the United Kingdom in early December was a sign of this increased co-operation.

Economic Relations

Economic relations are growing in every field, but particularly in trade, investment and industrial co-operation. Last year our bilateral trade was roughly \$4,800m., more than double the \$2,300m. of 1975.

The volume of trade between the United Kingdom and Japan in 1979 was 16.3% of that between Western Europe and Japan as a whole, making the United Kingdom Japan's second-largest trading partner in Western Europe, next to the Federal Republic of Germany.

UK-Japan trade has been in Japan's favour. To redress this imbalance and to expand bilateral trade, Japan has been co-operating with the United Kingdom in its efforts to increase exports to Japan in such ways as dispatching import missions to the United Kingdom.

Average Japanese tariffs - as actually applied to mining and manufactured products, excluding petroleum - are lower than those of the United States and the EEC. With regard to non-tariff barriers, Japan has accepted all of the agreements and codes of the Tokyo Round of Multilateral Trade Negotiations. As such, the Japanese market is one of the most open in the world. Depending on the export efforts of the United Kingdom, there would be plenty of room in the Japanese market for UK products.

Although often overlooked, Japan has been running a deficit with the United Kingdom in areas of invisible trade, such as shipping, insurance and tourism. Japan's deficit in these invisible fields is larger than its trade surplus. As a result, the United Kingdom has a current account surplus vis-à-vis Japan, as seen in the following table.

Japan's Current Account Balance with the UK

	1977 \$m.	1978 \$m.	1979 \$m.
Trade	1,080	1,095	1,368
Invisible Trade	-1,361	-1,458	-1,978
Transfers	-24	-28	-26
Current Account	-305	-391	-636

Source: Bank of Japan.

Investments between Japan and the United Kingdom are steadily increasing. British investments in Japan totalled £133m. as of the end of March 1980.

The cumulative total of Japanese investments in the United Kingdom as of the end of March 1980 was \$1,823m., covering 589 projects and accounting for roughly half of Japanese investments in Europe (\$3,893m.). More than 200 Japanese companies have moved into the United Kingdom, contributing to the creation of jobs and local development.

Cultural Relations

To enhance mutual understanding and further strengthen friendly relations Japan is actively promoting cultural exchanges with the United Kingdom. The Japan-United Kingdom Cultural Agreement, signed in Tokyo on 3rd December 1960, sets forth the basic framework for cultural exchanges between the two countries.

With the back-up of Government support and encouragement there has recently been an increasing number of visits between the United Kingdom and Japan from scholars, journalists and artists. Japan and the UK also sponsor each other's activities, including various performances, seminars, exhibitions, etc. These cultural exchange programmes have considerably helped the people of the two countries to understand each other.

A major art exhibition of the Edo period is scheduled to be held at the Royal Academy from October 1981 to February 1982, under the auspices of the Japan Foundation and the Royal Academy. This will be the largest exhibition of Japanese art ever staged and is expected to go a long way towards deepening the interest in, and the understanding of, Japanese culture amongst the British public.

Japan has been accepting British teachers of English language on a long-term basis since 1977, and their work is greatly appreciated by the schools and corporations that employ them. These British teachers are directly contributing towards mutual understanding between the young people of the United Kingdom and Japan.

Recognising the need for permanent facilities for Japanese studies in the United Kingdom, Japan has provided a special fund for the promotion of Japanese studies to the University of Sheffield, and has co-operated in the establishment of the Centre for Study of International Comparative Economics at the London School of Economics, and the Centre for Japanese Studies at Oxford University.