

SUBJECT

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cc Markes



Japan
Bf

10 DOWNING STREET

From the Principal Private Secretary

5 October 1982

Dear Jonathan,

NISSAN

The Prime Minister saw your Secretary of State and Mr Lamont yesterday afternoon to tell them about her meeting with the Chairman of Nissan during her visit to Tokyo. She saw Mr Kawamata at the Guest House where we were staying: he was accompanied only by his Public Relations Adviser, Mr Goto, and I was the only other person present.

The Prime Minister said that her general message in Japan, which she had repeated to Mr Kawamata, was that the pressures for protectionism would be difficult to resist if the Japanese were not more willing than they had been to restrict their exports through inter-industry agreements and to create jobs in Britain by manufacturing here. In speaking to Mr Kawamata, she had been concerned to reassure him that she did not want to embarrass him by appearing to press him about a decision which it would be for the Nissan Board to take. She had said that, while she was in Tokyo, she wanted to explain to Mr Kawamata how she saw the general situation (on the lines summarised above) and how welcome Nissan would be if they decided to invest in Britain. The atmosphere of her talk with Mr Kawamata was in fact very relaxed and friendly and Mr Kawamata said how much he appreciated the honour of having an hour's talk with the Prime Minister.

The Prime Minister told your Secretary of State that Mr Kawamata had mentioned a number of concerns he had about the project. One was over industrial relations in Britain. He had specifically asked whether it would be possible for Nissan to make an arrangement whereby they would have only a single union to deal with: the Prime Minister replied that she understood that some other Japanese companies investing in Britain had already done so. Mr Kawamata had also mentioned that Nissan's studies had shown that the supply of components in Britain would be more expensive than in Japan. But the main source of his concern was that Nissan was already undertaking major investments in overseas projects which had put a heavy burden on their financing. He was particularly worried by the prospect that they would not recover their investment for at least ten years. He wondered whether there was any possibility of an arrangement whereby the British Government would build and equip a factory

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initially, and recover the cost from Nissan over a period through a rental arrangement to minimise the immediate impact on Nissan's funds.

On the latter point the Prime Minister mentioned to Mr Kawamata the Advance Factory Scheme and said that it might be possible to build a factory specifically for Nissan. She said that she was not aware of any arrangement for equipping such a factory. But she told Mr Kawamata that she would consider personally what he had said and what further response she could make. Mr Kawamata said that he would be reporting to his Management Council on his conversation with the Prime Minister, after the President of Nissan, Mr Ishihara, returned to Japan on 25 September. The Prime Minister made it clear that she would not be able to carry their conversation any further before then but said that she would discuss it with the Secretary of State for Industry after her return to London.

Your Secretary of State suggested that his forthcoming speech to SMMT would provide an opportunity for underlining what the Prime Minister had said about further restraint of Japanese exports through inter-industry agreements. As regards Nissan it was agreed that it should be considered whether anything could be done to reduce the immediate financing burden on Nissan. Mr Jenkin said that Mr Ishihara would be visiting London in a fortnight's time and the Prime Minister suggested that Mr Jenkin might bring Mr Ishihara to see her. I have provisionally reserved a time at 6.15 pm on Monday 18 October for this: could you please let me know as soon as possible whether this is convenient to your Secretary of State and whether you can arrange it with Mr Ishihara.

Since the Prime Minister's talk with your Secretary of State I have spoken on the telephone to Mr Goto. Mr Goto told me that as a result of the Prime Minister's talk with Mr Kawamata two further feasibility studies were being undertaken by Nissan, one concentrating on the industrial relations aspect of an investment in Britain and the other on a reassessment of the financing requirements. Mr Kawai, the Managing Director who is conducting the industrial relations study, is leaving for Britain with a team this evening: Mr Goto did not know what his detailed arrangements were, but believed that they were being made through Lord Marsh.

Mr Goto suggested that any response from the Prime Minister about Mr Kawamata's suggestions for reducing the immediate cash requirement for financing Nissan's investment should be made to Mr Kawamata rather than to Mr Ishihara. I said that the Prime Minister expected to respond to Mr Kawamata but would probably not do so until after Mr Ishihara's visit. Mr Goto will mention to Mr Ishihara that the Prime Minister is hoping to see him during his visit to London, but I did not mention to him the specific date and time proposed above.

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I am copying this letter to John Kerr (Treasury) and Brian Fall (Foreign and Commonwealth Office). The Prime Minister has asked that the confidentiality of her discussion with Mr Kawamata should be closely protected: I should therefore be grateful if you and the other recipients would ensure that the circulation of this letter is closely controlled and limited to those who have an operational need to see it.

Yours sincerely,

Robin Butler

Jonathan Spencer Esq.,
Department of Industry.

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