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FM TOKYO 240900Z MAY  
TO IMMEDIATE FCO  
TELNO 368 OF 24 MAY 85  
AND TO IMMEDIATE DTI  
INFO EC POSTS, WASHINGTON, UKNIS GENEVA, ANKARA

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YOUR TELNO 228 : EC-JAPAN AND BOSPHORUS BRIDGE.

1. ECONOMIC COUNSELLOR SPOKE ACCORDINGLY TO OGAWA, DIRECTOR OF THE FIRST INTERNATIONAL ECONOMIC AFFAIRS DIVISION IN THE ECONOMIC AFFAIRS BUREAU OF THE MFA. REFERRING BACK TO THE ORIGINAL SUNDAY TIMES ARTICLE AND THE CLARIFICATION WHICH HE HAD GIVEN HIM OF ITS CONTENTS (BASED ON OTTER 261) WRIGHT SAID THAT THE MFA COULD BE IN NO DOUBT FROM RECENT DEVELOPMENTS IN LONDON OF THE WORSENING OF THE ATMOSPHERE IN BRITAIN OVER ECONOMIC RELATIONS WITH JAPAN. OUR POINT IN SPEAKING TO THE MFA NOW WAS TO REMIND THEM THAT BOTH SIDES FACED AN IMPORTANT CONJUNCTURE WITH THE FORTHCOMING MEETING OF THE TEC, THE HIGH LEVEL TALKS, THE ACTION PROGRAMME AND MR NAKASONE'S VISIT TO BRUSSELS. QUANTIFIABLE RESULTS AND TANGIBLE PROGRESS WERE WHAT PEOPLE WERE NOW LOOKING FOR (OGAWA WAS VISIBLY DISTURBED BY THE EMPHASIS LAID ON THESE PHRASES).

2. OGAWA RESPONDED BY EMPHASISING THE EFFORT WHICH THE MFA WERE PUTTING INTO THE PREPARATION OF THE NEXT MEETING OF THE TEC AND THE ACTION PROGRAMME. THERE WAS NO MISUNDERSTANDING ON THEIR PART OF THE SERIOUSNESS OF THE SITUATION. THEY RECOGNISED THAT MR NAKASONE COULD HAVE A DIFFICULT TIME IN BRUSSELS. BUT EQUALLY, FOR REASONS WHICH WE WOULD WELL UNDERSTAND AND WHICH RELATED TO THE STRUCTURAL FAILURE OF JAPAN TO INCREASE ITS IMPORT PROPENSITY, HE COULD NOT GIVE ANY ASSURANCE THAT WE WOULD SECURE THE EARLY AND TANGIBLE RESULTS WE WANTED. BUT THERE WAS HEIGHTENED CONSCIOUSNESS WITHIN THE JAPANESE ADMINISTRATION OF THE PROBLEMS JAPAN WAS NOW UP AGAINST AND REAL EFFORTS WERE BEING MADE BY THE MFA TO BUILD ON THIS.

3. OGAWA WENT ON TO SAY THAT THE MFA WERE PERPLEXED BY THE RECENT FLARE-UP OF 'ANTI-JAPANESE FEELING' IN BRITAIN. HE RECOGNISED THAT IT HAD BEEN PROVOKED BY DISSATISFACTION OVER BRITAIN'S FAILURE TO WIN THE BOSPHORUS BRIDGE CONTRACT. BUT THE MFA COULD NOT UNDERSTAND WHY JAPAN WAS STILL BEING SUBJECTED TO SUCH A BARRAGE OF CRITICISM. WE REPEATED ON STANDARD LINES HOW THE LOSS OF THE CONTRACT FOR THE BOSPHORUS BRIDGE HAD BROUGHT TO THE SURFACE A WIDESPREAD FRUSTRATION ABOUT JAPAN'S PERSISTENT SURPLUS AND THE INABILITY OF BRITISH COMPANIES TO PENETRATE THE JAPANESE MARKET. WE ADDED,

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HOWEVER, THAT WE THOUGHT IT IMPORTANT THAT MR TEBBIT'S RECENT CBI SPEECH SHOULD NOT (NOT) BE SEEN AS 'ANTI JAPANESE FEELING'. HE HAD MADE CLEAR THAT HE WAS CONCERNED AT HOW JAPAN'S FAILURE TO PLAY ITS FULL PART IN THE INTERNATIONAL FREE TRADING SYSTEM WAS THREATENING THE EXISTENCE OF THAT SYSTEM. IN PARTICULAR, MR TEBBIT HAD DRAWN ATTENTION TO THE RISK THAT US ACTION AGAINST JAPAN MIGHT INEVITABLY LEAD TO MEASURES AGAINST JAPANESE GOODS IN THE EC. THIS DEMONSTRATED THE IMPORTANCE OF EARLY EFFECTIVE ACTION BY JAPAN.

5. OGAWA MADE TWO FURTHER REMARKS:

A) HE EXPRESSED THE VIEW (WHICH WE HAVE HEARD ELSEWHERE) THAT IF ARGUMENTS CONTINUED ABOUT THE CIRCUMSTANCES OF THE BOSPHORUS BRIDGE CONTRACT, THIS COULD LEAD TO A WIDESPREAD PERCEPTION IN JAPAN THAT BRITAIN'S ACTION WAS UNREASONABLE. IF THIS ATTITUDE SPREAD, THERE WAS A RISK THAT THE JAPANESE PUBLIC WOULD THINK THAT JAPAN WAS BEING ARRAIGNED UNREASONABLY AND THAT THIS COULD HAVE A NEGATIVE EFFECT ON JAPANESE COMPANIES, INCLUDING THOSE CONSIDERING INVESTING IN BRITAIN:

B) OGAWA REVEALED THAT THE MFA HAD THIS MORNING BEEN CONSIDERING WHETHER AND HOW PRIME MINISTER NAKASONE SHOULD REPLY TO MRS THATCHER'S MOST RECENT MESSAGE. OGAWA DID NOT INDICATE WHETHER A FINAL DECISION HAD BEEN TAKEN BUT HE SUGGESTED THAT THE BALANCE APPEARED TO BE MOVING IN FAVOUR OF A REPLY FROM MR NAKASONE.

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