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GRS 800
RESTRICTED [FRAME EXTERNAL]
DESKBY 300900Z
FM TOKYO 300710Z JUL 85
TO IMMEDIATE FCO
TELEGRAM NUMBER 532 OF 30 JULY
AND TO IMMEDIATE DTI (FOR OT2)
INFO IMMEDIATE UKREP BRUSSELS
PRIORITY WASHINGTON

MIPT: JAPANESE ACTION PROGRAMME ON MARKET OPENING:
EMBASSY COMMENT

1. THE GENERAL APPROACH AND MUCH OF THE CONTENT OF THE ACTION PROGRAMME IS AS FORESHADOWED BY PRIME MINISTER NAKASONE IN HIS 9 APRIL STATEMENT AND THE JAPANESE GOVERNMENT'S PUBLISHED FRAMEWORK, AND DETAILS ON TARIFFS, OF 9 JULY. BUT THERE ARE PERHAPS MORE USEFUL AND POSITIVE ITEMS IN THE ACTION PROGRAMME THAN WE HAD EXPECTED, AND A GREATER SENSE OF URGENCY IN MANY OF THE DEADLINES FOR IMPLEMENTATION.

2. THE SECTION ON TARIFFS AND QUOTAS IS PERHAPS THE LEAST SATISFACTORY AND MOST SUSCEPTIBLE TO THE ACCUSATION OF TOO LITTLE TOO LATE. THE GOVERNMENT HAVE BEEN UNABLE TO DELIVER ANY RADICAL NEW PROPOSALS. WHERE SIGNIFICANT CHANGES ARE ENVISAGED, THEY ARE TOO OFTEN MADE CONDITIONAL UPON FURTHER BILATERAL OR MULTILATERAL NEGOTIATIONS. THE MAFF HAVE CLEARLY PROVED TO BE THE HARDEST TO BUDGE OF THE AGENCIES INVOLVED. IT WAS NOT UNTIL THE FINAL GOVERNMENT MEETING THIS MORNING THAT THE PRIME MINISTER AND HIS SUPPORTERS WERE ABLE TO SECURE A COMMITMENT TO 'IMPLEMENT' REDUCTIONS (UNSPECIFIED) ON PLYWOOD TARIFFS AS OPPOSED TO THE FORMULATION 'GIVE POSITIVE CONSIDERATION TO REDUCTIONS' CONTAINED IN DOCUMENTS HANDED TO US EARLY THIS MORNING.

3. MANY OF THE PROPOSALS ON TARIFFS ARE ALSO IMPLICITLY SUBJECT TO RECIPROCITY.

4. OTHER SECTIONS OF THE ACTION PROGRAMME ARE MORE POSITIVE. IN PARTICULAR, THOSE DEALING WITH STANDARDS AND CERTIFICATION AND GOVERNMENT PROCUREMENT SEEM TO US TO REPRESENT A SIGNIFICANT SHIFT IN ATTITUDES, PARTICULARLY AS THEY ARE ACCOMPANIED (A POINT EMPHASISED BY THE MFA) BY ADMINISTRATIVE ARRANGEMENTS TO IMPROVE TRANSPARENCY AND TO PUBLICIZE IMPLEMENTATION, AND BY A COMPLAINTS PROCEDURE.

5. MEASURES ON STANDARDS AND CERTIFICATION IN IMPORT PROCEDURES SHOULD IMPROVE MARKET ACCESS PARTICULARLY IN THE AREAS OF PHARMACEUTICALS, COSMETICS AND MOTOR VEHICLES, WHICH ARE ALL OF INTEREST TO THE UK. OVERALL THE EFFECT SHOULD BE TO MAKE MARKET ENTRY EASIER (WITH WE WOULD HOPE SOME EFFECT ON THE PERCEPTION OF THE JAPANESE MARKET AS DIFFICULT) AND SHOULD MEAN BOTH THAT MARGINAL RETURNS

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FOR COMPANIES RISE AND THAT COMPANIES CAN SPEND MORE TIME ON PROMOTING THEIR PRODUCTS AND LESS IN DEALING WITH THE BUREAUCRACY.

6. WE WILL OF COURSE NEED TO LOOK AT THE PRACTICAL EFFECTS OF THE UNDERTAKINGS ON GOVERNMENT PROCUREMENT, BUT THERE IS CERTAINLY SCOPE IN THE ACTION PROGRAMME FOR THE GOVERNMENT TO TAKE A POSITIVE LEAD IN IMPROVING PURCHASES OF FOREIGN GOODS.

7. THE FINANCIAL SERVICES CHAPTER TAKES A CASE BY CASE APPROACH REFLECTING THE DETERMINATION OF THE MOF TO PROCEED WITH FINANCIAL LIBERALIZATION AT ITS OWN PACE. THERE ARE NO SIGNIFICANT RELAXATIONS ON MARKET ENTRY FOR FOREIGN BANKS AND SECURITIES COMPANIES. ON THE OTHER HAND, THE RANGE OF ACTIVITIES AND THE FLEXIBILITY OF OPERATION OF EXISTING BANKS AND SECURITIES COMPANIES, AS WELL AS INSURANCE COMPANIES, SHOULD IMPROVE.

8. THERE ARE ITEMS OF PARTICULAR INTEREST TO THE UK IN THE SERVICES AND IMPORT PROMOTION SECTION: LIBERALIZATION OF THE ACTIVITIES OF FOREIGN LAWYERS, AND THE RELAXATION OF CIVIL AVIATION REGULATIONS WHICH SHOULD PROVE OF BENEFIT (THE LATTER FOR SUCH COMPANIES AS SHORTS AND BAE). IT IS QUESTIONABLE HOW FAR GOVERNMENT-SPONSORED PROMOTIONAL ACTIVITIES WILL EFFECTIVELY INCREASE THE SIZE OF THE MARKET FOR IMPORTS. WE MAY HEAR COMPLAINTS FROM COMPANIES AIMING AT HIGH PRICED 'NICHE' MARKETS, AND THE SCOPE FOR PARALLEL IMPORTS MAY WELL INCREASE.

9. NOT EVEN THE JAPANESE EXPECT THE ACTION PROGRAMME TO PRODUCE SUBSTANTIAL SHORT-TERM RESULTS. CERTAIN ELEMENTS OF IT CONTINUE TO DEMONSTRATE A LACK OF OPENNESS AND LITTLE SENSE OF URGENCY. BUT THERE ARE RATHER MORE ITEMS THAN WE INITIALLY EXPECTED WITH RELATIVELY SHORT DEADLINES FOR ACTION. OUR OWN INTERPRETATION IS THAT THE PRIME MINISTER AND HIS SUPPORTERS, AS WELL AS POSSIBLY THE MFA AND MITI, WERE KEEN TO ATTACH DEADLINES BY WHICH NEW MEASURES SHOULD BE IMPLEMENTED. THE CUMULATIVE EFFECT COULD BEGIN TO BECOME VISIBLE BY SPRING OR SUMMER 1986, ALTHOUGH THIS WOULD NECESSARILY DEPEND UPON WIDER MACRO-ECONOMIC MOVEMENTS, IN PARTICULAR OF EXCHANGE RATES. THE JAPANESE GOVERNMENT'S UNDERTAKING TO EXPAND DOMESTIC DEMAND MIGHT ALSO HAVE SOME EFFECT NEXT YEAR. THE MFA

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TOLD US THAT THE EMPHASIS HERE WOULD BE ON DEREGULATION, TAXATION REFORMS AND MEASURES TO STIMULATE SPENDING. IF THE SPECIAL COMMITTEE ON THE EXPANSION OF DOMESTIC DEMAND IS ABLE TO REACH EARLY CONSLUSIONS, IT IS POSSIBLE THAT APPROPRIATE MEASURES COULD BE INCLUDED IN THE 1986 BUDGET.

10. PLEASE SEE MIFTS.

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GIFFARD

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