

(1)

PRIME MINISTER

The Foreign Office want you to send the attached reply to Mr. Nakasone's message about the latest Japanese package of measures.

I am extremely doubtful whether it is worthwhile to do so:

- we still have not worked out what the package really amounts to;

- any words of welcome which you use, however cautious, will be used by the Japanese to deflect pressure on them at Venice. It is their usual tactic: release an incomprehensible package a few days before an Economic Summit, get a few governments to say that it is "welcome" and sit back and smile smugly at the Summit itself.

I think it is better that Nakasone should be given no comfort in advance, and that you should tackle him at dinner the first night and say what is really important is that the Japanese should be ready to give explicit undertakings in the Economic Declaration of the Summit itself.

Agree not to reply in advance?

C.D.P.

Np

advance message

out

C.D. POWELL

4 June 1987



Foreign and Commonwealth Office

London SW1A 2AH

4 June 1987

Dear Charles

Japanese Emergency Economic Measures

Thank you for your letter of 29 May enclosing a copy of Mr Nakasone's letter to the Prime Minister. The Foreign Secretary believes that whilst the latest Japanese package contains very large numbers, and although we have questioned Japanese officials about the figures, it is not possible to forecast its effect at all precisely, especially on imports. But we are reasonably satisfied that it goes further than previous packages, and represents a positive step towards strengthening domestic demand in the Japanese economy and reducing their trade surplus. The Japanese themselves clearly believe that this package is different. This assessment is shared by Treasury officials.

The Americans have already gone on record as welcoming the package, while recognising that some details remain obscure. The package has apparently been favourably received by the financial community. The Foreign Secretary does not think that we should be as uncritical as the Americans. But it would be right to recognise the efforts which Mr Nakasone has made, give a cautious welcome to them, but emphasise that the important thing is that the measures should have - and be seen to have - the effect which the Japanese intend.

Since the Prime Minister may not in practice have the opportunity to speak to Mr Nakasone in Venice, the Foreign Secretary suggests that the Prime Minister might wish to send him a message in advance. I attach a draft.

I am also sending copies of this letter and its enclosures to Alex Allan (HMT), Tim Walker (DTI) and Trevor Woolley (Cabinet Office).

Yours ever

(R N Culshaw)
Private Secretary

C D Powell Esq
PS/10 Downing Street

DSR 11 (Revised Sept 85)

DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1 +

FROM:

Reference

Prime Minister
DEPARTMENT:

TEL. NO:

Your Reference

BUILDING:

ROOM NO:

SECURITY CLASSIFICATION

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

TO: His Excellency
Mr Yasuhiro Nakasone

Copies to:

PRIVACY MARKING

..... In Confidence

CAVEAT

SUBJECT:

16/5/85
~~I am grateful~~ for your letter of 29 May explaining the Emergency Economic Measures you are putting into effect to expend domestic demand, promote imports and increase development aid. Your Ambassador has taken care to explain the measures thoroughly to those concerned in London.

Let me say right away that I welcome your putting together this package of measures. It is important to all of us at Venice that these measures should, as they are intended, lead in practice to a significant expansion of domestic demand and a boost to the imports of manufactures. Opinion in all our countries will look forward keenly to the results. It is politically important that our people should not be disappointed.

I also note with interest your remarks about cooperation to tackle the problems of the world economy. I have studied your ~~welcome~~ package to recycle funds to developing countries. I hope that the debt relief which you envisage will be designed to complement the measures we have proposed

/for

Enclosures flag(s)

JAPAN RELATIONS
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for some countries in sub-Saharan Africa.

I was glad to hear that the consultation between our financial authorities, to which you refer, had a positive outcome.

I know ~~also~~ that you are giving personal attention to this and other outstanding matters between our two countries, such as the problem over whisky and Cable & Wireless. We really do need to have these resolved rapidly. I regret that we may have no chance for an extended discussion at Venice, for the reason you will understand, but I look forward to seeing you there.

NOTE when filing put this and like earlier letters on the Economic Summit file.

