



Ref. A09441

MR COLES

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The Personal Representative of the Japanese Prime Minister for the purpose of Economic Summits, Mr Nobuo Matsunaga, was in London on 2 September. As I was away, he called on Sir Julian Bullard to set out his ideas about the Prime Minister's visit and her talks with Mr Suzuki. He asked that any comments should be transmitted to him personally on the "Personal Representative" Net.

- 2. I attach a copy of a note of Sir Julian Bullard's conversation with Mr Matsunaga.
  
- 3. I also attach a draft of a message which, if you are content, I propose to send him following that conversation. The draft message has been agreed by all those concerned.

RA

ROBERT ARMSTRONG

13th September 1982





DRAFT MESSAGE FROM SIR ROBERT ARMSTRONG TO MR MATSUNAGA

I was sorry to miss you when you passed through London the other day. Julian Bullard has sent me a full account of your conversation, and has told me in particular that you would like to hear any further comments which we might have before Mrs Thatcher arrives in Japan.

Mrs Thatcher will naturally wish to talk about trade questions. Here our view, as you will know, is that Japan's trading surpluses are continuing to reinforce protectionist calls in the UK and other countries, although we recognise Japan's domestic economic problems arising from slower growth than expected. It is especially important for us that Japan's exports should not be seen to threaten our key industries. One particular example which is causing concern at present is Japan's export to the UK of numerically-controlled machine tools.

We also see a need for tangible evidence of the openness of Japan's market. We recognise the importance of the steps which have already been taken, and welcome Mr Suzuki's statement in May on the promotion of exports: but we still hope that Mr Suzuki will feel able to give detailed specific directions to private and public organisations to buy overseas capital goods. Purchases of aircraft, which you discussed with Bullard, are one promising area. We would welcome an early commitment by Japan to examine the Harrier, and hope for purchases of the BAe 146 aircraft when Japan's domestic fleets are replaced. Reductions in tariffs, for example on





confectionery and biscuits, are no substitute for more far-reaching efforts to encourage imports of manufactures, but significant concessions here (and I stress significant) are still important as a sign of Japan's seriousness in opening up this market.

Another field in which Mrs Thatcher will be very interested is industrial collaboration. Here I have only one specific point where Mr Suzuki's intervention would be most welcome. You will be aware of the meetings between the Department of Industry and MITI on industrial co-operation between British and Japanese firms, arising from the agreement of April 1981. Progress to date has frankly been disappointing, because in contrast to the numbers of specific proposals from British firms MITI have put forward only two proposals from Japanese firms. A further round of talks between MITI and the Department of Industry is to be held in mid-November, and we very much hope that MITI will be able to come forward with a substantial number of specific proposals from firms at that time, and to encourage them to bring about satisfactory contracts within a reasonable time. This is one area where I believe that there are opportunities for us to move forward positively now.



SIR ROBERT ARMSTRONG

Japan

Thank you for your minute of 13 September. I received an earlier copy of Sir Julian Bullard's note about his conversation with Mr. Matsunaga and showed this to the Prime Minister.

I am sure that the Prime Minister would have no objection to the message which you wish to send to Mr. Matsunaga and which is annexed to your minute.

JOHN COLES

13 September 1982

HL





Foreign and Commonwealth Office

London SW1A 2AH

2 September 1982

RIA  
 Sir Robert Armstrong KCB CVO  
 Cabinet Office  
 Whitehall

Prime Minister

You may like to see the  
underlined passages.

My dear Robert

A.J.C. 6/9.

CABINET OFFICE
A 8054
3SEP1982
FILING INSTRUCTIONS
FILE No. _____

PRIME MINISTER'S VISIT TO JAPAN

1. In your absence and that of Antony Acland I was visited today by Matsunaga, the Japanese 'sherpa'. He stayed an hour and a half. A record of our talk is enclosed.
2. As you see, Matsunaga's purpose in calling on me was to set out his ideas about the Prime Minister's visit and her talks with Suzuki. I took note of his remarks, commented on some points and said that on others we might wish to be in touch with him again before the visit. He asked particularly that any such comments should be transmitted to him personally, and he gave me the enclosed itinerary showing where he will be during the next fortnight. His point seemed to be that he had a direct line to Suzuki and that it would not be helpful if we were to feed in counter suggestions through other channels - a procedure which would also betray the confidence in which he had spoken to me.
3. You may think that the best plan would be for you to send Matsunaga a message, either in the United States or in Canada, incorporating comments from those to whom I have copied this letter and its enclosure.

Yours ever  
 Julian

J L Bullard

cc Sir Frank Cooper GCB CMG  
 Ministry of Defence

Sir Peter Carey KCB  
 Department of Industry

Michael Franklin Esq CB CMG  
 Department of Trade

cc Dr Nicholson  
Mr Coles



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RECORD OF CONVERSATION WITH MR MATSUNAGA, ECONOMIC DEPUTY MINISTER  
AT THE JAPANESE FOREIGN MINISTRY, AT 1500 HOURS ON 2 SEPTEMBER.

Visit of Prime Minister to Japan

General Points

1. M said that he was calling on me as the personal representative of the Japanese Prime Minister, whom he had seen yesterday. Suzuki was very much looking forward to the Prime Minister's visit, extremely anxious to make it useful and fruitful as well as agreeable, and ready to make every possible effort to contribute to its success. The visit should have a significant place in the history of Anglo-Japanese relations. It was most desirable to reconstruct these relations. They had hitherto not been sufficiently explored or developed. I responded appropriately.

Economic Questions

2. M said that Nissan were not yet in a position to make a final decision, but their President would like to be received by the British Prime Minister. If Mrs Thatcher chose to mention this project in Tokyo, Suzuki would reply that it was a matter for the company, but that if the project could be realised the Japanese government would be delighted, given the importance which it could have in Anglo-Japanese relations. M suggested that this would be an appropriate way of giving top level blessing to the Nissan scheme without appearing to take the matter out of the hands of the companies. I took note and said that we would comment if we disagreed.

3. M then spoke about the proposed technology agreement. He had the impression that the British side was not strongly interested in this. He himself thought it would be an excellent moment to sign such an agreement. If the chance was lost this time, it would be a long time before another opportunity occurred. He was aware of two difficulties raised by the British side:-

Prime Minister

The F./C.O.  
are writing again  
about this.

A.S.C. 6/9.

- (a) we were reluctant to include the word 'science' in the title. The problem here was that Japan had concluded several agreements of this kind, all of them with the word 'science' in the title. To exclude it from the agreement with Britain would imply that there was something very special about it. Moreover if the agreement was simply on technology MITI would claim the sole right of competence, whereas M thought that a number of Ministries ought to be involved on the Japanese side. He understood that we did not wish basic science to be covered, but this point could be met: it would be for governments to decide on the implementation of the agreement anyway.
- (b) M understood that we wanted to mention participation by private sectors. This was covered by the provision for Joint Commissions including 'experts' who could be from the private sector. If Britain needed to have an interpretation of this point, it could be easily arranged.



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4. M said that if we could see our way to meeting the Japanese on these two points, the rest could be solved. He repeated that he saw great value in the agreement and in its signature now.
5. I said that this matter was under intensive study in London. It was wrong to imagine that a decision against signature had been taken. But we were practical people, and this was perhaps especially true of the Prime Minister. She would not want to put her name to a document with no substance in it. But I took note of M's points.
6. M then spoke about aircraft, both civil (eg BAe 146) and Military. It would be very difficult for the Japanese government to give concrete favourable reactions on these points, because they were for private enterprise and because the Lockheed case had made aircraft a very sensitive subject in Japan just at the moment. President Mitterrand had pressed for progress on Airbus during his own visit to Tokyo, but Suzuki had declined. He was very sensitive about the political repercussions. If Mrs Thatcher were to mention aircraft, she could not expect a favourable reaction. Any proposals could be studied, but the Japanese position would not be easy to express in a concrete way.
7. I said I found this line disappointing. As regards defence equipment, it would be perfectly normal for the Prime Minister to speak about what Britain had to offer. We were manufacturers and exporters on a substantial scale and had recently had an opportunity to test some of our equipment in war conditions. We knew the figures for Japanese imports of defence equipment and would like to see them higher. Similar considerations applied to civil aircraft and equipment. What was the difficulty?
8. M said that aircraft were the particularly sensitive aspect, for the reasons he had given. Japan was increasing her Air Force equipment, and could be expected to do likewise with defence equipment of other sorts. This could be studied, and the subject could be discussed during the Prime Minister's visit. But the Japanese Defence Agencies would be shy of giving commitments in advance of the defence budget, so their attitude would be cautious. M would report my remarks back to Suzuki, together with any specific proposals we might want to make. I said we would see if we could send him a list.
9. As to whisky, M said it would be extremely difficult, indeed practically impossible, to take a further step in tariff reduction as this stage. The experts in Tokyo maintained that the tariff represented only three per cent of the retail price. If it were reduced further, this would create a precedent for other products, eg brandy and wine.
10. M said that the problem on chocolate and biscuits was a political one: the Japanese manufacturers were strongly opposed to any reduction in tariff. M had asked Suzuki if he could not show political leadership on the matter. Suzuki had replied that if a change in the tariff on these items would give great satisfaction to the British Prime Minister, he was ready to exert his influence in that direction. But if it was only a matter of lesser importance, or of 'better than nothing', Suzuki would not wish to risk stirring up strong political opposition.



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11. I registered a bit of impatience. I said that we were concerned about very large questions such as the level of Japanese imports of manufactured goods by comparison with comparable countries; the existence of tariff and non-tariff barriers; the exchange rate for the yen; and the statistics of Anglo-Japanese trade. M should not imagine that the British point could be met by a few biscuits, or that a reduction in the Japanese tariff on chocolate would be something for which Britain was ready to pay a substantial price. The Prime Minister would not wish it to be said at the end of her visit that Japan had retained her freedom to continue to destroy whole sectors of British industry, as some people would say that she had already destroyed ball bearings, zip fasteners and motor cycles, while Britain had gained the right to sell a little more confectionery. The problems were large and the remedies needed to be serious also.

12. M responded with a lecture on inevitable lines. Did the Prime Minister intend to raise the subjects now under discussion between Japan and the Commission under Article 23 of GATT? He gathered that the Commission was dissatisfied with progress. Japan believed that these consultations were useful for exchanging views but would not lead to helpful conclusions. On the contrary: if heated discussions continued, the general atmosphere would become counter-productive. The key to the question of Japan's imports lay in the competitiveness of foreign manufactured goods. The question of trade balances could not be considered on a purely bilateral basis. It would not help to discuss these matters theoretically or in general terms. It would be better to tackle the problems one at a time, eg chocolate and biscuits. If the Nissan project could be realised, that would make a big contribution. World economic recovery would help, but the difficulties could not be solved all at once. Meanwhile Japan was striving to open her markets more and more. If the British side had concrete obstacles which we could draw attention to, Japan would use her best endeavours to see how these could be tackled. I said we might wish to send M a list.

Political Questions

13. M said that <sup>Suzuki</sup> ~~he~~ would be in China almost immediately after the Prime Minister. He would be glad to talk to her about this subject. He was much interested in the problem of Hong Kong and would be very ready to help in any way Britain thought might be useful.

14. M said he was aware of British disappointment and dissatisfaction with Japan's attitude during the crisis on the Falklands. He was among the many in Japan who admired what Britain had done there. Argentina had taken the unlawful act and should carry the blame for this. But because of Japan's relationship with Argentina, and for general reasons, she took the view that this or any dispute should be settled by peaceful means. Hence the Japanese vote in the Security Council. What would be the British approach during the next phase?

15. I said I had been in Versailles on the night in question, and disappointment and dissatisfaction were not too strong words for the mood in the British delegation. We were now looking at the future,



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and might want to be in touch with the Japanese, eg about the handling of resolutions in the UN General Assembly.

16. I said that this episode might not have occurred if we could have found a way of intensifying political consultations. Many possibilities had been mentioned, some bilateral (eg regular meetings between the Foreign Minister of one country and the Ambassador of the other, with instructions from capitals and a pre-arranged agenda), others multi-lateral (eg institutional backing for the economic Seven, more meetings between Japan and the Ten, etc.). This was the direction in which we wanted to move, and we were ready to put substantial effort into it. I accepted a suggestion from M that these points could well come up during the talk between the Foreign and Commonwealth Secretary and the Japanese Foreign Minister on 3 September.

17. Finally, M asked about the transatlantic differences over the Siberian pipeline. Japan assumed that neither the American nor the European side wanted to widen the rift, which carried risks of damage to the West as a whole including Japan. M recalled that the oil pipeline project in Sakhalin provided for the use of American equipment, now banned. Japan had filed a protest and asked the United States to reconsider its attitude. Was there a risk of the disagreement spreading, eg to the security field?

18. I said I thought that this last possibility could be excluded, and indicated the lines on which we were currently working with a view to containing the problem without surrendering our view that the American action had been wrong in principle and misguided in practice.

J L Bullard  
2 September 1982

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# International Hospitality and Conference Service Association

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## S C H E D U L E

26 August 1982

For : Mr. Nobuo MATSUNAGA  
(Ministry of Foreign Affairs)

Tokyo	Lv.22:30	09/01 Wed.	JL-423 (F)	B-747
	Via Anchorage			
London(LHR)	Ar.07:00	09/02 Thu.	"	
(3 Nights)(LHR)	Lv.14:30	09/05 Sun.	PA-107 (P)	B-747
Washington(IAD)	Ar.17:45	09/05 Sun.	"	
(3 Nights)(DCA)	Lv.21:00	09/08 Wed.	AL-100 (Y)	DC-09S
	Via Buffalo			
Toronto	Ar.22:58	09/08 Wed.	"	
(2 Nights)	Lv.16:05	09/10 Fri.	AC-458 (Y)	DC-09S
Ottawa	Ar.16:57	09/10 Fri.	"	
(1 Night)	Lv.12:00	09/11 Sat.	PM-034 (Y)	F27
New York (JFK)	Ar.13:50	09/11 Sat.	"	
(4 Nights)(JFK)	Lv.12:40	09/15 Wed.	JL-005 (P)	DC-10
	Via Anchorage			
Tokyo	Ar.17:15	09/16 Thu.	"	

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REMARKS :

- JL - Japan Air Lines
- PA - Pan American World Airways
- AL - USAIR
- AC - Air Canada
- PM - Pilgrim Air Lines
- LHR - London, Heathrow Airport
- IAD - Washington, Dulles Airport
- DCA - Washington, National Airport
- JFK - New York, NY-Kennedy Airport
- F - First Class Service
- P - First Class & JAL Sky Recliner Class
- Y - Economy Class Service only

The above Schedule is subject to change without notice.

K.ONO

(Ex.2298)