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CONFIDENTIAL

of A. Owen
Prime Minister 2

*A possible agreement
by the end of September.*

~~_____~~ *WJ*

MS

9/8

PRIME MINISTER

NISSAN

A further round of negotiations took place in Tokyo last week. These made good progress and resulted in a provisional new package of proposals which will be translated into a draft Heads of Agreement and submitted to the Nissan Board before the next round of discussions planned in mid-September. The Nissan team expressed some confidence that a package on these lines would be approved but their statements fell short of a guarantee and officials do not rule out the possibility of further bargaining sessions, particularly on the question of SFA.

2 Nevertheless, if accepted, the new proposals would represent a very satisfactory deal and this was achievable, I understand, only after a mid-week tussle between Messrs Kawamata and Ishihara in which the former was forced to make concessions. The project, based on Nissan's Plan A, would be in two phases with a break-point in 1987 (when Nissan would decide whether or not to proceed with a full manufacturing operation) but also a clear progression to production of 100,000 units in 1990. There would be general reference to the possibility of production eventually reaching 200,000 units per annum. Most encouraging is the proposed commitment on local content where Nissan would undertake to



achieve 80% within 18 months of the start of full manufacture(ie in 1991) which represents a considerable advance over the position the company have previously adopted.

3 If all goes well, it is possible to envisage the signature of final agreements by end-September/early October. In the meantime, Nissan remain extremely sensitive about publicity and, with the Nissan Board poised to reach a final decision, I am taking steps to reduce the risk of leaks which could be highly damaging to the prospect of a favourable outcome.

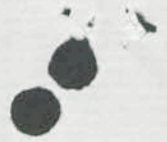
C.P.

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Japan - Relats with OK pt. 3 . NISSAN



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