

MINISTER FOR TRADE'S OFFICE MINUTE NUMBER: 1279

MINISTER FOR TRADE'S MEETING WITH THE JAPANESE ECONOMIC MISSION TO EUROPE; MONDAY 12 OCTOBER 1981

## PRESENT:

Mr Peter Rees QC MP  
 Sir Kenneth Clucas,  
 Permanent Secretary  
 Mr John Caines, Dep Sec  
 Mr Robert Foster CRE2  
 Mr David Woods CRE2

Mr Inayama, Leader of the Mission  
 H E Mr Fujiyama, Japanese Ambassador  
 Members of the Mission

1 Mr Rees in welcoming the Mission said that the UK viewed Japanese industry's success over the past few decades with admiration and interest. The companies represented had made great contributions towards this.

2 Mr Rees raised the material points of concern which divided the UK and Japan and said he would speak with complete candour. The meetings with the Department of Industry and with the CBI would have shown the Mission the concern felt in the UK and in the rest of the Community about the increasing deficit in the balance of trade. He said that the UK believed in open trade. We considered trade balances multilaterally rather than bilaterally and did not look for a precise equivalence in UK/Japanese trade. Mr Rees hoped that one outcome of the visit would be to see if there were any practical measures to be taken to redress this imbalance, perhaps along the lines of Mr Tanaka's recent statement.

3 Mr Inayama was grateful for the message which they had received on their arrival from the Prime Minister. All Community countries, he noted, including the UK, were fighting against inflation and unemployment, and were faced with the problem of a trade imbalance with Japan. Japan was concerned too, and would like to redress the balance through cooperation. The Community and Japan needed to find a way to improve the state of the world economy, and so to help world peace. This was one objective of the present Mission. Mr Inayama was pleased to state that the UK and Japan were at one in favouring the maintenance of open trade. Countries involved in free trade could not always expect a balance in trade. The present problem could be solved through industrial cooperation, through cooperation in trade in third countries, or through direct export to Japan. These were all areas with which the Government and the Keidanren were concerned. The problems were not easy to solve. They had tried, but the imbalance in trade had increased. The problem would not be solved through each side criticising the other, or through taking action on the basis of misunderstanding; but correct understanding would help. He understood that there would be political and economic effects in the UK and in the rest of the



Community if no solution was found - a situation which Japan hoped to avoid. The Keidanren felt that a solution would only come through cooperation.

4 Mr Rees explained that these problems were made more acute when seen against the background of world recession. These problems at times raised almost irresistible political pressures for protectionist measures, which politicians could ignore only at their peril. He wished to give a clear impression of UK politicians' attitudes towards these international trade questions. We were of course as dedicated as the Japanese Government to free trade and open markets, but pointed out that we saw industries in various sectors in decline - as workers and management saw it, from foreign competition. The pressures for restrictions then became very strong, despite the economic and philosophical arguments which could be deployed against them. To ward off such pressures HMG had to demonstrate to the electorate that a solution could be achieved through international cooperation, within the free trade system. He therefore welcomed the perceptive words of Mr Inayama speaking on behalf of the delegation, that we must try to resolve the imbalance in our trade with Japan. Mr Rees wished to indicate three areas of cooperation. The first was that, in line with Mr Tanaka's statement, Japanese industry should adopt a deliberate policy of studying capital goods available from the UK, and of buying from the UK wherever possible. Secondly, Japanese industry should actively support the Japanese Government's efforts to open up their market to British goods in other ways, and in that context Mr Rees referred to the list of specific measures which he later handed to the Mission through the Japanese Ambassador. (Copy at Annex). Thirdly, Japanese industry should examine carefully the impact of its exporting strategies on the economies of other industrial countries, particularly of the UK, and consider exporting over a wider range of products so as not to endanger UK industry, given our open market. Mr Rees said that he and his officials would very much welcome a considered response, which he hoped would be sympathetic and helpful, to the points which he had made and to the points in the document presented.

5 In conclusion, Mr Rees mentioned, in case the Mission felt we expected everything from the Japanese without making equivalent efforts of our own, that all of the diplomats in our Tokyo Embassy spoke Japanese; and that in 1973 the British Export Marketing Centre had been opened - a venture unparalleled in any other industrialised country; further, 5 per cent of the Government's expenditure on trade promotion was spent on the Japanese market which regrettably accounted only for one per cent of UK exports.

6 Mr Inayama, said that they were in favour of the freedom of action of individual companies and companies must be free to compete with each other. However, a trade imbalance had resulted - it was a problem to reconcile this. In considering any resolution Japanese



CONFIDENTIAL

Reference.....

anti-trust laws had to be taken into account. These were not as strong as those in the United States but were becoming more important.

*Matthew Cruickshank*

MATTHEW CRUICKSHANK  
APS/Minister for Trade  
V/S 835  
Extn 5146  
15 October 1981

cc: PS/No 10  
PS/Chancellor of the Exchequer  
PS/SOS (Foreign & Commonwealth Office)  
PS/SOS (Trade)  
PS/SOS (Industry)  
HMA Tokyo  
PS/Secretary (Trade)  
Mr Caines - Dep Sec  
Mr Gray - Dep Sec  
Mr Abramson CRE1  
Mr Sunderland CRE2  
Mr Dunning CRE2  
Mr Foster CRE2  
Mr Garrod Inf  
Mr Woods Inf  
UKREP Brussels

CONFIDENTIAL





ANNEX

SUGGESTED ACTION FOR JAPAN TO UNDERTAKE IN ORDER TO PROMOTE IMPORTS  
(FOLLOWING MR TANAKA'S RECENT STATEMENT ON IMPORTS)

1. A declaration by the Japanese Government that manufactured imports notably capital goods, should account for a higher percentage of total imports and that the Government will work to increase that percentage.
2. Public recognition that an increase in the volume of manufactured imports will have to be achieved through a considerable expansion in the import of capital goods.
3. The Japanese Government will, however, consider the pricing of consumer products with a view to making recommendations for a reduction in mark-ups and/or rationalising the distribution system and thereby in the long term making foreign products available to consumers at more reasonable prices and in greater volume, as the Keidanren have recommended.
4. Mindful of the fact that any increase in manufactured imports should be overwhelmingly in the capital goods sector, the Japanese Government will publicly declare that direct import or a joint venture manufacture in this country is to be preferred to manufacture under licence; that administrative guidance will be given to this effect and that agents will thus no longer be discouraged from importing foreign machinery because they find that demands for licence manufacture undermine their efforts and bring considerable investment to nothing.
5. The Japanese Government should say that those bodies which are directly under its control will report annually on the amount of foreign products which they will purchase and to ensure that a set percentage of all new equipment purchased will come from abroad.
6. Patent application procedures should be reviewed so as to ensure that delays in granting patents are shortened.
7. A review should be announced of regulations relating to chemical and pharmaceutical testing and all other forms of mandatory testing with a view to eliminating duplication of testing procedures with tests conducted abroad and





8. That at the same time as the above a review of technical regulations should be conducted to determine which are obsolete and can be abolished and which could be brought into line with widely recognised world standards.
9. That the motor car manufacturers should be subject to renewed official pressure to buy more components from abroad, with a set percentage of the value of their exports being fixed as a target.
10. That local government authorities should be told to consider as often and as carefully as possible foreign products particularly in the environmental engineering field. To this end a seminar or series of seminars on local government procurement should be held.
11. That trade associations should be requested to admit foreign companies to any exhibitions where their presence now is either discouraged or actually forbidden.
12. That the Ministry of Health and Welfare should review the regulations relating to the exhibition of medical equipment so as to simplify these and eliminate the costly procedures which at present discriminate against imported products at public exhibitions.
13. That the Ministry of Transport should (i) rationalise the domestic airline routing system so as to permit TDA to compete with JAL and ANA and thereby allow TDA to make full use of the European Airbus (ii) adjust domestic fares policy so as to facilitate the domestic airlines' purchases of more efficient aircraft.
14. That selected public buildings erected throughout Japan should be used to promote imports of building materials and furniture and fittings.
15. That swift action should be taken to reduce tariffs on certain foodstuffs and beverages and to eliminate those quotas concerning which we have been making representations for so long.
16. That customs authorities around the country should be instructed to co-operate more closely in promoting imports and that arbitrary and sometimes contradictory decisions and discrimination by the customs should be reduced.
17. That Japanese companies will be encouraged to invest directly in European companies manufacturing high technology products and as a result to assist in the importation of those products to Japan.





18. That steps will be taken to ensure with reference to 7 and 8 above, that the representatives of domestic manufacturers will no longer sit on any body which tests imported products or be directly concerned, in any other way with such testing procedures.
19. That a climate will be created in which foreign companies can purchase outright a Japanese company of a non-strategic nature or acquire a controlling shareholding in order to advance their interests in this market.
20. That the Japanese Government might consider annually award certificates of merit to companies which have been particularly successful in increasing imports to this country ("an Emperor's award for imports.")