



Foreign and Commonwealth Office

London SW1A 2AH

5 January 1983

Prime Minister

You are seeing him for 30 minutes. Will
interpretation there will be little scope for more
than a brief discussion about trade.
He wants to bring 6 people - I shall try to reduce.

Dear John,

I promised to let you have a note on the visit to London of the Japanese Foreign Minister, Mr Abe, on 4 January by way of preparation for Mr Abe's call on the Prime Minister at 1615 on 6 January.

A.S.C. 5/1

I enclose a summary note of the main points made during Mr Abe's calls on the Secretaries of State for Industry and Trade as well as on the Foreign and Commonwealth Secretary. I also enclose a note of those who will accompany Mr Abe; a copy of the steering brief for the talks with Mr Pym; and a copy of a short personality note on Mr Abe. The Prime Minister will recall that she met Mr Abe during her visit to Japan last year, when he was Minister for International Trade and Industry.

As you will see, Mr Abe predictably concentrated on the recent package of additional tariff cuts announced by the Japanese over Christmas and on the political determination required by the present Cabinet in forcing these through. The Prime Minister may wish to acknowledge that the cuts were approved only at some political cost in Japan. While other Ministers have already made it clear that we see the package as a useful but only a small step towards meeting our requirements of the Japanese on the trade imbalance, it is important that the Prime Minister repeats this message. The Japanese are adept (and have in the past had considerable success) in using splitting tactics against the Community, and would make the most in other Community capitals of anything they could represent as evidence of a relaxation of British pressure on this front.

The Prime Minister might also like to press Mr Abe for further clarification of the measures which the Japanese Government are to finalise on 13 January on the non-tariff side. Thereafter the most useful opening could be Mr Abe's reference to the importance of macro-economic measures (during his conversation with the Secretary of State for Trade).

/The Prime

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The Prime Minister could develop the theme that expansion of domestic demand in Japan and strengthening of the yen could together have a significant effect if the Japanese Government pursued this course with determination. It would also be worth repeating to Mr Abe that measures of real value would be a major investment project in the UK and significant capital goods purchases in Japan.

On the political side, Mr Abe showed most interest in East/West relations and the Prime Minister might like to ask him for his view of the ways in which Japan could contribute to Western discussion of policy towards the Soviet Union.

I am copying this letter to John Rhodes (DOT) and Jonathan Spencer (DOI).

Your ever
J E Holmes
(J E Holmes)
Private Secretary

A J Coles Esq
10 Downing Street

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SUMMARY NOTE OF CALLS BY THE JAPANESE FOREIGN MINISTER ON
THE SECRETARIES OF STATE FOR INDUSTRY, FOREIGN AND
COMMONWEALTH AFFAIRS AND TRADE: 4 JANUARY 1983

Call on the Secretary of State for Industry

1. The Japanese Foreign Minister, Mr Abe, called on Mr Jenkin at 11.00 am on 4 January. He spoke of his personal desire to strengthen ties between Japan and the countries of Western Europe. The current world economic situation required that we all make maximum efforts to avoid a slide into protectionism. To this end the new Japanese Cabinet had during Christmas announced a range of unilateral tariff cuts of which some were specifically designed to appeal to the countries of the EC: the UK would be particularly interested in the 15% cut on tobacco, the cut of more than 10% on chocolate and biscuits and the zero tariff on agricultural tractors. Bilateral industrial cooperation was also progressing well and nearly half of all Japanese plant investment in the EC was in the UK. Inter-industry talks on machine tools and fork-lift trucks had also gone well. In Japan there was a strong mood in favour of cooperation with the UK. Mr Abe recognised the importance of the Nissan project and had himself before leaving spoken to the President of Nissan and has asked him to decide in favour of an investment in the UK if possible; the answer had been that Nissan were still considering the possibility. Defending the Japanese distribution system as a barrier to trade, Mr Abe said that the Fair Trade Commission exercised strict control and that the system was gradually improving; many European products had done well in the Japanese market. Japan was keen on concluding a science and technology agreement and had in recent days sent a counterdraft for consideration in London.
2. In reply the Secretary of State for Industry expressed appreciation for Japan's recent tariff reductions as a gesture in recognition of the serious imbalance in trade. However much more radical measures were needed. We were glad to see Japanese investment in the UK although the total employed in Japanese firms here was still only 6,000. Successful projects in industrial cooperation would also help to alleviate friction. However the future of cooperation had to be seen against the background of the trade imbalance, and unless this were substantially reduced, the British Government might not be able to resist the pressures to protect British industries from a rising tide of imports, despite the Government's passionate belief in the open world trading system.

Call on the Foreign and Commonwealth Secretary

3. Mr Abe called on the Foreign and Commonwealth Secretary at noon and stayed for a working lunch. He spoke in familiar terms about the new Japanese package of tariff cuts, emphasising the considerable effort of will on the part of the Japanese Cabinet to take this decision in the face of domestic and parliamentary pressures. Japan would contribute to the fight against protectionism because a breakdown of the free trade system would be a disaster not only for Japan and the UK but for the world. However, Japan's tariffs were now among the lowest in the world and Japan could make no more unilateral cuts. The EC decision to raise Japan's industrial structure and distribution system under Article XXIII(ii) of the GATT was unfortunate and inappropriate, but Japan would be prepared to make her position clear in that forum. Cooperation between Japan and the UK in the industrial and other fields was of vital importance.

4. The Foreign and Commonwealth Secretary emphasised that the ten countries of the EC were united in seeking a real move by Japan on trade. The decision on tariff cuts and the success of recent inter-industry talks were useful steps but small ones, and all EC countries would express the same view. European countries wanted better access to the Japanese market, building up to a better balance of trade, and considered the distribution system to be particularly difficult. We hoped for a more positive approach in 1983. On a wider plane, the free trade system was indispensable for the world economy and the pressures towards protectionism must be resisted. We must all coordinate our approach in the run-up to the next 7-Power summit.

5. Conversation in the latter part of the formal meeting and over lunch ranged widely over political issues. There was a lengthy discussion of East/West relations in the course of which Mr Abe expressed the strong desire that Japan should be involved with the other Western powers in the decision-making process from the start, rather than being presented with cut and dried decisions taken by the US and Europe. Japan could not be directly involved with NATO consultation but the preparatory meetings for the 7-Power economic summit might provide a suitable forum. Both Ministers agreed on the importance of thinking globally on East/West questions, including arms control, and not confining the discussion to the North Atlantic theatre. On Sino/Soviet relations, Mr Abe did not foresee any early development, and expressed the hope that the West would continue to work to maintain China's present favourable alignment. There were brief exchanges on Poland and Yugoslavia (where the Japanese are contemplating a contribution of \$35 million plus syndicate loans from commercial banks totalling \$25 million). On Cambodia, the Japanese see no sign of a Vietnamese withdrawal but believe that the Vietnamese will not seek to invade Thailand. On the Middle East, the Japanese agree with the importance of pursuing the proposals made by President Reagan, and

Mr Nakasone spoke to the King of Jordan on his recent visit to Japan about early Arab action to acknowledge explicitly the right of Israel to exist and put pressure on the Israelis to stop the settlements.

6. The Foreign and Commonwealth Secretary spoke briefly of our discussions with China about Hong Kong and expressed the hope that the Japanese Government and business community would keep up business as usual in Hong Kong as a contribution to confidence. Mr Abe gave it as his personal view that the Chinese people were pragmatic and would not, in the last resort, exert excessive pressure for change in the existing situation of Hong Kong, because it had brought them advantage. They attached great importance to principle but within the general framework of principle would try to find a realistic solution.

Call on Secretary of State for Trade

7. Mr Abe called on the Secretary of State for Trade at 3.00 pm. He repeated his statement on the recent Japanese tariff measures and on the determination shown by the Japanese Government. In answer to questions from the Secretary of State for Trade, Mr Abe spoke of the financial difficulties which the Japanese airline concerned were experiencing and which made an early purchase of the BAE 146 unlikely; he avoided giving a direct answer on what measures might be agreed on 13 January to lift non-tariff barriers. Mr Abe said that macro-economic factors were in his view of most importance, and the Japanese budget for 1983, which foresaw growth of 3.4%, contained a significant emphasis on expansion of domestic demand which should help boost imports. The strengthening Japanese yen would also help. Mr Abe repeated his earlier comment about the action under Article XXIII(-i) of the GATT. Some European countries (not the UK) imposed discriminatory import restrictions on Japanese products; the imposition of further such restrictions would destroy hopes of any further liberalisation by Japan.

8. The Secretary of State for Trade described the tariff cuts as a small step and spoke of the rapidly increasing deficit on bilateral trade. An increase of exports from Europe would be better than the restriction of Japanese imports, although some restriction (in the form of voluntary restraints) was unavoidable. There were pressures on the British Government to impose restrictions and it would be necessary to show progress in other fields such as industrial collaboration and inward investment, as well as progress on trade questions, in order to resist these pressures. The whole purpose of the recourse to GATT was to achieve a better balance within the system and thereby to strengthen the system itself, whereas the imposition of restrictions outside the system could be more damaging. It was necessary for all concerned to get together to solve the difficulties in a structured way.

This is far too many.
I shall cut it down.

A. J. C. 6/1

JAPANESE FOREIGN MINISTER'S CALL ON MRS THATCHER:
6 JANUARY 1983, 1615 - 1645 HOURS

List of Japanese participants

Mr Shintaro Abe	Foreign Minister
Mr Tsuyoshi Hirahara	Ambassador to London
Mr Nobuo Matsunaga	Deputy Foreign Minister (and 'Sherpa')
Mr Yoshiya Kato	Director-General, European and Oceanic Affairs Bureau, MFA
Mr Masaki Seo	Deputy Director-General, Economic Affairs Bureau, MFA
Mr Kazuo Asakai	Private Secretary to Mr Abe
Mr Bessho	Interpreter

ABE, SHINTARO (pron: ar-bay)

Japanese Minister for Foreign Affairs (since November 1982).

Born 1924. After graduating in politics from Tokyo University, he was a correspondent for the Mainichi newspaper. He entered politics in 1959 following his marriage to a daughter of former Prime Minister Kishi whom he served as Private Secretary. Chairman of the Liberal Democratic Party Policy Affairs Research Council 1979-81. Through his experience as a correspondent and later as Parliamentary Vice Minister of Agriculture, he built up experience in agricultural affairs, and became Minister of Agriculture in 1974. However he is equally known as a master of negotiation within the Diet. Chief Cabinet Secretary 1977-78 and as Minister for International Trade and Industry 1981-2, he made several overseas visits and accompanied Suzuki to the Versailles Summit. He ran for leadership of the party against Mr Nakasone in the elections last November and got only 8% of the vote - less than he had hoped, but he is nevertheless considered one of the future leaders of the LDP and is heir apparent of the Fukuda faction (the third largest).

Married in 1951. Two sons. Understands some English but prefers to speak through interpreter.

FOREIGN & COMMONWEALTH OFFICE

30 DECEMBER 1982

VISIT OF JAPANESE FOREIGN MINISTER : JANUARY 1983

STEERING BRIEF

1. The new Japanese Foreign Minister, Mr Shintaro Abe, is visiting London on 3-4 January and also 6 January. His visit to London does not formally constitute the next round of the regular Anglo/Japanese political consultations, which would normally be held in Tokyo during 1983 (the last round was in London on 3 September): rather it forms part of an introductory tour by Mr Abe of several European capitals. On 4 January Mr Abe's programme includes a call on Mr Jenkin; a one-hour discussion followed by a working lunch with Mr Pym; and a meeting with Lord Cockfield. On 6 January Mr Abe returns to London (from Paris) in order to pay a short call on the Prime Minister.
2. HM Ambassador's recommendations, which are reflected in this brief, were contained in his telegram No.753 (attached).

UK OBJECTIVES

3. We should aim to use Mr Abe's visit for the following purposes:
 - a. economic: while welcoming some positive developments recently, to ensure that the new Japanese Government is left in no doubt about HMG's support for European Community policies aimed at securing changes in Japan's trading and macro-economic policies; and
 - b. political: to encourage the Japanese to consult with us openly and regularly on international affairs, and as far as possible, to co-ordinate their policies with those of the UK and other Western industrialised countries.

JAPANESE OBJECTIVES

4. The Japanese will be seeking:
 - a. to establish personal contact between Mr Abe and his European counterparts, and to stress the new Japanese Govern-

ment's interest in relations with Europe;

b. to develop political consultations with HMG, both for its own sake and in order to defuse the difficult problems in our trade and economic relationship;

c. to emphasise the significance of recent Japanese trade liberalisation measures, culminating in the Christmas package of tariff cuts; and

d. in general, to discourage European tendencies towards protectionism.

SUMMARY OF BRIEFS

5. East/West issues (Brief No.2)

Mr Pym could speak about our approach to East/West relations following Andropov's accession to power. He may wish to emphasise the need to resolve Western differences on East/West economic relations as well as maintaining and deepening a broadly common approach to political relations. Work on the studies outlined in the Summary of Conclusions (the 'Shultz paper') will contribute to this. On the military balance, the Japanese have a special interest in ensuring that any limits agreed in the INF talks should be global ones; it would be useful for Mr Pym to discuss our own approach to the INF talks.

6. Japan/China and Korea (Brief No.3)

The Japanese will be able to tell us about the current developments in their relationship with China and also Korea. They may ask about our discussions with the Chinese on Hong Kong; Mr Pym could suggest that the most helpful service the Japanese could perform at the moment would be to continue trading and investing normally in Hong Kong, and to demonstrate their belief in the value of the present system of administration there.

7. Japan/South East Asia (Brief No.4)

The Japanese will be able to offer a current assessment of ASEAN states and Indo-China, particularly continued ASEAN solidarity over Cambodia and prospects for a shift in Vietnamese policy. The Japanese will be interested in the forthcoming EC/ASEAN Foreign Ministers' meeting which may now be postponed to March.

8. Middle East (Brief No.5)

Mr Pym may wish to give our view of the opportunities for progress towards peace negotiations on Arab/Israel and towards a withdrawal of foreign forces from Lebanon. The Japanese will be interested in our reasons for deciding to participate in the Lebanon multi-national force. On Iran/Iraq, he could say that the Islamic states in the region are best placed to influence the belligerents.

9. International economy (Brief No.6)

Mr Pym could give our view on the prospects for the world economy, and seek Mr Abe's own views on preparations for the next economic Summit.

10. Aid (Brief No.7)

Mr Pym could ask about the new Japanese administration's aid priorities including its emphasis on aid to countries bordering on conflict areas. He could add that he would like to see more Japanese aid to major Commonwealth recipients of our own aid.

11. Political co-operation (Brief No.8)

The Japanese owe us a response to our proposal in October for regular bilateral consultations between Ambassadors in London and Tokyo and Foreign/Prime Ministers of the Governments to which they are accredited. In the light of the disappointing Japanese failure to respond to our representations at the UNGA Falklands vote on 4 November, Mr Pym may not wish to press for the immediate implementa-
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tion, of this arrangement. But he could stress that we see it as a mutual interest that political cooperation between us should develop further.

12. EC/Japan (Brief No.9)

Mr Abe will be expecting to discuss economic relations in his separate talks with Mr Jenkin and Lord Cockfield, and also the Prime Minister on 6 January, and may hope to avoid doing so with Mr Pym. But it is important that Mr Abe is given the same message from Mr Pym as from other Ministers about the gravity of the economic situation. He must be given no excuse, such as silence on the part of the British Foreign Secretary might inadvertently suggest, to conclude that the Japanese Christmas package of tariff reductions (which may benefit British exporters more than others in the EC), combined with the recent inter-industry understanding on machine tools, has satisfied British requirements; nor opportunity to delay such a message to other Community capitals in an effort to break the Community's solid front. Helpful and important as these developments are, they will not make much of a dent on the overall imbalance, and we shall still need results from the wider Community approach. Mr Pym will wish to stress that the Community is united in seeking real movement by the Japanese over the trading and macro-economic policy issues (essentially greatly improved Japanese import performance) which the EC has now decided to raise under Article XXIII.2 of the GATT; pressing for Community-wide restraint arrangements on certain Japanese exports to the EC. He will also wish to press the Japanese to encourage industrial co-operation with, and investment in, the UK. (Our particular target is a substantial Japanese investment in video taperecorder manufacturing here).

/13.

13. Proposed bilateral technology agreement (Brief No.10)

Mr Pym will probably not wish to raise this unless Mr Abe himself does so. In the latter case he could say that we hope it will be possible to agree on a text in fulfilment of the two Prime Ministers' joint statement in Tokyo in September; but that the latest Japanese draft does not appear to meet some of our essential requirements.



From the Secretary of State

A J Cole Esq
10 Downing Street
London
SW1

6 January 1982

Dear John,

VISIT OF MR ABE, JAPANESE FOREIGN MINISTER

In preparing for this call it may be helpful to have the brief note enclosed on the effects of the new tariff cuts which were announced recently by the Japanese Government.

The tariff reductions are substantial and some increase in our exports should occur. But our total sales to Japan of the items covered were only about £8 million in 1981 so that any increase will be small in relation to the £2 billion trade deficit we expect with Japan in 1982.

Nevertheless, the Japanese have clearly made an effort to meet some of the concerns we put to them and it would be right to acknowledge this.

Copies go to Roger Bone (FCO) Robert Lowson (MAFF) and Jonathan Spencer (DOI).

Yours sincerely,

JOHN RHODES
Private Secretary



NEW JAPANESE TARIFF CUTS

The Japanese Government announced on 25 December tariff cuts on 58 agricultural items and 28 industrial items (as well as reduction on 9 GSP items and brandy).

2 These tariff reductions (which have to be approved by the Diet so as to come into effect on 1 April 1983) cover a number of items included in the EC detailed list of requests handed to the Japanese in November.

For the UK the main reduction are:

	Present tariff %	Tariff from 1.4.83 %	UK exports £ mill
Chocolate and confectionery	32	20	1
Biscuits	36	24	0.7
Cigarettes	35	20	2
Agriculture tractors	5	0	4 (but has been falling recently)
Certain I.C. engines (I.C. -Internal Combustion)	5	0	0.7 (Japanese figure)
			<hr/> £8.4

3 But no further improvement in the distribution system for tobacco products as requested in the EC list was offered. No change in the whisky duty has been announced, but the change in the biscuits and chocolate tariff is a substantial concession to the UK - given the frequent reference by Ministers to this high tariff. The need for the removal of duty on agricultural tractors has also been stressed during recent visits by UK officials to Japan - the removal of engine tariffs will be welcome to companies such as Perkins who export diesel engines. The new tariffs on confectionery and tobacco will be lower than comparable EC tariffs.



4 These reductions are a welcome response by the Japanese to the requests made by the EC for tariff reductions and should benefit the British industries affected. By themselves, however, they will not significantly reduce the trade imbalance.

Department of Trade

Tel: (01) 215 5422

6 January 1983

B/S 5/1/82

24 December 1982

This is to confirm that the Prime Minister will be seeing the Japanese Foreign Minister at 1815 on Thursday 6 January. Could we please have a brief by Wednesday 5 January.

CAROLINE STEPHENS

John Holmes, Esq.,
Foreign and Commonwealth Office.

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10 DOWNING STREET

From the Private Secretary

15 December, 1982.

Visit of Japanese Foreign Minister

Thank you for your letter of 14 December suggesting that the Prime Minister should receive the Japanese Foreign Minister on 4 January.

Mrs. Thatcher will not be in London on that day, and will therefore not be able to see Mr. Abe. She would be grateful if you would convey her regrets to him, and say that she will hope to see him on a further occasion.

I am sending a copy of this letter to Richard Hatfield (Cabinet Office).

A. J. COLES

J.E. Holmes, Esq.,
Foreign and Commonwealth Office.

RESTRICTED



Prime Minister
 4 January will be a safe
 day off for you at Cheyres.
 I do not think you should
 interrupt it for Mr. Abe.
 May I convey your regret
 reports because you will be
 out of London?

Foreign and Commonwealth Office

London SW1A 2AH

14 December 1982

A.S.C. 14/12

Yes mb.

Dear John,

Visit of Japanese Foreign Minister

We have been approached by the Japanese with a proposal that the newly appointed Foreign Minister, Mr Abe, should visit London in the course of a European tour in the first week of January. Mr Abe, who until last month was the Japanese Minister for International Trade and Industry, will arrive in London during the morning of 4 ~~December~~ ^{January} (or just conceivably the previous evening), and is calling on the Foreign and Commonwealth Secretary at noon. Mr Pym will be hosting a lunch for him.

Mr Abe has asked specifically for an appointment with Mrs Thatcher, whom he saw in his previous capacity when the Prime Minister visited Japan last September. Mr Abe speaks quite reasonable English, although he prefers to use an interpreter for formal conversations of this nature. If it is possible for the Prime Minister to fit in a brief call during the afternoon of 4 January, I know that the Japanese would be very pleased; more particularly, it would provide a useful opportunity for the Prime Minister to speak on the wider range of economic questions where we are at issue with the Japanese and with which Mr Abe will be familiar.

I should be grateful if you would let me know whether Mrs Thatcher would be able to see Mr Abe during the afternoon of 4 January, and if so, what time she would prefer.

Yours ever
 J E Holmes

(J E Holmes)
Private Secretary

A J Coles Esq
 10 Downing Street

Faint, illegible text at the top of the page, possibly bleed-through from the reverse side.

14 DEC 1982

