

LDW NR 610/21

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GRS 800

CONFIDENTIAL

FM TOKYO 210250Z SEP 82

TO IMMEDIATE F C O

TELEGRAM NUMBER 566 OF 21/9/82

FROM P S TO PRIME MINISTER.

PRIME MINISTER'S TALKS WITH JAPANESE PRIME MINISTER:

20 SEPTEMBER: BILATERAL ISSUES.

MY I P T REFERS.

POLITICAL CO- OPERATION.

1. BOTH PRIME MINISTER'S AGREED ON THE NEED FOR CLOSER POLITICAL DIALOGUE. THIS THEME HAS RECEIVED CONSIDERABLE EMPHASIS BOTH IN PRIVATE AND IN PUBLIC DURING THE VISIT. SUZUKI SAID THAT IT WAS IMPORTANT FOR JAPAN TO INCREASE EXCHANGES WITH THE UK, "THE AXIS OF EUROPE". THE PRIME MINISTER INVITED MR SUZUKI TO VISIT BRITAIN.

ECONOMIC CO- OPERATION.

2. THE PRIME MINISTER EMPHASISED THE DIFFICULTIES CAUSED BY JAPAN'S BALANCE OF PAYMENTS SURPLUS WHICH HAD RISEN FROM A DEFICIT OF DOLLARS 11 B. IN 1980 TO A PROBABLE SURPLUS OF DOLLARS 7 B. IN 1982 AND AN ESTIMATED SURPLUS OF DOLLARS 17.20B. IN 1983.

HOWEVER GREAT JAPAN'S EFFORTS TO INCREASE IMPORTS WERE, THE TREND OF THESE SURPLUSES WAS BOUND TO STIMULATE A RISING DEMAND FOR PROTECTION, ESPECIALLY IN A COUNTRY LIKE THE UK WHICH WAS MUCH MORE OPEN THAN, SAY, FRANCE. THE ISSUE WAS HOW TO SATISFY THESE FEELING AND YET KEEP THE OPEN TRADING SYSTEM.

3. ONE WAY OF DEALING WITH THE SITUATION WOULD BE FOR JAPAN TO UNDERTAKE MORE OVERSEAS INVESTMENT. THERE WERE ONLY 24 JAPANESE COMPANIES IN THE UK, COMPARED TO A 1,000 AMERICAN AND 180 GERMAN COMPANIES.

INTER-INDUSTRY UNDERSTANDINGS.

4. THE PRIME MINISTER REFERRED TO THE UNDERSTANDING ON CARS COMMENTING THAT ALTHOUGH PEOPLE SAID THAT THE 11 PER CENT JAPANESE SHARE OF THE UK MARKET WAS TOO HIGH WE KNEW THAT, HAVING REACHING AN UNDERSTANDING, THE JAPANESE WOULD KEEP TO IT.

PROBLEM OF NUMERICALLY CONTROLLED MACHINE TOOLS AND SAID THAT SHE WISHED TO ARRANGE FOR A MISSION FROM THE UK INDUSTRY TO VISIT JAPAN NOT LATER THAN OCTOBER TO TACKLE THIS PROBLEM WITH REPRESENTATIVES OF THE JAPANESE INDUSTRY. THERE WERE ALSO ONE OR TWO OTHER AREAS OF CONCERN, INCLUDING FORK LIFT TRUCKS.

6. MR SUZUKI SAID THAT THE JAPANESE INDUSTRIES CONCERNED WERE PURSUING A POLICY OF PRUDENCE. BUT HE AGREED THAT INTER-INDUSTRY CONTACTS WERE VALUABLE IN DEALING WITH THESE PROBLEMS AND HE WOULD WELCOME A MISSION FROM THE BRITISH MACHINE TOOL INDUSTRY TO JAPAN.

INDUSTRIAL COLLABORATION.

7. SUZUKI MENTIONED THAT OF THE 18 CASES SUGGESTED EARLIER UNDER THE DOI/MITI AGREEMENT, 6 WERE ACCEPTABLE TO THE JAPANESE, COVERING ROBOT AND OTHER ELECTRONIC PROJECTS 5 CASES WERE NOT ACCEPTABLE AND THE REST WERE STILL UNDER CONSIDERATION.

THE JAPANESE HAD PROPOSED THREE PROJECTS ON WHICH THEY WERE STILL AWAITING A RESPONSE. THE PRIME MINISTER SAID THAT SHE WELCOMED THE AGREEMENT ON 6 OF THE BRITISH PROPOSALS AND WOULD ENSURE THAT THE 3 PUT FORWARD BY THE JAPANESE WERE URGENTLY PURSUED. BUT SHE HOPED THAT THE JAPANESE WOULD BE AS ACTIVE IN MAKING PROPOSALS AS THE UK HAD.

TECHNOLOGY AGREEMENT.

8. THE PRIME MINISTER PROPOSED THAT SHE AND MR SUZUKI SHOULD ADOPT THE STATEMENT AGREED BETWEEN OFFICIALS EARLIER WHICH UNDERLINED THE INTENTION OF REACHING A PRACTICAL AND EFFECTIVE AGREEMENT WHICH WOULD ENCOURAGE TECHNOLOGICAL DEVELOPMENT AND EXCHANGE.

MR SUZUKI AGREED WITH THIS APPROACH.

DEFENCE SALES.

9 THE PRIME MINISTER BRIEFLY MENTIONED OUR HOPE THAT THE JAPANESE GOVERNMENT WOULD CONSIDER BUYING MAJOR CAPITAL GOODS WHICH THE UK HAD TO OFFER AND REFERRED, IN PARTICULAR, TO THE BAE 146 AND ITEMS OF DEFENCE EQUIPMENT SUCH AS HARRIERS AND SEARCH-WATER RADAR.

GENERAL COMMENT.

10. SUZUKI WAS FRIENDLY AND MORE RESPONSIVE THAN USUAL. WE WERE PLEASED WITH THE OUTCOME OF THE TALKS.

CORTAZZI

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LDW NR 609/21

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PP PEKING

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TO IMMEDIATE F C O

TELEGRAM NUMBER 565 OF 21/9/82

AND INFO PRIORITY PEKING.

FROM P S TO PRIME MINISTER.

PRIME MINISTER'S TALKS WITH JAPANESE PRIME MINISTER,
20 SEPTEMBER: INTERNATIONAL ISSUES.

THE BULK OF THE PRIME MINISTER'S DISCUSSIONS WITH
MR. SUZUKI YESTERDAY WAS DEVOTED TO BILATERAL QUESTIONS
(SEE MIFT NOT TO PEKING) .

THE FOLLOWING INTERNATIONAL QUESTIONS WERE ALSO RAISED

LEBANON

2. BOTH PRIME MINISTERS FORTHRIGHTLY CONDEMNED THE
MASSACRE IN BEIRUT. THEIR REMARKS HAVE RECEIVED
CONSIDERABLE PRESS COVERAGE HERE THIS MORNING.

CHINA

3. THE PRIME MINISTER SAID THAT SHE WOULD WELCOME
JAPANESE VIEWS ON CHINA. SUZUKI GAVE AN ANALYSIS OF
THE SITUATION FOLLOWING THE 12TH PARTY CONGRESS.
HIS MAIN CONCLUSION WAS THAT THE DENG REGIME WAS
NOW ALMOST BUT NOT COMPLETELY ESTABLISHED.
HE REFERRED TO HU YAOBANG'S SPEECH TO THE
CONGRESS IN WHICH HE HAD STATED THE CHINESE
OBJECTIVE OF QUADRUPLING AGRICULTURAL AND
INDUSTRIAL PRODUCTION BY THE END OF THE CENTURY.
FOR THIS, CHINA NEEDED A PEACEFUL INTERNATIONAL
ENVIRONMENT. HENCE ITS DESIRE TO AVOID DIRECT
CONFRONTATION WITH THE SOVIET UNION AND FURTHER
CONFLICTS WITH VIETNAM. IT WOULD ALSO WANT MORE
CO-OPERATION WITH THE WEST, IN PARTICULAR TO
OBTAIN CAPITAL AND ADVANCED TECHNOLOGY.
SUZUKI EXPLAINED THE ASSISTANCE THAT JAPAN HAD
PROVIDED FOR CHINA'S MODERNISATION PROGRAMME AND
URGED THAT THE UK, THE US AND OTHER WESTERN
COUNTRIES SHOULD GIVE SIMILAR HELP. THE TWO
PRIME MINISTER'S AGREED ON THE STRATEGIC OBJECTIVE
OF DISSUADING CHINA FROM CO-OPERATING WITH THE
SOVIET UNION.

FALKLANDS.

4. THE PRIME MINISTER SAID THAT THERE HAD BEEN A MISUNDERSTANDING BETWEEN JAPAN AND BRITAIN IN THE PAST BUT SHE NOW WANTED TO CONCENTRATE ON THE FUTURE. HER MAIN POINT WAS THAT IT WOULD NOT BE POSSIBLE FOR BRITAIN TO NEGOTIATE WITH ARGENTINA ABOUT THE FUTURE OF THE ISLANDS.

SIBERIAN PIPELINE

5. AT AN EARLIER POINT DURING THE VISIT(AS BULLARD KNOWS FROM HIS TELECON WITH COLES LAST SUNDAY) THE JAPANESE HAD FLOATED THE IDEA OF THEIR TAKING PART IN A MEETING OF FIVE FOREIGN MINISTERS IN NEW YORK TO DISCUSS THE AMERICAN PIPELINE MEASURES. WE HAD BEEN WARNED THAT MR SUZUKI WOULD WISH TO RAISE THIS ISSUE WITH THE PRIME MINISTER. IN THE EVENT, AFTER WE HAD EXPLAINED THE DIFFICULTIES TO THE JAPANESE, MR SUZUKI DID NOT RAISE THE QUESTION.

CORTAZZI

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(SEE WIRE NOT TO BEKING) *
MR SUZUKI YESTERDAY WAS DEVOTED TO DISCUSSING
THE WORK OF THE PRIME MINISTER'S DISCUSSIONS WITH
IN SEPTEMBER: INTERNATIONAL ISSUES *
PRIME MINISTER'S TALKS WITH JAPANESE PRIME MINISTER
FROM 1-3 TO PRIME MINISTER *
MR. TATEO PREVIOUSLY BEKING *
DECEMBER NUMBER: 203 OF 31/3/85
IN IMMEDIATE E.C.O.
RE TOKYO 31/3/85
CONSIDERATIVE
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IN BEKING
CC: E.C.O.
FOR MR. CORTAZZI

LDW NR 611/21

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FM TOKYO 210315Z SEP 82

TO PRIORITY F C O

TELEGRAM NUMBER 567 OF 21/9/82

PERSONAL FOR SIR ROBERT ARMSTRONG AND SIR ANTONY ACLAND.

FROM P S TO PRIME MINISTER.

ECONOMIC SUMMIT.

IN HER DISCUSSIONS WITH THE JAPANESE PRIME MINISTER YESTERDAY THE PRIME MINISTER EXPRESSED CONCERN THAT THE LEADERS OF THE SEVEN WERE NOT PLANNING TO MEET UNTIL NEXT JUNE. SHE THOUGHT THAT WE SHOULD RAISE WITH THE UNITED STATES THE POSSIBILITY OF BRINGING THE MEETING FORWARD. THE MAIN ARGUMENT FOR DOING SO WAS THAT THE WORLD ECONOMIC AND FINANCIAL SITUATION HAD DETERIORATED CONSIDERABLE SINCE THE VERSAILLES SUMMIT AND A DELAY UNTIL NEXT JUNE SEEMED INAPPROPRIATE. (ALTHOUGH THE PRIME MINISTER DID NOT SUGGEST ANY NEW DATE SHE IS INCLINED TO ENVISAGE A SUMMIT TAKING PLACE EARLY NEXT YEAR, PERHAPS IN FEBRUARY)

2. MR SUZUKI AT FIRST SAID THAT IF THE PROPOSAL FOUND AGREEMENT AMONG THE REST OF THE SEVEN HE WOULD ALSO SUPPORT IT. LATER, HE DESCRIBED THE SUGGESTION AS A VERY GOOD ONE. THE TWO PRIME MINISTERS AGREED THAT IT WOULD BE DESIRABLE FOR THE POSSIBILITY TO BE DISCUSSED AT THE NEXT MEETING OF PERSONAL REPRESENTATIVES.

3. I THINK THE PRIME MINISTER WOULD BE GRATEFUL IF SOME THOUGHT COULD BE GIVEN TO THIS MATTER AND ADVICE SUBMITTED TO HER ON HER RETURN FROM THE FAR EAST.

CORTAZZI