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Comed to Amb.
Gray
Donald
Ingham

SUBJECT

RECORD OF THE PRIME MINISTER'S MEETING WITH MR. ZENKO SUZUKI, PRIME
MINISTER OF JAPAN, AT 1520 ON FRIDAY 17 SEPTEMBER

Present:

Prime Minister

Mr. Zenko Suzuki

Sir Hugh Cortazzi

Mr. Y. Sakurauchi

Mr. A.E. Donald

Ambassador Hirahara

Mr. R.W. Gray

Mr. Y. Cato

Mr. F.E.R. Butler

Mr. Tamino

Mr. A.J. Coles

Mr. Matsumoto

Mr. Tsuruoka - interpreter

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After an exchange of courtesies, in which Mr. Suzuki warmly welcomed the Prime Minister and her party to Japan and the Prime Minister expressed her thanks for the warm welcome extended by the Japanese Government, the Prime Minister referred first to the proposed technological agreement between the United Kingdom and Japan. She said that she wanted such an agreement, provided that it contained more than generalities. She hoped for an agreement covering specific matters which could lead to tangible results. Mr. Suzuki said that he was greatly interested in the proposal for a technological agreement and hoped that he and Mrs. Thatcher would be able to agree to pledge themselves to making a good agreement, to be negotiated in detail subsequently. He suggested that this matter should be discussed further in the substantive talks between the two Prime Ministers later in the visit.

Turning to the matters to be covered in their subsequent talks, the Prime Minister said that she had noted the important speech made by Mr. Suzuki on the previous day about the effect of the recession on Japan. She asked if she might have an English translation. Mr. Suzuki agreed to provide such a translation on the following day.

The Prime Minister added that she now regretted that the Versailles Summit had taken place in June. It would have been more useful if it had taken place in the Autumn in view of the deterioration of the world economic and banking scene. There were grounds for anxiety

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about the debt position of Mexico and other countries in South America, and with the debts of the Eastern Bloc these imposed a heavy burden on the world's banking systems.

Mr. Suzuki agreed that the international economic, banking and foreign exchange situation was very fluid and changing rapidly. The Western countries needed to keep in contact and exchange information if they were to tackle these problems effectively in a proper manner. The Prime Minister agreed, adding that countries would only pull themselves out of the recession by collaboration.

The Prime Minister said that she would also like to discuss in the subsequent talks the problems which had arisen with the United States over the Siberian gas pipeline. She regretted the actions taken by the American Government, but was determined that they should not cause a general undermining of the Western Alliance. Mr. Suzuki said that he too would like to cover the general problems arising over trade and credit to the USSR, on which the Japanese had a particular problem over Sakhalin. The Prime Minister said that they should discuss these bilateral trading problems against the background of the forthcoming GATT meeting: she had recently seen the Secretary-General of GATT who was seriously worried about the growing threat of protectionism. Although the GATT meeting could not be expected to solve these problems, it should be used to defend the free trading system. She would also want to discuss the bilateral trading issues between Britain and Japan.

The Prime Minister also suggested that she would welcome an opportunity to hear Mr. Suzuki's views about the situation in China. It was difficult to get information from China since it was a closed society, and in her forthcoming visit she had a particular problem about the future of Hong Kong, which had an importance for the whole free world as well as for the people of Hong Kong itself. Mr. Suzuki said that, although the problem of Hong Kong was primarily a bilateral matter between the United Kingdom and China, Japan regarded it as an important issue and were watching it with close attention. He would be particularly interested to hear the Prime Minister's views about the situation in China in view of his own forthcoming visit.

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/ Summing

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Summing up the discussion, Mr. Suzuki said that it was clear that there were a large number of issues to be discussed in the forthcoming talks between Mrs. Thatcher and himself, under the headings of the international political and economic situation; bilateral issues; and the situation in Asia, and particularly in China.

F.E.R.B.

17 September 1982

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