

PRIME MINISTER

MEETING WITH THE JAPANESE FOREIGN MINISTER

You are seeing Mr. Abe for half an hour tomorrow. It is a courtesy call. He is one of the thrusting young men of Japanese politics (62). He is mentioned as a possible successor to Mr. Nakasone.

The subjects to discuss are:

(i) The next Summit in Tokyo. The subjects are likely to be prospects for international economic growth, the need for structural adjustment, a new trade round and international debt. The Japanese don't want the focus to be on them: but we mustn't let them off the hook.

(ii) the need for Japan to do more about its trade surplus.

(iii) Tin

CDP.

Charles Powell

20 January 1986

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Foreign and Commonwealth Office

London SW1A 2AH

20 January 1986

Dear Charles

I enclose four copies of briefing for the call by Mr Shintaro Abe, the Japanese Foreign Minister, on the Prime Minister at 10.30 a.m. on 21 January.

Mr Abe will be accompanied by Mr Toshio Yamazaki, the Japanese Ambassador, Mr Takehiko Nishiyama, Director General of the Europe and Oceanic Affairs Bureau of the MFA and an interpreter Mr Koji Tsuruoka. Personality notes on Mr Abe, Mr Yakazaki and Mr Nishiyama are attached to the briefing.

Sir William Harding will attend the meeting from the Foreign and Commonwealth Office and Mr Peter Denison-Edson will act as interpreter on our side.

Yours ever

(R N Culshaw)
Private Secretary

C D Powell Esq
No.10 Downing Street

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PRIME MINISTER'S MEETING WITH MR SHINTARO ABE, FOREIGN MINISTER OF JAPAN: 21 JANUARY 1986

Our Objectives

1. (a) to agree with Japanese on the importance of a useful, workmanlike Summit;
- (b) to remind the Japanese of the serious political effect of their continuing trade imbalances and the need for further action by them;
- (c) to encourage the Japanese to increase their imports, to deregulate and liberalize where constraints work against market forces;
- (d) to encourage the Japanese to look favourably at aerospace products where the UK has an interest, and to go on investing in the UK;
- (e) to persuade the Japanese to take an active part in support of search for burden-sharing solution to ITC problems (eg NEWCO).

Arguments

2. (a) Important to continue with existing economic strategy as outlined in previous Summit communique.
- (b) In both Japan and Britain's interests to help resist protectionist pressures and preserve the open-trading system. Continuing Japanese trade surpluses however increase political pressures in US and Europe towards protectionism.
- (c) More action is needed to encourage the Japanese to import and to liberalize the framework within which foreigners have to operate. Recognise reluctance to set specific import target but trading partners need reassurance; sharing forecast of expected growth in manufactured imports helpful to EC Governments and US in resisting protectionist pressures.



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- (d) Disappointed that All Nippon Airways chose Boeing not Airbus. Airbus Industries will continue their efforts in Japan. Britain has interest in other competitive aerospace products. Hope Japan will consider favourably, particularly where the Japanese government has direct role in decision (eg Tornado, Short Brothers Sherpa C23A). If Japan decides to go ahead with FSX project hope British companies can be involved;
- (e) ITC still dragging feet in search for solution. Deplorable that governments will not assume responsibility. Hope can count on Japan to play part, as major consumer, and important partner of ASEAN. NEWCO proposal offers prospect of sharing burden with ITC creditors.

Tactical Arguments

3. More detailed Trade and International points will be covered in the separate meetings on 21 January with the Secretaries of State for Foreign and Commonwealth Affairs, and Trade and Industry. The Prime Minister may however wish to hear Mr Abe's first hand impressions of the visit of Mr Shevardnadze to Tokyo from 15-19 January.

Japanese Objectives

4. (a) to avoid discussion of the "Japanese problem" dominating the Summit;
- (b) to show that they are actively pursuing solutions to international trade problems while deflecting criticism that they alone are responsible;
- (c) to avoid any suggestion of legal liability over ITC problems. To avoid/minimise any financial contribution required (Japanese share could be 20% of total, UK share



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4%). For their Parliamentary reasons to bring 6th International Tin Agreement (ITA) definitively into force.

Our Response

5. (a) Must be able to refer to practical progress in achieving objectives defined at Bonn. Japan agreed to encourage import growth.
- (b) Welcome steps, since Bonn to improve market access and to tackle structural imbalance. Continuing effort needed. Japan's propensity to import manufactured goods still too low. UK companies working hard to get into Japanese market.
- (c) What is Japanese government's attitude? Convinced governments are legally liable as well as responsible for ITC's debts. Surely Japan concerned about precedent of default. Definitive entry into force of ITA would not produce sufficient income to pay debts. HMG could not support resumption of buffer stock operation.

Press Line

6. (a) The Prime Minister and Mr Abe noted with satisfaction the intensification of the friendly relations between Britain and Japan.
- (b) The main focus of discussion was the international economic situation in the run up to the Economic Summit to be held in Tokyo in May. The Prime Minister made clear her view that it would be necessary to refer to practical progress made in achieving objectives defined at Bonn. They also discussed the problems of the International Tin Council.



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Background

7. (1) Mr Abe's most recent visit to London was for the 1984 Economic Summit. He has participated in all the recent summits and the Prime Minister last met him in Bonn. He will visit West Germany on 22 January before returning to Tokyo.
- (2) Mr Abe is, with the Finance Minister, Mr Takeshita, a leading contender to succeed Nakasone if as required by his party rules the latter has to resign the party chairmanship in November. Mr Nakasone will probably call elections to both Houses of the Diet in early summer in the hope that a substantial victory would enable him to secure a change in the rules. Even if Mr Nakasone is successful this time, Mr Abe remains a probable future Prime Minister (detailed personality note attached).
- (3) Summit: Personal representatives have agreed that the main themes for the 1986 summit likely to be: outlook for international economic growth, particularly in the light of prospects for the US economy; need for further structural adjustment, especially in Europe; need for better balance in international trade and a new round of MTNs; international debt prospects. Japanese are likely to want political discussions to focus on Pacific and Atlantic-Pacific links.
- (4) Trade: Despite exports of over £1 billion to Japan our market share only 1.7%, less than our major European competitors. Estimated deficit with Japan in 1985 £3.1 billion (cf \$10.5 billion (EC), \$50 billion (US)). Action programme announced in July to improve market access over three years step in right direction. G5 agreement in September led yen to appreciate by 16% against dollar. Action to be reinforced by wider economic measures. October measures to boost domestic demand by 1.3% also



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modest step but imports generated likely to be for raw materials. Japanese reluctant to meet EC request for import target or forecast to enable her trading partners measure progress of market opening initiatives and judge their effectiveness in increasing Japan's import propensity. US also called for an "import vision". Japanese argue that estimate of future level of imports beyond their control in free economy. EC to pursue during Delors visit to Tokyo 20-24 January by asking Japan to share forecasts of expected growth in imports.

- (5) Aerospace: All Nippon Airways (ANA) recently selected Boeing 767s instead of Airbus as replacement for their existing fleet. The Prime Minister with Chancellor Kohl and M Fabius wrote to Mr Nakasone in support of Airbus. In a further letter to Mr Nakasone the Prime Minister accepted his explanation that ANA's decision had been made for good technical/commercial reasons but pointed out other competitive aerospace products in which Britain had an interest and where the Japanese Government would have a direct influence on any decision (Tornado, Short Brothers Sherpa C23A (military transport)). She also referred to the interest of British companies in participating in the FSX project (to produce a new fighter) should Japan chose this option instead of Tornado. We also have medium term prospects of selling Sea Harrier and the BAe 146 (for commuter services). Airbus Industries continuing their efforts in Japan. Strong position to win orders from ANA for A320s. Tough negotiations lie ahead final decisions not likely for some time.
- (6) Tin: Nakasone replied on 11 January to Prime Minister's message of 5 January acknowledging the desirability of "soft landing" but gave little indication of Japanese approach. Japan sheltered behind EC in resisting negotiations with ITC creditors. Known to be opposed to idea that governments are liable and should pay share of



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ITC's debts. Partly to conceal true position Japanese suggested that ITA should be brought into force definitively thereby requiring contributions from members and/or that a levy should be imposed on tin trade. Neither would yield sufficient revenue. UK would oppose. Mr Abe told H M Ambassador Tokyo on 17 January that he hoped to bring a concerted Japanese view on Tin to London.

- (7) Japan Soviet Relations: Shevardnadze's visit to Tokyo 15-19 January first meeting at Foreign Minister level for 8 years. Japanese regard visit as opening new phase in relations. No Soviet concessions on substance of Japan's claim for reversion of Northern islands (four islands occupied by the Soviet Union immediately before the end of the Pacific War) but reopening of negotiations on peace treaty and on territorial issue an important first step. Russians had little new to say on international issues though tone on SDI moderate. Japanese under no illusions and recognise that management of relations with Soviet Union could become more difficult now that Japanese public expectations on the Northern islands had been raised.

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ABE, SHINTARO

Minister for Foreign Affairs (since November 1982)

Born 1924. Graduated in politics from Tokyo University, then worked for the Mainichi newspaper. Was Private Secretary to former Prime Minister Kishi whose daughter he married. He has been a member of the House of Representatives for Yamaguchi Prefecture since 1958, with one short break.

Through his experience as a correspondent for the Mainichi and later as Parliamentary Vice Minister of Agriculture, he built up an extensive knowledge of agricultural affairs, and became Minister of Agriculture in the first Miki administration (1974-76). However he also has a reputation for of negotiation within the Diet and was appointed as the LDP's Diet Policy Chairman in Fukuda's first Cabinet (1976). Chief Cabinet Secretary 1977-78 and Chairman of the LDP Policy Affairs Research Council 1979-81. As Minister for International Trade and Industry 1981-82, he travelled extensively overseas and accompanied Suzuki to the Versailles Summit. He has also travelled a lot as Foreign Minister, with visits to Europe (including Romania and Bulgaria), the United States, China, Korea, the ASEAN countries and the Middle East.

He is heir apparent of the Fukuda faction (the third largest) and is one of the "new leaders" of the LDP. He was retained as Foreign Minister in December 1983 despite having made it clear that he wanted the job of Secretary General of the LDP. In the LDP Presidential election of



October 1984 he kept open for a long time the possibility that he might run. However he withdrew when it became clear that he could not win and Nakasone was the only candidate. In the subsequent reshuffle Abe was again against his will, retained as Foreign Minister, He is still seen as a likely future Prime Minister.

An activist politician he is generally popular with officials who have served him. But in discussion with foreigners he can appear rather arrogant and cold. He is married, with two sons. He is a 6th dan in kendo. (Japanese fencing). He does not speak English.



MR TOSHIO YAMAZAKI

Born in 1922, Mr Yamazaki graduated from the Faculty of Law, Tokyo University in 1944. In 1946 he entered the Ministry of Foreign Affairs. In 1955 he took up his first overseas appointment as Third, later Second Secretary at the Japanese Embassy in London.

In 1962, Mr Yamazaki became Director of the British Commonwealth Division in the Ministry of Foreign Affairs. In 1964 he was again posted abroad as First Secretary, later Counsellor (1966) in the Permanent Mission of Japan to the UN in New York. From 1967 until 1971 he served again in the Ministry of Foreign Affairs as Director of the Financial Affairs Division in the Minister's Secretariat and then (1970) as Deputy Director-General of the Treaties Bureau. He was then posted to Washington as Counsellor (1971) later Minister (1972) and subsequently given the rank of Envoy Extraordinary and Minister Plenipotentiary (1974) en poste. In the same year he returned to the Ministry of Foreign Affairs, being appointed Director-General of the American Affairs Bureau. In 1977 he became Counsellor of the Minister's Secretariat and in 1978 Deputy Vice-Minister for Administration. His Ambassadorial career began in 1980 with a posting to Egypt and then in 1982 to Indonesia. He became Ambassador to Britain in January 1985.

Mr Yamazaki has an impressive command of English; his wife's English is similarly excellent. They have two

/Children



children, both born in London: a son, 29, who after studying at Harvard joined the Japanese Foreign Service, and a daughter, 28, who is married to a Japanese diplomat and has a daughter herself. Mr Yamazaki enjoys golf.

FAR EASTERN DEPARTMENT
FOREIGN AND COMMONWEALTH OFFICE
JANUARY 1986

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NISHIYAMA, TAKEHIKO

Director-General, European and Oceanic Affairs Bureau
since February 1984.

Born 1933.

Graduated from Tokyo University Law Department and joined
the MFA in 1955. He has served as Minister in Paris and,
immediately before taking up his present post, as Consul-
General in San Francisco.

He is from the "French school" of Japanese diplomacy but
speaks good English. Appointed relatively young to his
present position.

Far Eastern Department
Foreign and Commonwealth Office
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