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NOTE FOR THE RECORD

PRIME MINISTER'S MEETING
WITH THE PRESIDENT OF NISSAN

The Prime Minister, accompanied by the Secretary of State for Industry and the Minister of State for Industry (Mr Lamont), received the President of Nissan, Mr Ishihara, at 10 Downing Street on Monday 18 October. I was present. Mr Ishihara was accompanied by two aides.

The Prime Minister said that she had seen Mr Kawamata, Chairman of Nissan, during her visit to Tokyo. Mr Ishihara had been abroad then, and she had therefore wanted to take advantage of his visit to London to repeat what she had said to Mr Kawamata, namely that Nissan would be very welcome if they decided to invest in Britain. She was aware that the Nissan Board had deferred their decision, and she was not seeking to put any pressure on Mr Ishihara, but she wanted to tell him that, if Nissan decided to invest in Europe, she hoped that they would invest in Britain.

The Prime Minister said that she was aware that the motor industry was going through a difficult period, both for cars and lorries, and that Nissan already had a number of current investment projects throughout the world. The severity of the world recession was creating dangers of increased protectionism, and Britain was already experiencing difficulties over this, for example on exports of steel to the United States, and on the unbalanced tariffs governing trade in motor cars between Spain and Britain. As a major trading nation Britain had had much experience of such protectionist pressures and had had to invest in countries of the old empire in order to protect its trade. Britain was a stable country politically; there were now few industrial troubles in the private sector; and we were used to welcoming inward investment. The superlative quality of Japanese management, when combined with these advantages, had caused the Japanese investment so far undertaken here to be highly successful.

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Mr Ishihara said that he was sorry not to have been in Tokyo when the Prime Minister visited there: he had had a prior commitment to be at the Nissan plant in Tennessee. He had subsequently visited Mexico, France and West Germany and had just been to Leeds Castle for the talks with the SMMT. Having seen the difficult economic circumstances in Britain when the Prime Minister took office, he had noted with admiration the steady improvement in the British economy and had been impressed by the Prime Minister's resolute policy. He personally thought that, of all European countries, the conditions in the United Kingdom were best for investment by Nissan. By contrast, Nissan had just been presented with an additional \$200 million bill on an original investment of \$300 million in Mexico, because of the Mexican devaluation.

The Prime Minister said that, of all the countries which Mr Ishihara had mentioned, Britain could claim to be politically the most stable. We were watching the position in Mexico with particular concern because of its importance for the world banking system. Much depended on whether agreement could be reached with the IMF and whether the Mexican Government would be able to observe the agreement without causing internal turmoil. The British Government hoped that common sense would prevail. She asked Mr Ishihara whether Nissan's investment in the United States had been prompted by fears of protection there. Mr Ishihara said that Nissan's US investment had been prompted not so much by fears of protection as by a feeling among United States consumers that they wanted a car manufactured in the United States. Nissan had also felt that an investment in the United States would help to improve relations between Japan and the United States.

The Prime Minister said that there were similar feelings in Britain that, if people liked Japanese cars, they would also like to have the jobs in producing them. She herself was strongly in favour of the open trading system, but it was understandable that, when unemployment was so high, there would be feelings against imports. Mr Ishihara commented that, while he did not want to offer advice on British policy, as an

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industrialist looking round the world he felt that protectionism caused losses of competitiveness. The Prime Minister agreed; she was not in favour of protectionism and that was why she wanted investment providing jobs in Britain. There already was considerable competition among car manufacturers in Britain, and the tough measures taken by the Government were causing British industry to become more competitive. But the current position vis a vis Spain was difficult to justify. She asked Mr Ishihara whether there was anything further which she could do to help Nissan's consideration of investment in Britain.

Mr Ishihara said that the biggest single factor would be help over industrial relations. Nissan hoped that it might be possible to deal with a single union and, if this was not possible, to have not more than two. The Prime Minister said that she thought that it would be possible for Nissan to negotiate an arrangement under which there was a single union, if Nissan made this a condition of their investment. The Secretary of State for Industry agreed, pointing out that other Japanese companies investing in Britain had made this condition: Nissan would be the biggest of them, but he thought that there was a good chance that the trade unions would agree. Mr Ishihara commented that he regarded this as very encouraging.

Mr Ishihara said that he understood that the terms of an agreement with the Department of Industry if Nissan came to Britain would require them to export 25 per cent of their production and increase local content to 80 per cent as quickly as possible. He understood the reasons for this, but as a businessman would be helped by having as free a hand as possible. He was not saying that Nissan would not be a large exporter or that it would not achieve a high proportion of British content; indeed the latter would be necessary if their cars were to be a recognisably British product. But Nissan would be helped if the British Government could be flexible on these points. The Secretary of State for Industry commented that the British Government was hoping that Nissan would draw 80 per cent of its components from Britain and more if possible, but he would certainly look further at the timing of this if necessary. On exports, the Government was not looking for

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any particular proportion. Since he understood that Nissan would want a British plant to be a base for European exports, it was to be expected that a significant amount would be exported to the EC, but the Government would certainly be flexible about this. The Minister of State added that it had been thought difficult for Nissan to be able to sustain a high volume of production here without a reasonable proportion of exports to the EC, but there was no question of making this a condition of aid. Mr Ishihara said that he was greatly relieved about this. Even if Nissan decided to go ahead with the investment right away, it would be some time before the first car was produced and longer before the volume reached a level at which there would be cars for export. A requirement that Nissan should export a fixed proportion would have delayed profitability. The Prime Minister commented that the British were reasonable people, and wanted foreign investors to make a profit.

Mr Ishihara said that he hoped that the Prime Minister would respond to Mr Kawamata on the points which Mr Kawamata had raised in Tokyo. These had been kept very confidential, and his own staff were not aware of them. He did not therefore want to discuss them today, but hoped that the Prime Minister would be replying direct to Mr Kawamata. The Prime Minister confirmed that she would be responding to Mr Kawamata: she had decided to wait until she had seen Mr Ishihara before doing so.

The Prime Minister said that the British Government would not be seeking any publicity for the meeting, and proposed that, if asked, the attached speaking note should be used by each side. Mr Ishihara agreed. The Prime Minister concluded by assuring Mr Ishihara that he could rely on the confidentiality of Nissan's exchanges with the British Government.

F.R.B.

19 October 1982

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PRESS LINE - IF ASKED

Since Mr Ishihara was out of Japan during the Prime Minister's visit, the Prime Minister wished to take the opportunity of his current visit to the UK to see him. The meeting was informal and confidential. The question of Nissan investment in Britain was discussed, and the Prime Minister made clear, as she had done to the Chairman of Nissan during her visit to Tokyo, that she would welcome it.

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10 DOWNING STREET

From the Principal Private Secretary

19 October 1982

Dear Jonathan,

NISSAN

I enclose a note of the Prime Minister's meeting with Mr Ishihara last night, at which your Secretary of State and Minister of State were present. The next step will be for the Prime Minister to reply to Mr Kawamata, and I should be grateful if you can let me have a draft as soon as possible.

I draw your attention particularly to the last sentence of the record: please will you see that the circulation of this record, like my earlier letter of 5 October, is closely controlled and limited to those who have an operational need to see it.

I am copying this letter to John Kerr (Treasury), and Brian Fall (Foreign and Commonwealth Office) with the same request.

Yours sincerely,

Robin Butler

Jonathan Spencer Esq.,
Department of Industry.

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NISSAN MOTOR CO., LTD.

17-1, 6-chome, Ginza, Chuo-ku
Tokyo, Japan

Takashi Ishihara
President

October 22, 1982

Japan
Prime Minister
IT
1/11

The Right Honourable Margaret
Thatcher, MP
Prime Minister, First Lord of
the Treasury and Minister for
the Civil Service
10 Downing Street
London SW1
UNITED KINGDOM

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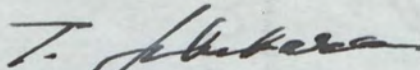
Dear Prime Minister,

This is to express to you my most sincere gratitude for your taking the time out of your busy schedule to meet me personally last Monday.

It was indeed a great honour to be assured that our project will receive a warm welcome to the U. K., and I am extremely grateful to you for the strong interest you have shown in our project.

Please accept my deepest appreciation and best personal wishes,

Most respectfully yours,


Takashi Ishihara

TI/tfy/ki