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SEOUL FOR PRIME MINISTER'S PARTY

YOUR OTTER 233 AND INDUS 160 : MORUPULE PROJECT

1. KURODA, DIRECTOR GENERAL, INTERNATIONAL TRADE POLICY BUREAU, MITI, ASKED ME TO CALL TODAY TO CLARIFY THE JAPANESE GOVERNMENT'S POSITION ON THIS PROJECT IN THE LIGHT OF DISCUSSIONS BETWEEN MR WATANABE AND THE SECRETARY OF STATE FOR TRADE. HE SAID THAT HE HAD NOTHING TO ADD TO WHAT MR WATANABE HAD TOLD MR CHANNON, BUT WISHED TO RECONFIRM, HAVING CHECKED THE BACKGROUND ON HIS RETURN TO TOKYO, THAT THERE HAD BEEN NOTHING UNFAIR IN THE AWARD OF THE CONTRACT TO TOSHIBA. WITH IDENTICAL FINANCIAL OFFERS BEING MADE BY THE TWO SIDES, THE ISSUE HAD BEEN DECIDED PURELY ON PRICE AND QUALITY. IF WE HAD ANY FURTHER POINTS TO RAISE, THE JAPANESE SIDE WOULD BE HAPPY TO DISCUSS THEM, THE JAPANESE SIDE WOULD PREFER THAT THIS BE DONE AT OFFICIAL LEVEL, SINCE THEY WISHED TO AVOID ANY HIGH LEVEL DISCUSSION ON THE BASIS OF MISUNDERSTANDINGS. I UNDERTOOK TO REPORT KURODA'S REMARKS AND SAID THAT I HAD NOTHING TO ADD TO WHAT MR WATANABE HAD BEEN TOLD IN LONDON.

2. COMMENT: THE BRIEF FOR THE PRIME MINISTER'S MEETING WITH MR NAKASONE, NOW RECEIVED FROM FED, SUGGESTS THAT THE ISSUE MAY BE RAISED AT THE SUMMIT, THE JAPANESE WILL HAVE PREPARED THERE DEFENCES, AND I INTERPRET KURODA'S REMARKS AS A CHALLENGE TO US TO SUBSTANTIATE WHAT HE REFERRED TO AS ALLEGATIONS. I SHOULD BE GLAD TO RETURN TO THE SUBJECT WITH HIM IN ADVANCE OF THE SUMMIT IF THERE IS EVIDENCE WHICH COULD BE USED IN THIS WAY.

GIFFARD

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