

PRIME MINISTER

MEETING WITH JAPANESE PRIME MINISTER

You are to have a brief meeting with the Japanese Prime Minister at our Embassy on Friday morning. He is in deep political trouble and may well not survive. But he is Prime Minister and has actually been rather helpful to us. He will probably be in an agony of embarrassment over this meeting: the Japanese press are apparently speculating that you may not shake his hand. I am sure you will bring a little ray of sunshine into his life: he will no doubt be disproportionately grateful.

You might leave him to raise the subject of your visit to Japan. If he does so I think you have no alternative but to say that you are looking forward to it, both the bilateral part and the IDU meeting.

There will not be time to get into much substance. Subjects on which you could touch are:

- we hope very much that the long-running issue of membership of the Tokyo Stock Exchange can be settled. (The TSE board has in fact recently set up a Committee to consider how to achieve this.) You hope there will be progress to report by the time of your visit in September;
- We very much welcome Japanese investment in the UK which has an excellent record of success. You will want to give the lie to reports that the UK might leave the EC. Any such idea is pure fantasy. Our concern is to make the EC favourable to business and investment, by sponsoring a deregulatory approach and opposing policies which put new burdens on industry. We are fighting Japan's battles for her in Europe: and we hope that more

and more Japanese firms will recognise that Britain is
the best place to do business in the Community;

- we recognise the steps which Japan has taken to open up its economy and encourage imports. The Japanese Ambassador recently gave you a very interesting paper on this. These measures are welcome, but there is still a long way to go e.g. on agriculture and air transport;
- we shall want to see the Summit issue a firm statement on China, and provide the maximum of reassurance to Hong Kong;
- we are grateful for Japanese help over Vietnamese Boat People. The most urgent requirement is to get on with the establishment of a refugee processing centre in the Philippines. We hope the Japanese will contribute financially to this and encourage the Philippines Government to set it up as soon as possible.

A fuller note by the FCO is in the folder.

C.D.P.

(C.D. POWELL)

11 July 1989

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