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PRIME MINISTER

NISSAN

CONFIDENTIAL

Prime Minister

Content that Mr. Kawamata  
should be told that if he comes  
to the UK for the signing ceremony  
you will be glad to see him?

EEB

16.9.

It now looks as we have full agreement with Nissan on the details of a deal, on the basis outlined in my minute to you of 3 August. The only significant change is that there will now be no reference to a particular figure (200,000 units a year) as the possible size of a further expansion in the 1990s, though reference remains to a substantial further development and to the initial acquisition of an 800 acre site, which will imply to informed observers the intention to develop eventually a plant well in excess of 100,000 units.

2 A round of talks this week has completed negotiation of the detailed documentation, subject to:

- a final approval by the Nissan Board;
- b approval by our own Industrial Development Advisory Board;
- c agreement by the two trade associations, SMMT and JAMA, that output in Phase 1 (the kit assembly phase) will be counted as imports for the purposes of the Voluntary Restraint Arrangement;



d withdrawal of objections by Nissan's own trade union which have received some publicity in Japan.

Of these only (d) is likely, on present indications, to cause difficulties; it is undoubtedly a considerable problem for the company, but they think they are making progress in resolving it "little by little".

3 Because of these outstanding steps, we cannot sign and announce the agreement until early October at the earliest; the union problem could delay this further. Tentative dates have been arranged in the weeks beginning 3 October and 10 October. I hope to know more about this shortly. It is not yet clear whether Mr Kawamata will come to the UK for the signing ceremony. There are some signs of reluctance, and I think we should encourage him to come in order to get the project off on the right foot. I hope that in encouraging him to do so we can hold out the prospect of a short meeting with you. Meanwhile it remains of the greatest importance that the risk of leaks should be minimised, since this could still cause Mr Kawamata to vacillate yet again. I am therefore sending copies of this minute only to the Chancellor of the Exchequer, with a request that knowledge of the present position should be restricted to the minimum number of people.

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16 September 1983

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APPROPRIATE

STANDARD FORM NO. 64

THE OFFICE

CONFIDENTIAL



File DJG  
10 DOWNING STREET

*From the Private Secretary*

19 September 1983

NISSAN

The Prime Minister has noted your Secretary of State's minute of 16 September.

The Prime Minister will be glad to see Mr. Kawamata if he comes to the UK for the signing ceremony.

I assume you will let us know as soon as possible whether Mr. Kawamata will take up this invitation.

I am sending a copy of this letter to John Kerr (HM Treasury).

M. C. SCHOLAR

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

CONFIDENTIAL

Spanner .DTI  
Call recalls

Prime Minister ①

23 September 1983  
Policy Unit

Done AT 2019  
Yes please  
ml

PRIME MINISTER

Should I convey

X to Mr Parkinson's office?

MUS 23/9

CONTAINING THE NISSAN SUBSIDY

In his minute of 16 September, Cecil reported that a deal is now likely to be struck with Nissan. The incentives which have been offered amount to about £100 million. They are to be insulated financially from any future changes which the Government may make to Regional Assistance.

As Nissan build up their presence in the UK, it is likely that component suppliers will wish to make R&D investment, establish new facilities, and/or relocate existing ones, in order to bid competitively for Nissan's requirements. Under the present regime of Regional Assistance and other industrial support, this "pull through" in the component sector could become a further public expense. This must not happen. "Pull through" was claimed as a benefit from the Nissan project, not as an additional charge upon the taxpayer.

We think it would be sensible to make it clear to Cecil as soon as possible that he must contain the Nissan subsidy by the following steps:

1. Where DTI has discretion in approving industrial aid, regional or otherwise, it should turn down applications which are evidently Nissan-related.
2. No further insulation from future changes in Regional Assistance should be offered.
3. Calls to turn the West Midlands into an Assisted Area (AA) for regional policy purposes should be resisted. (Many employers in the region don't want AA status anyhow, regarding it as more of a stigma than a blessing.) Motor component manufacturers in the region would gain unfairly from AA status in bidding for Nissan's work.

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FERDINAND MOUNT

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CONFIDENTIAL

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cc HMTT

10 DOWNING STREET

*From the Private Secretary*

27 September 1983

The Prime Minister has further considered your Secretary of State's minute of 16 September. She has noted that financial assistance given to suppliers of Nissan who relocate or establish new facilities in assisted areas could add to the already substantial assistance being given to this project. In particular she has asked that ways of containing the total assistance be considered. For example where DTI has discretion in approving industrial aid, regional or otherwise, it should not approve applications which are clearly related to the Nissan project. Secondly, no further offers of insulation for future changes in Regional Assistance should be made.

I am sending a copy of this letter to John Kerr (H.M. Treasury).

AK

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

AK

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JF4375

Secretary of State for Trade and Industry

DEPARTMENT OF TRADE AND INDUSTRY  
1-19 VICTORIA STREET  
LONDON SW1H 0ET

TELEPHONE DIRECT LINE 01-215 5422  
SWITCHBOARD 01-215 7877

29 September 1983

Tim Flesher Esq  
Private Secretary to the  
Prime Minister  
10 Downing Street  
LONDON  
SW1

*In diary*  
*whz*  
Dear Tim

PRIME MINISTER'S MEETING WITH MR KAWAMATA OF NISSAN

*IBF*  
This is just to confirm that you are holding 3.00pm on Monday, 10 October for a possible courtesy call on the Prime Minister by Mr Kawamata of Nissan. I will be able to confirm arrangements as soon as the position becomes clearer.

*Yours ever*  
*Andrew Coop*

ANDREW COOP  
Private Secretary

DEPARTMENT OF TRADE AND INDUSTRY  
4th FLOOR, 100 MARKET STREET  
SINGAPORE

Japan Nissan #3

30 SEP 1983



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DEPARTMENT OF TRADE AND INDUSTRY

1-19 VICTORIA STREET

LONDON SW1H 0ET

TELEPHONE DIRECT LINE 01-215 5422  
 SWITCHBOARD 01-215 7877

PS/Secretary of State for Trade and Industry

13 October 1983

Andrew Turnbull Esq  
 Private Secretary to the  
 Prime Minister  
 10 Downing Street  
 London SW1

*Dear Andrew,*

NISSAN

Thank you for your letter of 27 September conveying the Prime Minister's further comments on Mr Parkinson's minute of 16 September.

2 On the first point, we do not expect any large-scale selective assistance applications from component companies, UK or foreign, linked specifically to the Nissan project. It will be the end of the decade before Nissan is buying components on any scale; and even then the volume of 100,000 units a year (though valuable incremental business) is unlikely to lead to new investments linked exclusively to it. It is, therefore, likely to be only one of a number of factors influencing rationalisation and modernisation investment. We should be generally sceptical of any proposal for new capacity, given the over-capacity in much of this sector, though of course individual projects would need to be looked at on their merits.

3 In the case of assistance under the Support for Innovation scheme, the Memorandum of Understanding (in a section setting out the proposed actions of both sides to encourage local component procurement) commits the Department "to give sympathetic consideration to applications from UK suppliers within the framework of current schemes of support, for the grant of financial assistance towards research and development expenditure required to meet Nissan's particular commercial and technical requirements". It is unlikely in our view that anything more than routine and small-scale applications under the normal schemes would be involved in this, but there could be specific cases carrying significant wider benefits - including demonstration effects - which would justify such assistance on merit.

4 On the second point about insulation for future changes in regional assistance, you will have seen a copy of my Secretary of State's letter of 28 September to the Chancellor (copy enclosed ...



for ease of reference) recording their agreement on the transitional provisions for changes to regional development grants which will protect the RDG position of Nissan and of any other company which happens to be in a similar position at the date of the announcement of the regional assistance changes; there is no other company with a project associated with the Nissan project which will be affected by this.

5 For Nissan itself, the documentation for the project includes a "comfort letter" sought by Nissan last year and conceded then with Mr Jenkin's approval, which says that in the event of any future changes in regional policy with a net adverse effect on Nissan we should give favourable consideration to additional selective financial assistance to make good the deficiency. This is of course a highly exceptional provision, demanded by the company because of the particularly long timescale of their project and their consequent vulnerability, as they saw it, to major RDG changes, and agreed to because it was seen as essential, in the particular circumstances of the case, if we were to retain Nissan's interest. The arrangements for Nissan agreed between Mr Parkinson and the Chancellor do, of course, ensure that there will not be any net adverse effect from the forthcoming changes.

6 I am sending a copy of this letter to John Kerr (HM Treasury).

*Yours sincerely,*

*Ruth Thompson*

RUTH THOMPSON  
Private Secretary



DEPARTMENT OF TRADE AND INDUSTRY  
1-19 VICTORIA STREET  
LONDON SW1H 0ET

TELEPHONE DIRECT LINE 01-215 5422  
SWITCHBOARD 01-215 7877

Secretary of State for Trade and Industry

28 September 1983

The Rt Hon Nigel Lawson MP  
Chancellor of the Exchequer  
HM Treasury  
Parliament Street  
London SW1

Copies to:

PS/Prime Minister  
PS/Mr Lamont  
PS/Mr Butcher  
PS/Sir Brian Hayes  
Mr Manzie  
Mr Dick  
Mr Mountfield  
Mr Hewes - on file

NISSAN AND REGIONAL ASSISTANCE CHANGES

I am writing to confirm the outcome of our telephone conversation following your letter to me of 12 September, now that the negotiations with Nissan have been brought to a successful conclusion.

2 When we spoke, you had seen a copy of the note that officials here had prepared on the implications for public expenditure and for the PSBR of my proposal that transitional arrangements for changing the RDG scheme should be framed so as to preserve RDGs for the Nissan project and for others in equivalent circumstances. In view of the difficulties we both saw in adopting an approach which singles out Nissan for specially favourable treatment, you were able to accept my proposal, subject to your officials confirming - as they subsequently did - that they accepted my officials' estimates of a total net PSBR cost of about £20m but of no public expenditure cost compared with the estimates provided by the Anson report since this had assumed pound-for-pound offsetting selective assistance for changes in RDGs.

3 As we agreed, I will of course seek to ensure that the criteria are framed in a way that limit the benefit of the transitional provisions to as small a class of cases as possible. Once we have agreed what the RDG changes will be, this will be a matter for detailed discussion between officials in our two Departments.

4 I am sending a copy of this to the Prime Minister.

Yours  
Nigel Lawson  
NLS

Japan  
Misses R-3

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CONFIDENTIAL

MR. TURNBULL

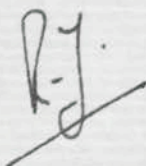
NBPM  
AT  
17/10

NISSAN

A minute for your own use, following Ruth Thompson's letter to you of 13 October.

I remain sceptical about DTI's promised tough mindedness on selective assistance to component companies (paragraph 2) and about the value which might be derived from "specific cases carrying significant wider benefits, including demonstration effects" (her paragraph 3). But I see no point in pursuing a general argument at this stage. The warning shot which your letter of 27 September fired has had all the effect which was possible in the circumstances.

As to insulation (paragraphs 4 and 5) Nissan are likely to invoke Mr. Parkinson's "comfort letter" shortly after any changes in Regional Policy are announced. It is not clear (is it?) what DTI will offer - in particular whether they will seek to compensate Nissan for the fact that Selective Financial Assistance is taxable whereas RDG is not. For the sake of damage limitation, may I suggest that, as soon as Cabinet has agreed changes to Regional Policy, DTI and Treasury should settle in detail the basis and level of insulation to be negotiated with Nissan. Otherwise it is wholly predictable that the outcome will be the highest level of compensation.



ROBERT YOUNG  
17 October 1983

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