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TELEGRAM NUMBER 38 OF 22/1/83

FOR BUTLER ( NO 10) FROM PS/SECRETARY OF STATE FOR  
INDUSTRY.

MR. JENKIN'S MEETING WITH NISSAN: 21 JANUARY.

1. MR JENKIN DISCUSSED THE PROPOSED NISSAN UK PROJECT  
WITH KAWAMATA, ISHIHARA AND OKUMA . THE AMBASSADOR AND  
MANZIE ( DOI) WERE ALSO PRESENT.

2. KAWAMATA BEGAN THE SUBSTANTIVE DISCUSSION BY SAYING  
HOW MUCH HE HAD BEEN HONOURED BY HIS PRIVATE DISCUSSION WITH THE  
PRIME MINISTER IN SEPTEMBER. HE HAD SUBSEQUENTLY RECEIVED  
A LETTER FROM THE PRIME MINISTER TO WHICH HE HAD REPLIED,  
AND COMMENTED THAT WHILE LETTERS WERE NOT ALWAYS THE  
BEST MEANS OF COMMUNICATION, HE WAS CONFIDENT THAT BOTH  
LETTERS HAD CONVEYED CLEARLY THE POINTS CONTAINED IN THEM.  
HE HAD RECEIVED A FURTHER LETTER FROM THE PRIME MINISTER,  
TO WHICH HE WOULD BE REPLYING SHORTLY. MR JENKIN SAID  
THAT THE SECOND LETTER FROM THE PRIME MINISTER HAD  
BEEN DRAFTED IN CONJUNCTION WITH HIMSELF; HE HOPED  
THAT THE SECOND LETTER DEMONSTRATED MORE CLEARLY THE ADVANTAGES IN  
THE ALTERNATIVE PROPOSAL DESCRIBED COMPARED WITH  
EARLIER PROPOSALS. KAWAMATA COMMENTED THAT HE HAD NOT  
MISUNDERSTOOD THE PRIME MINISTER'S ORIGINAL LETTER.

3. KAWAMATA SAID THAT HE HAD AGREED WITH THE

*Prime Minister*

*To Mr.*

*A Log*

*Duty Club*  
*22/1*

[ *JAPANESE TRADE* ]

IMMEDIATE

ADVANCE COPY

*Mr Butler, No 10 DS*

*[Handwritten signature]*

3. KAWAMATA SAID THAT HE HAD AGREED WITH THE PRIME MINISTER THAT THEIR DISCUSSIONS IN SEPTEMBER SHOULD BE KEPT PRIVATE. THE CONTENTS OF HER LETTER TO HIM WERE THEREFORE KNOWN ONLY TO HIMSELF, ISHIHARA AND GOTO (WHO HAD TYPED HIS REPLY). HIS LETTER HAD REFERRED TO OTHER ISSUES AS WELL AS LEASING AND HE THEREFORE DID NOT WISH TO CONTINUE DISCUSSION OF THE CORRESPONDENCE WITH MR JENKIN. MR JENKIN REASSURED KAWAMATA THAT THE OTHER ISSUES HE (KAWAMATA) HAD DISCUSSED WITH THE PRIME MINISTER WERE NOT KNOWN TO HIMSELF: BECAUSE OF ITS COMPLEXITY HAD THE LEASING ISSUE ONLY HAD BEEN CONSIDERED BY HIMSELF AND MANZIE (MANZIE SUBSEQUENTLY DISCUSSED THE LEASING ISSUE IN MORE DETAIL WITH OKUMA AND KAWAI, (REPORTED SEPARATELY). IT WAS NOW CLEAR THAT BOTH

4. MR JENKIN REFERRED TO TIME OF HIS CALL ON THE PRIME MINISTER IN OCTOBER 1982 THAT NISSAN STILL HAD THE UK PROJECT UNDER ACTIVE CONSIDERATION AND CONFIRMED THAT THE GOVERNMENT UNDERSTOOD THE DIFFICULTIES FACING NISSAN IN TAKING A DECISION ON A PROJECT OF THIS SIZE IN CURRENT INTERNATIONAL CONDITIONS. ISHIHARA CONFIRMED THAT THE POSITION HAD NOT CHANGED. MR JENKIN ALSO REPEATED THE PRIME MINISTER'S ASSURANCE THAT THERE WAS NO QUESTION OF THE GOVERNMENT LAYING DOWN SPECIFIC REQUIREMENTS ON EXPORTS: LONG TERM EXPORT MARKETS WERE MUCH TOO UNPREDICTABLE.

5. ON THE QUESTION OF LOCAL CONTENT, ISHIHARA CONFIRMED THAT NISSAN HAD NOT CHANGED THEIR POSITION FROM THAT REACHED IN JULY. BUT HE WOULD LIKE SOME FLEXIBILITY IN THE DATE BY WHICH 80% LOCAL CONTENT SHOULD BE ACHIEVED. OKUMA ADDED THAT THE 60% AND 80% LEVELS SHOULD BE REGARDED AS TARGETS TO BE ACHIEVED AS FAR AS POSSIBLE, AND NOT AS BINDING REQUIREMENTS.

6. MR JENKIN EMPHASIZED THAT THE GOVERNMENT WOULD GIVE NISSAN FULL SUPPORT IN THE EUROPEAN COMMUNITY SHOULD ANY PROBLEMS ARISE THERE OVER LOCAL CONTENT, AS THEY HAD DONE SUCCESSFULLY ON THE TRIUMPH ACCLAIM.

7. KAWAMATA THEN SAID THAT SINCE HIS VISIT TO BRITAIN IN 1981 WITH THE KEIDANREN MISSION, TRADE FRICTION BETWEEN JAPAN, THE U.S.A. AND EUROPE HAD GROWN. IT WAS NOW WELL UNDERSTOOD THAT JAPAN NEEDED TO OPEN UP ITS DOMESTIC MARKET TO IMPORTS AND COOPERATE WITH INDUSTRIES OVERSEAS. BUT INDIVIDUAL COMPANIES COULD NOT ALWAYS MEET THESE OBJECTIVES SET BY GOVERNMENTS. MR JENKIN REPLIED THAT HE FULLY UNDERSTOOD

AND COOPERATE WITH INDUSTRIES OVERSEAS, BUT INDIVIDUAL COMPANIES COULD NOT ALWAYS MEET THESE OBJECTIVES SET BY GOVERNMENTS. MR JENKIN REPLIED THAT HE FULLY UNDERSTOOD KAWAMATA'S POINT, BUT ADDED THAT (AS HE HAD TOLD YAMANAKA THE PREVIOUS DAY) THE SCALE OF BRITAIN'S TRADE IMBALANCE WITH JAPAN WAS SUCH THAT IF POSITIVE MEASURES FAILED TO PROVIDE A SATISFACTORY SOLUTION, THE GOVERNMENT MIGHT HAVE TO TAKE THE MORE NEGATIVE ROUTE TO REDRESS THE BALANCE. IN THAT EVENT, HE HAD TOLD YAMANAKA THAT JAPAN COULD NOT ASSUME THAT THEIR CURRENT 11% SHARE OF THE UK CAR MARKET WOULD REMAIN INDEFINITELY: IT MIGHT HAVE TO BE REVISED DOWNWARDS. KAWAMATA AND ISHIHARA SIGNALLED FULL UNDERSTANDING.

8. KAWAMATA, AT ISHIHARA'S PROMPTING, THEN ASKED MR JENKIN TO ASSURE THE PRIME MINISTER THAT NISSAN AND HE WERE CONTINUING THEIR STUDIES ON THE PROJECT AND THAT HE LOOKED FORWARD TO OPPORTUNITIES FOR FURTHER DISCUSSIONS. MR JENKIN REPEATED THE GOVERNMENT'S WARM WELCOME FOR THE PROJECT AND CONTINUING READINESS TO HELP IN ANY WAY OVER CLARIFICATION OF THE ISSUES AND OVER DETAILED STUDIES. HOWEVER, THE WINDOW COULD NOT REMAIN OPEN FOR EVER. THERE COULD BE NO SINGLE STEP THAT WOULD DO MORE TO STRENGTHEN RELATIONS BETWEEN BRITAIN AND JAPAN THAN A POSITIVE DECISION BY NISSAN ON THE UK PROJECT.

9. KAWAMATA CLOSED BY REPEATING HIS PLEASURE AT HIS PRIVATE MEETING WITH THE PRIME MINISTER IN SEPTEMBER, AND ASKED MR JENKIN TO CONVEY HIS WARMEST GREETINGS TO HER.

10. OKUMA PROPOSED, AND MR JENKIN AND KAWAMATA AGREED THE FOLLOWING PRESS LINE: 'THE TWO SIDES HAD DISCUSSED THE TRADE IMBALANCE BETWEEN JAPAN AND BRITAIN AND AGREED ON THE NEED TO ENDEAVOUR TO FIND POSITIVE SOLUTIONS INCLUDING SUPPORT FOR THIS INVESTMENT.'

11. PRESS COMMENT WILL BE REPORTED SEPARATELY.

12. ESAKI (FORMER MITI MINISTER AND NOW CHAIRMAN OF THE LDP'S SPECIAL COMMITTEE ON INTERNATIONAL ECONOMIC RELATIONS) AND MATSUNAGA (PERMANENT SECRETARY DESIGNATE, MFA), IN SUBSEQUENT CONVERSATION WITH MR JENKIN, BOTH SAID THEY HAD DISCUSSED THE QUESTION WITH KAWAMATA: BOTH TOOK THE VIEW THAT HE WAS SLOWLY BEING WON OVER, AND THAT THE PROJECT WOULD ULTIMATELY GO AHEAD.

13. COMMENT. THERE IS NO DOUBT THAT THE NISSAN MANAGEMENT,

CONVERSATION WITH MR JENKIN, BOTH SAID THEY HAD DISCUSSED THE QUESTION WITH KAWAMATA: BOTH TOOK THE VIEW THAT HE WAS SLOWLY BEING WON OVER, AND THAT THE PROJECT WOULD ULTIMATELY GO AHEAD.

13. COMMENT . THERE IS NO DOUBT THAT THE NISSAN MANAGEMENT, -----  
EVEN KAWAMATA, ARE STILL ANXIOUS TO UNDERTAKE AN INVESTMENT IN WESTERN EUROPE, AND THAT THE UK IS THE FIRST CHOICE. MR JENKIN WAS STRUCK BY THE FRIENDLY ATMOSPHERE IN WHICH THE DISCUSSIONS WERE CONDUCTED, AND MANZIE IN HIS LATER DISCUSSION WITH OKUMA SAW THAT THE NISSAN MANAGEMENT WERE GREATLY ENCOURAGED BY THE CONTINUING WELCOMING ATTITUDE OF MR JENKIN. OKUMA TOLD MANZIE THAT BOTH KAWAMATA AND SHIOJI ( THE TRADE UNION LEADER ) AGREED THAT IN THE LONG RUN AN INVESTMENT WOULD BE NEEDED. THE DISCUSSIONS SHOWED THAT THERE IS STILL A GREAT DEAL OF ENTHUSIASM WITHIN THE COMPANY FOR A UK INVESTMENT.

11. ADVANCE COPIES PLEASE TO PS/ FOREIGN SECRETARY, P5/ CHANCELLOR OF THE EXCHEQUER, PS/ SECRETARY OF STATE FOR INDUSTRY, MANZIE(DOI), MOUNTFIELD(DOI), PS/ SECRETARY OF STATE FOR TRADE.

CORTAZZI

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