



LG

c. DTI

10 DOWNING STREET

THE PRIME MINISTER

Personal and Confidential
PRIME MINISTER'S

20 July 1983

PERSONAL MESSAGE

SERIAL No. T 107/83

My dear Mr. Kawamura,

I am very grateful for your personal letter to me, which has been delivered through our Embassy in Tokyo, and particularly grateful for your thoughtfulness in asking Mr. Goto to call on my Principal Private Secretary to explain further the background to your thinking. Thank you also for your kind words about the result of the General Election in Britain.

I greatly value our personal exchanges. The benefit of those exchanges, resulting from the acquaintance which we formed when I first visited Nissan some years ago, is that we have been able to be entirely frank with each other. Such contacts at the highest level help to avoid misunderstandings lower down.

I have always fully understood that your own view of the Nissan project in Britain was determined by your concern for what is best for the Nissan Company. I respect that position, and I know that the decision has been a very difficult one for you.

I can therefore well understand your anxiety about the political interest attaching to this matter. I have been conscious of the need to avoid any appearance of imposing public pressure upon you, and for this reason as you know I have attached the utmost importance to maintaining the strict confidentiality of our correspondence not only publicly but even within the Government. As for my discussion with Mr. Nakasone at Williamsburg, you know that I have always stressed that the decision must be a commercial one for Nissan: we should not want the project on any other basis.

/ But

But I am sure you will understand that, whether we like it or not, there is great interest in Britain in Japanese investment here. The British people would expect me, when meeting the Japanese Prime Minister, to refer to that matter and at least to say that we hope that Nissan will invest in Britain.

As British officials will be arriving for discussions with your company in Tokyo at the same time as this letter, I will not comment now on the proposals Mr. Kawai brought with him, or on the suggestions our officials made in response, except to make one point. Despite our disappointment that Nissan are not now envisaging an immediate investment on the scale we previously hoped for, I do understand, in the light of what you say in your letter and the points made by Mr. Goto, your anxiety and uncertainty about the imponderables surrounding the project in the longer term. So I have agreed that our negotiators should look constructively and positively at the concept of a "pilot plant" contained in one of your proposals, and at what adjustments, mainly of a presentational nature, we would need to secure to make such a concept acceptable to, and welcomed by, British public opinion.

I know that you will understand too, from our previous conversations, why I hope that this project will go ahead and why I believe that it is the right way forward. I am greatly encouraged to think that you yourself take the view that the proposals now put forward may be the basis for a successful outcome.

With warm personal regards

Yours sincerely

Rangart Thakur

Mr. Katsuji Kawamata.

CONFIDENTIAL



541
(no second carbon)

10 DOWNING STREET

From the Principal Private Secretary

20 July 1983

NISSAN

I enclose an envelope containing a personal letter from the Prime Minister to Mr. Kawamata in reply to the letter which he delivered to our Embassy in Tokyo. I should be grateful if the leader of the DTI negotiating team would take it with him to Tokyo.

As you know, I asked Mr. Goto what degree of confidentiality Mr. Kawamata attached to his letter. The reply was that Mr. Kawamata regarded his letter as personal, but hoped that the Prime Minister would speak to Mr. Parkinson about its contents.

There is therefore no reason why the leader of the DTI team in the negotiations with Nissan should not show himself to be aware that Mr. Kawamata has written a letter to the Prime Minister and that the Prime Minister has been in touch with Mr. Parkinson about its contents. Indeed, I imagine that the DTI team would wish to be able to say that their position in the negotiations reflects instructions from the Prime Minister and Mr. Parkinson which take account of the views expressed by Mr. Kawamata. But the DTI team should not suggest that they have seen Mr. Kawamata's letter or the Prime Minister's reply.

I should be grateful if the leader of the DTI team would brief our Ambassador in Tokyo on these lines.

~~E. E. R. BUTLER~~

E. E. R. BUTLER

Jonathan Spencer, Esq.,
Department of Trade and Industry.

CONFIDENTIAL

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JH 213



DEPARTMENT OF TRADE AND INDUSTRY

Room 11.01 Ashdown House 123 Victoria Street SW1E 6RB

Telex 8813148
Telegrams Advantage London SW1
Telephone Direct Line 01-212 3301
Switchboard 01-212 7676

PS/Secretary of State for Trade and Industry

19 July 1983

Robin Butler Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

Dear Robin,

NISSAN

Following Robin Mountfield's talk with you last night, I attach a draft letter for the Prime Minister to send to Mr Kawamata. Mr Parkinson has seen and approved this draft.

2 As you know, there is a problem of timing. I understand your intention is for this letter, in a sealed envelope, to be taken out by the team of officials who leave for Tokyo on Thursday morning. It would therefore be very helpful if we could have the envelope by close of play on Wednesday, 20 July.

*Yours sincerely,
Jonathan Spencer*

J P SPENCER
Private Secretary



DRAFT LETTER FROM THE PRIME MINISTER TO MR KAWAMATA

I ~~was~~ ^{am very} grateful for your personal letter to me, ^{which has been delivered through our Embassy in Tokyo,} and particularly grateful ~~to~~ ^{for} your thoughtfulness in asking Mr Goto to call on my ^{Principal} Private Secretary to explain further the background to your thinking. Thank you also for your kind words about the result of the General Election in Britain.

I greatly value ~~the~~ ^{our} personal exchanges. ~~The benefit of those exchanges, I am saddened that you have been displeased at the press statements about my hope that you will be able to reach a favourable decision on the UK project. I have been most conscious of the need to avoid any appearance of such public pressure upon you, and for this reason as you know I have attached the utmost importance to maintaining the strict confidentiality of our correspondence not only publicly but even within the Government. As for my discussion with Mr Nakasone at Williamsburg, you know that I have always stressed that the decision must be a commercial one for Nissan: we should not want the project on any other basis. But I am sure you will understand that, the British people would expect me, when meeting the Japanese Prime Minister, to tell him of our hope that your eventual decision will be a favourable one. to refer to that matter and at least to say that we hope that Nissan will invest in Britain~~

As British officials will be arriving for discussions with your company in Tokyo at the same time as this letter, I will not comment now on the proposals Mr Kawai brought with him, or on the suggestions our officials made in response, except to

I have always fully understood that your own views of the Nissan project in Britain were determined ~~only~~ ^{concern for} by your view of what ~~was~~ ^{is} best for the Nissan Company. I respect that position, and I know that the decision has been a very difficult one for you! ^{It is} I can well understand your ^{anxiety about the political interest} ~~concern~~ that the matter should have become ^{at least to refer to the Nissan project and} ~~at least to say that we hope that Nissan will invest in Britain~~ ^{a political one. I have been}



make one point. Despite our disappointment, ^{that Nissan are not now envisaging an immediate investment on the scale we previously hoped for, I do} we understand, your ^{in the light of what you say in your letter and the points made} anxiety and uncertainty about the imponderables surrounding the project in the longer term; ^{So I have agreed that our negotiation should look} ~~it is for this reason that we are~~ ~~looking~~ constructively and positively at the concept of a "pilot plant" contained in one of your proposals, and at what adjustments, mainly of a presentational nature, we would need to secure to make such a concept acceptable to, and welcomed by, British public opinion. ~~I know that I can look to you and your company to approach these issues in the same constructive and positive spirit which I have so much admired in the talks and exchanges we have had.~~

" I know that you will understand too, ~~the~~ from our previous conversations, why I hope that this project will go ahead and why I believe that it is the right ^{way} forward. I am greatly encouraged to think that you yourself take the view that ^{the} proposals now put forward may be the basis for a successful outcome.

JAPAN: Anglo-Japanese Pt 3.

NBPM



BRITISH EMBASSY,
TOKYO.

19 July 1983

Robin Butler Esq
Private Secretary
10 Downing Street
LONDON
SW1

Dear Robin,

In my telegram number 379 I conveyed the text of the most recent message from Mr Kawamata to the Prime Minister. I enclose the original of that message with this letter.

Yours ever

A handwritten signature in dark ink, appearing to read 'Hugh Cortazzi', written in a cursive style.

Sir Hugh Cortazzi

PRIME MINISTER

I attach a reply from you to
Mr. Kawamata.

The references to the negotiations in
Tokyo are based on advice from the Depart-
ment of Trade and Industry.

Lord Marsh called on me today. He
said that it was most important that,
despite the testy tone of Mr. Kawamata's
letter to you, your reply should be warm
and personal. If you would add
"With warm personal regards" or some other
brief message at the end, I am sure that
this would be well received.

I propose to send this letter out in
a sealed envelope with the leader of our
negotiating team: they will need it in
the course of tomorrow.

FERB.

19 July 1983

D-566L
NO 10



With the compliments of

Stane

THE PRIVATE SECRETARY

Tom help the call today

Cl's 1/8

FOREIGN AND COMMONWEALTH OFFICE
SW1A 2AH

TOP COPY

copied to
MR Giffard
+ TRED.

CONFIDENTIAL

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DD 190030Z TOKYO
GRS 172
CONFIDENTIAL

PEJ 102/1		
RECEIVED IN REGISTRY No. 50		
20 JUL 1983		
DEST OFFICER	PA	REGISTRY
INDEX		Action Taken
	<i>None</i>	

DESKBY 190030Z
FM PCO 182000Z JULY 83
TO IMMEDIATE TOKYO
TELEGRAM NUMBER 270 OF 18 JULY 1983

FOLLOWING PERSONAL FOR AMBASSADOR FROM BUTLER, 10 DOWNING STREET
YOUR TELNO 379 REFERS
NISSAN

- GOTO CALLED ON ME THIS AFTERNOON. HE INFORMED ME THAT KAWAMATA HAD WRITTEN TO THE PRIME MINISTER. HE THEN DELIVERED ORALLY ADDITIONAL COMMENTS FROM KAWAMATA. THESE WERE MAINLY TO THE EFFECT THAT KAWAMATA WAS UPSET BY COMMENTS IN THE BRITISH PRESS THAT HE WAS OPPOSING THE PROJECT. IN FACT, HE SUPPORTED THE PROJECT ON THE LINES NOW PROPOSED AND WOULD DO HIS UTMOST TO PROMOTE IT.
- I SAID THAT I HAD BEEN INFORMED BY YOU THAT KAWAMATA HAD DELIVERED TO YOU A LETTER TO THE PRIME MINISTER AND THAT YOU WERE TAKING SPECIAL STEPS TO CONVEY IT TO THE PRIME MINISTER BEFORE THE DTI TEAM SET OUT FOR TOKYO. I DID NOT REVEAL THAT YOU HAD OPENED THE LETTER OR THAT AT THAT STAGE I KNEW ITS CONTENTS. I SHOULD BE GRATEFUL IF YOU WOULD TAKE A SIMILAR LINE IN ANY CONTACTS WITH THE COMPANY AND ALSO KEEP CONFIDENTIAL THE FACT OF GOTO'S CALL ON ME.

HOWE

NNNN
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FED
PS
PS/MR RIFKIND
PS/MR LUCE
MR EVANS
MR DONALD

X

CONFIDENTIAL

NISSAN MOTOR CO., LTD.

17-1,6-chome, Ginza, Chuo-ku
Tokyo, Japan

Katsuji Kawamata
Chairman

18th July, 1983

The Rt. Hon. Mrs. Margaret Thatcher, MP
Prime Minister
First Lord of the Treasury
and Minister for the Civil Service
10 Downing Street London SW1
United Kingdom

Dear Madame Prime Minister,

Thank you very much for your letter of 15th June, 1983. Please accept once again my heartfelt congratulations on your landslide victory in the recent election.

It has already been three months since I wrote to you in April to the effect that our policy was to arrive at a conclusion at the earliest possible date, and that I would contact you immediately upon our decision being reached.

Meanwhile, your Government has expressed hope at every opportunity that Nissan would pass a favourable decision on the U.K. project. I have to say that I could not help becoming irritated each time I came to learn of your Government's continued expression of its wishes in connection with the matter.

I learned from newspaper reports as well as from your letter that you indicated your wishes to our Prime Minister Mr. Nakasone at the Williamsburg Summit last May. Upon his return to Tokyo, he notified our President Ishihara of your remarks.

As time goes by, I am very concerned that this matter has been taking on an increasing political tinge. I presume that you have been briefed on the visit to London of our Mr. Kawai, Executive Managing Director and his team and on their meeting with Under Secretary Mountfield to submit our two proposals. While I understand that the next round of the discussions will be held at our head office in Tokyo from the 25th of this month when officials from your Government arrive here, I would like to assure you that the two proposals submitted can be considered to be the best conceivable alternatives we have been able to devise under the circumstances prevailing at the present time.

NO. 2

TO: Madame Prime Minister

DATE: 18 July, 1983

FROM: NISSAN MOTOR CO., LTD.

I had thought of meeting with you in person to explain the purport behind these proposals. However, due to the considerable public attention which has been drawn to the matter in question of late, I decided it more prudent to dispatch Mr. Kawai to London.

There is one matter of particular importance which I feel should be mentioned to you at this time. I am extremely concerned over the imponderables surrounding our U.K. project which would still continue to persist even as far as ten years or more into the future. Indeed, this issue is of such concern that I have come to believe it essential to provide for a high level of safeguard for the project in the longer term. Therefore, I would like to ask your Government to consider taking every measure possible to relieve our anxieties in this regard when you come to review the two proposals we have made.

I look forward to your kind personal attention to the above-mentioned issue. Meanwhile, I will await the outcome of the technical-level discussions scheduled to be held at our head office from July 25th next.

I am grateful to you for allowing me to take up the invitation you made to me at our meeting in the Akasaka Detached Palace last year, to express my frank opinions directly to you in this way.

In closing, please permit me to wish you every continued success in the leadership of your great nation.

Respectfully yours,

Katsuji Kawamata
Katsuji Kawamata

JAPAN: Relations / Nissan
Pt 3

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28 JUL 1988

File No.
Department
Drafted by
(Block Capitals)
Tel. Extn.

Bk for tel.

OUTWARD

TELEGRAM

Security Classification	
PERSONAL	
Precedence	
IMMEDIATE	<i>Japan</i>
DESKBY	Z

FOR COMMS. DEPT. USE	Despatched (Date)	POSTBY
	(Time)	Z

PREAMBLE

(Time of Origin).....Z(G.M.T.) (Restrictive Prefix).....
(Security Class.)..... (Caveat/
(Codeword)..... Privacy marking).....
(Deskby).....Z

TO IMMEDIATE TOKYO Tel. No. of
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AND TO (precedence/post).....

AND TO SAVING.....

INFO.....

INFO SAVING.....

Distribution:-

[TEXT]

FOLLOWING FOR AMBASSADOR FROM BUTLER, 10 DOWNING STREET
YOUR TEL. NO. 379 REFERS.

18/7/83 →

Goto called on me this afternoon. He informed me that Kawamata had written to the Prime Minister. He then delivered orally additional comments from Kawamata. These were mainly to the effect that Kawamata was upset by comments in the British press that he was opposing the project. In fact, he supported the project on the lines now proposed and would do his utmost to promote it.

Copies to:-

/I said

I said that I had been informed by you that Kawamata had delivered a letter to the Prime Minister and that you were taking special steps to convey it to the Prime Minister before the DTI team set out for Tokyo. I did not reveal that you had opened the letter or that at that stage I knew its contents. I should be grateful if you would take a similar line in any contacts with the company and also keep confidential the fact of Goto's call on me.

NOTHING TO BE WRITTEN IN THIS MARGIN

SUBJECT

cc MATZM
ops

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T105A/83

DWF G 061/18

212 (093) 1003/18

DD

See Para. 4

LDX 740/18

LDW NR 479/18

MR BUTLER, No 10,
DOWNING ST

OO FCO DESKBY 181200Z

GR 570

ADVANCE COPY

CONFIDENTIAL

DESKBY 181200Z

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DEDIP

FM TOKYO 180900Z JUL 83

TO IMMEDIATE F C O

IMMEDIATE

TELEGRAM NO 379 OF 18 JULY

PLEASE PASS FOLLOWING PERSONAL TO BUTLER, PRIVATE SECRETARY, NUMBER 10.

NISSAN

1. MR KAWAMATA'S OFFICE PASSED TO US THIS AFTERNOON A PERSONAL MESSAGE FROM HIM TO THE PRIME MINISTER. UNDER NORMAL CIRCUMSTANCES I WOULD HAVE FORWARDED THIS LETTER UNOPENED TO YOU BY BAG. HOWEVER, WITH THE DTI TEAM ARRIVING HERE ON 22 JULY, THE BAG SCHEDULE WOULD NOT HAVE PERMITTED THE LETTER TO REACH YOU IN TIME FOR IT TO BE CONSIDERED BEFORE THEIR DEPARTURE BY THE PRIME MINISTER AND THE MINISTERS INVOLVED. I HAVE THEREFORE TAKEN THE EXCEPTIONAL STEP OF OPENING THE LETTER MYSELF.

2. THE TEXT OF THE LETTER IS AS FOLLOWS:

DEAR MADAME PRIME MINISTER,

THANK YOU VERY MUCH FOR YOUR LETTER OF 15 JUNE , 1983. PLEASE ACCEPT ONCE AGAIN MY HEARTFELT CONGRATULATIONS ON YOUR LANDSLIDE VICTORY IN THE RECENT ELECTION.

IT HAS ALREADY BEEN THREE MONTHS SINCE I WROTE TO YOU IN APRIL TO THE EFFECT THAT OUR POLICY WAS TO ARRIVE AT A CONCLUSION AT THE EARLIEST POSSIBLE DATE, AND THAT I WOULD CONTACT YOU IMMEDIATELY UPON OUR DECISION BEING REACHED.

MEANWHILE, YOUR GOVERNMENT HAS EXPRESSED HOPE AT EVERY OPPORTUNITY THAT NISSAN WOULD PASS A FAVOURABLE DECISION ON THE U K PROJECT. I HAVE TO SAY THAT I COULD NOT HELP BECOMING IRRITATED EACH TIME I CAME TO LEARN OF YOUR GOVERNMENT'S CONTINUED EXPRESSION OF ITS WISHES IN CONNECTION WITH THE MATTER.

I LEARNED FROM NEWSPAPER REPORTS AS WELL AS FROM YOUR LETTER THAT YOU INDICATED YOUR WISHES TO OUR PRIME MINISTER MR. NAKASONE AT THE WILLIAMSBURG SUMMIT LAST MAY. UPON HIS RETURN TO TOKYO, HE NOTIFIED OUR PRESIDENT ISHIHARA OF YOUR REMARKS.

AS TIME GOES BY, I AM VERY CONCERNED THAT THIS MATTER HAS BEEN TAKING ON AN INCREASING POLITICAL TINGE. I PRESUME THAT YOU HAVE BEEN BRIEFED ON THE VISIT TO LONDON OF OUR MR. KAWAI, EXECUTIVE MANAGING DIRECTOR AND HIS TEAM AND ON THEIR MEETING WITH UNDER SECRETARY MOUNTFIELD TO SUBMIT OUR TWO PROPOSALS. WHILE I UNDERSTAND THAT THE NEXT ROUND OF THE DISCUSSIONS WILL BE HELD AT OUR HEAD OFFICE IN TOKYO FROM THE 25TH OF THIS MONTH WHEN OFFICIALS FROM YOUR GOVERNMENT ARRIVE HERE, I WOULD LIKE TO ASSURE YOU THAT THE TWO PROPOSALS SUBMITTED CAN BE CONSIDERED TO BE THE BEST CONCEIVABLE ALTERNATIVES WE HAVE BEEN ABLE TO DEVISE UNDER THE CIRCUMSTANCES PREVAILING AT THE PRESENT TIME.

I HAD THOUGHT OF MEETING WITH YOU IN PERSON TO EXPLAIN THE PURPOT BEHIND THESE PROPOSALS. HOWEVER, DUE TO THE CONSIDERABLE PUBLIC ATTENTION WHICH HAD BEEN DRAWN TO THE MATTER IN QUESTION OF LATE, I DECIDED IT MORE PRUDENT TO DISPATCH MR. KAWAI TO LONDON.

THERE IS ONE MATTER OF PARTICULAR IMPORTANCE WHICH I FEEL SHOULD BE MENTIONED TO YOU AT THIS TIME. I AM EXTREMELY CONCERNED OVER THE IMponderables SURROUNDING OUR U K PROJECT WHICH WOULD STILL CONTINUE TO PERSIST EVEN AS FAR AS TEN YEARS OR MORE INTO THE FUTURE. INDEED, THIS ISSUE IS OF SUCH CONCERN THAT I HAVE COME TO BELIEVE IT ESSENTIAL TO PROVIDE FOR A HIGH LEVEL OF SAFEGUARD FOR THE PROJECT IN THE LONGER TERM. THEREFORE, I WOULD LIKE TO ASK YOUR GOVERNMENT TO CONSIDER TAKING EVERY MEASURE POSSIBLE TO RELIEVE OUR ANXIETIES IN THIS REGARD WHEN YOU COME TO REVIEW THE TWO PROPOSALS WE HAVE MADE.

I LOOK FORWARD TO YOUR KIND PERSONAL ATTENTION TO THE ABOVE-MENTIONED ISSUE. MEANWHILE, I WILL AWAIT THE OUTCOME OF THE TECHNICAL-LEVEL DISCUSSIONS SCHEDULED TO BE HELD AT OUR HEAD OFFICE FROM JULY 25TH NEXT.

I AM GRATEFUL TO YOU FOR ALLOWING ME TO TAKE UP THE INVITATION YOU MADE TO ME AT OUR MEETING IN THE AKASAKE DETACHED PALACE LAST YEAR, TO EXPRESS MY FRANK OPINIONS DIRECTLY TO YOU IN THIS WAY.

IN CLOSING, PLEASE PERMIT ME TO WISH YOU EVERY CONTINUED SUCCESS IN THE LEADERSHIP OF YOUR GREAT NATION,

RESPECTFULLY YOURS

KATSUJI KAWAMATA

3. IN VIEW OF THE IMPORTANCE WHICH MR KAWAMATA ATTACHES TO HIS PERSONAL CORRESPONDENCE WITH THE PRIME MINISTER, WE HAVE NOT (NOT) TOLD THE COMPANY THAT WE ARE OPENING THE LETTER TO SEND IT BY TELEGRAM. IF NECESSARY, WE WILL MAINTAIN THE FICTION THAT WE WENT TO SPECIAL LENGTHS TO ENSURE THAT THE MESSAGE WAS DELIVERED TO THE PRIME MINISTER BEFORE THE DTI TEAM LEFT.

4. FCO: NO DISTRIBUTION.

CORTAZZI

NNNN



Japan

10 DOWNING STREET

Prime Minister

Nissan

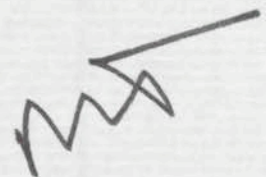
I attach a note of my conversation with Mr. Goto today and the text of a letter to you from Mr. Kawamata.

I believe that Mr. Kawamata's letter appears more brusque in translation than he intends.

According to Mr. Goto, Mr. Kawamata feels frustrated that Nissan has not been able to reach an earlier decision.

A reply is being prepared for you to send to Mr. Kawamata's letter, which I have shown to only one person.

FERS 18.7.



NOTE FOR THE RECORD

Mr. Goto, Head of the Nissan European Operations and formerly Personal Assistant to Mr. Kawamata, called on me at 3 pm today.

Mr. Goto said that Mr. Kawamata had asked him to come to London to convey a personal message to Mrs. Thatcher. Mr. Kawamata had sent a letter from Tokyo, and had asked Mr. Goto to make some supplementary comments about it.

Mr. Goto then gave me the gist of Mr. Kawamata's letter. Mr. Kawamata felt a sense of desperation that there had been such a long delay in reaching a conclusion. The points which he highlighted were that the proposals put forward by Mr. Kawai went as far as Mr. Kawamata felt was possible for Nissan at present. Taking a ten year view, Mr. Kawamata thought that there were unstable factors in the situation about which he was personally concerned, and he therefore felt a high degree of safeguard for the project was necessary.

Mr. Goto then added the additional points which Mr. Kawamata had asked him to make as background to the letter. Mr. Kawamata had been upset by suggestions in newspaper articles - he mentioned particularly the Economist - that he was the "bad guy" standing in the

-2-

way of Nissan's investment in the UK. He had always looked at the investment with a banker's eye, developed in his early years in the Industrial Bank of Japan. In fact, he was not strongly opposed to it and as an individual he would like to see Nissan undertake this project in the United Kingdom. Mr. Goto interjected at this point his own comment that this was a significant shift by Mr. Kawamata: at one time he had been opposed to the project but now thought that he should do everything within his power to promote it.

Continuing Mr. Kawamata's message, Mr. Goto said that the new proposals put forward by Mr. Kawai, while they might not be fully acceptable to the British Government as they stood, might at least provide a basis for breaking the deadlock. On the leasing arrangements, Mr. Kawamata had been grateful for the Prime Minister's good offices in arranging for discussions with the Bank of England and with specialists in leasing; but leasing had not turned out to be as advantageous as he had hoped. Mr. Kawamata's reluctance had also reflected the increasingly keen competition faced by Nissan in Japan, which had reduced Nissan's domestic profits; simultaneously, the investment in America, Italy and Spain launched by Mr. Ishihara had turned out ^{to be} more extensive than originally envisaged. Mr. Kawamata still had doubts about industrial relations in the United Kingdom, although he had taken due note of what Mrs. Thatcher had told him about the

/small

-3-

small number of days lost in the private sector. He also felt that the British Government's insistence on achieving 80 per cent local content so early in the project would cause components to become expensive and delay the date by which Nissan would recoup their investment.

Notwithstanding all this, however, Mr. Kawamata would now personally like to see Nissan undertake the United Kingdom project. At the end of Mr. Goto's last meeting with him in Detroit, Mr. Kawamata had said that his task was now to persuade Mr. Shioji, the President of the Nissan Union. As background, Mr. Goto explained that it was often said that Nissan was run by a triumvirate consisting of Mr. Kawamata, Mr. Ishihara and Mr. Shioji, who had become President of the All-Japan Auto-Workers Union. Mr. Shioji was not opposed to overseas investment - indeed he had encouraged Nissan to undertake its American investment, which was an unusual position for a union leader - but had opposed the United Kingdom investment, probably because Mr. Ishihara was in favour and Mr. Shioji was at odds with Mr. Ishihara on other matters. But Mr. Kawamata was on very good terms with Mr. Shioji and there was little doubt that Mr. Kawamata would be able to persuade Mr. Shioji.

Summing up, Mr. Goto said that the atmosphere was now more favourable to the UK project and Nissan hoped, as Mr. Ishihara had said, that a decision would be taken at the latest by the end of this year.

/I said

-4-

I said that Mrs. Thatcher would be very grateful for Mr. Kawamata's message: I would deliver it to her together with Mr. Kawamata's letter, to which the Prime Minister would be replying. I knew that she would want me to make four points straightaway. First, Mrs. Thatcher had never regarded Mr. Kawamata as the "bad guy" and knew that his attitude was determined only by consideration of what was in Nissan's best interests, an attitude which she respected. Second, it was the style of the British press to write stories in black and white terms, in which people were either heroes or villains: Mrs. Thatcher took no notice of such stories and hoped that Mr. Kawamata would not do so either. Third, Mrs. Thatcher had attached great importance to the confidentiality of her exchanges with Mr. Kawamata which she had always honoured scrupulously and would continue to do so. Fourth, the political interest in Britain in the Nissan project meant that the Prime Minister could not meet Mr. Nakasone at Williamsburg without at least saying to him that the British people hoped that there would be a favourable decision by Nissan. I then asked Mr. Goto two questions. The first was whether Mr. Kawamata was content that the British team of officials visiting Tokyo at the end of the week should be made aware of Mr. Kawamata's message: Mr. Goto said that he would take instructions on this and telephone me on the following day. Secondly, I

/noted

-5-

noted that Mr. Kawamata had said that Nissan's present proposals went as far as he felt was possible but it also recognised that they might not be acceptable to the British Government as they stood: did this mean that there was room for flexibility? Mr. Goto confirmed that the Nissan proposals could be regarded as a negotiating position, although Nissan would not be able to depart from their overall framework.

FE.R.B.

18 July 1983