



DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

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Secretary of State for Industry

19 October 1982

John Coles Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

Prime Minister

Overlate.

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ASL 11.

Dear John,

INDUSTRIAL CO-OPERATION WITH JAPAN

The Prime Minister will recall that, during her discussions with the Japanese Prime Minister on industrial collaboration last month, Mr Suzuki referred to three project proposals on which the Japanese were still awaiting a response from the UK. Mr Jenkin was concerned at the suggestion of delay at this end and asked for a report on the projects in question.

2 Mr Jenkin suggests that the Prime Minister may like to be aware of the position. The attached note describes the detailed situation. All three proposals mentioned originated with the UK, and two of them had not featured at all actively in our discussions with MITI. The impression of officials in the Department who have discussed this matter with MITI officials in London is that their Head Office put together briefing rather hurriedly for Mr Suzuki, knowing that the Prime Minister would be criticising the Japanese performance in putting forward proposals. In fact we have had only two proposals from them and in one of these the Japanese firm mentioned by MITI told a prospective UK partner that it was not interested in co-operation.

3 As will be seen from the note, the Department is pursuing MITI on the three projects. We are also emphasising the need for MITI to come up with detailed proposals at next month's meeting in Tokyo. The response so far is unfortunately not very encouraging. The Japanese have stepped up their public relations activity but there are still very few signs of any actual proposals which would be of benefit to the UK.

Yours ever,

Caroline Varley

CAROLINE VARLEY
Private Secretary



Industrial Cooperation: Proposals referred to by Mr Suzuki

(i) Staveley Machine Tools and Takisawa

MITI were informed by us last year of Staveley's interest in manufacturing certain Japanese machine tools in the UK and the fact that they were prepared initially to conclude a sales agreement provided this led subsequently to manufacture. Takisawa were mentioned by Staveley as possible partners. MITI put Takisawa in contact with Staveley. Our understanding from the latter is that Takisawa were only prepared to conclude a sales agreement, which is supported by the fact that Takisawa have recently concluded such an agreement with Rockwell International (UK). Just before the Prime Minister's visit MITI told us that Takisawa had reported to them that Staveley had not properly thought through their proposals. In the circumstances we were surprised that the Japanese should have referred to this as a project where they had been awaiting a response from us. MEE are now in contact with Staveley to see how this subject should be handled in the next DoI/MITI discussions in November.

(ii) Plessey Telecommunications and NEC

Although IT were aware of Plessey's discussions with NEC on small digital telephone exchanges, the company had not asked us to include this in our discussions with MITI. We were therefore surprised that it should have been referred to as an outstanding project. We have since confirmed both with Plessey and NEC in London that the companies do not want any Government involvement at this stage. We are seeking clarification from MITI of their understanding of the position.

(iii) Ferranti Electronics and Fujitsu

Although Ferranti's interest in a cross marketing arrangement for integrated circuits with Fujitsu was mentioned to MITI last year, Ferranti themselves took the initiative with Fujitsu. This showed that the Japanese company was only interested in an agreement giving them access to the UK market and were not prepared to give Ferranti reciprocal access in Japan. Ferranti then indicated to Fujitsu that they would not proceed further with the idea and MITI were so advised in March this year. We are currently seeking clarification from MITI why they consider there is outstanding action at this end.