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FILE

D.A

SUBJECT cc MASTER



to P.C.

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

14 July 1989

Dear Stephen,

MEETING WITH MR. UNO

The Prime Minister had a bilateral with Mr. Uno at the British Embassy today. Mr. Uno was accompanied by the Vice Minister for Foreign Affairs and the Japanese Ambassador in London.

The Prime Minister said she hoped it would soon be possible to secure two additional places on the Tokyo Stock Exchange. She had taken them up with Mr. Takeshita but he had not managed to advance it before leaving office (though he had secured welcome changes in custom duties on whisky). The Prime Minister said she attached great importance to this and hoped Mr. Uno would push hard for it. She acknowledged that a great deal of progress had been made to open up Japanese markets, but much remained to be done.

The Prime Minister welcomed the recent announcement by Honda that it would take a 20 per cent stake in Rover and would open its own manufacturing plant. The recent attempt by France to obstruct imports of cars made in Britain by Japanese companies had been successfully challenged. It was now established that such cars would be treated on all fours with other British cars.

Turning to the Summit, the Prime Minister said there might be a call for a North-South Summit. She did not think this would be appropriate. It would be vague and get in the way of tackling the debt problem through the IMF, World Bank and Paris Club.

On the political side, the United Kingdom was looking for a statement condemning recent events in China. It was important that people should not be allowed to forget. Nevertheless she recognised that a balance had to be struck. Trading relations would continue (though were not being developed for the time being) and negotiations had to be conducted over Hong Kong.

Mr. Uno responded that he had urged the President of the Tokyo Stock Exchange to look at the British applications

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sympathetically. He could not instruct him and he in turn could not instruct the Exchange. A Committee had been set up earlier in July to consider the applications but he did not expect a decision before the Prime Minister visited Japan in September. The Prime Minister thanked him for his efforts but commented that it all seemed to be taking a long time.

Mr. Uno did not respond directly to the question of a North-South Summit. He noted that Japan will have discharged \$30 billion in loans over three years including the current year and would be announcing at the Summit that it planned to bring the total to \$65 billion in two further years. \$600 million was being made available in untied grants to the poorest countries in Africa. It was intended to continue using Crown Agents in disbursing this money.

Mr. Uno said he had recently spent 1½ hours with Mr. Gorbachev and had told him that Japan had 400 plants in Europe employing 70,000. (Mr. Gorbachev commented that he could not understand why.) Japan had also built car plants in the United States and had imported 16,000 cars back to Japan.

On China Mr. Uno said he shared the Prime Minister's approach. He had condemned China, both for the killings of students and for the summary executions. On trade, Japan had recently signed a \$6 billion credit to be drawn over six years. He had decided not to proceed with this until the Japanese people were satisfied that "an open door policy" had been established. The ASEAN countries and Korea had urged Japan not to isolate China and he gave weight to their views.

Concluding the discussion, which had lasted about twenty minutes, the Prime Minister welcomed this approach which was very close to her own.

Your sincerely

Andrew Turnbull

(ANDREW TURNBULL)

Stephen Wall, Esq.,
Foreign and Commonwealth Office.