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From the Secretary of the Cabinet and Head of the Home Civil Service

Sir Robert Armstrong GCB CVO

Ref. A085/1343

15 May 1985

Dear Sheard,

Visit by the Japanese Ambassador

The Japanese Ambassador called, at his request, to see Sir Robert Armstrong yesterday evening. He was accompanied by Mr Kawase of the Japanese Embassy. The call was, in part, a courtesy call on arrival but the subsequent discussion concerned the results of the Bonn Economic Summit and also the specific question of the Bosphorus Bridge contract.

The Japanese Ambassador sought Sir Robert Armstrong's assessment of the results of the Bonn Economic Summit but first offered his own comments. The Ambassador stuck very closely to the attached aide memoire but added one or two glosses. He stressed the theme of reconciliation in the Political Declaration; he remarked that the Strategic Defence Initiative was also discussed during the Summit but that it still seemed rather immature at this stage; and he said that the Japanese Government would prepare by June or July an "action programme" to facilitate access to its home market.

Sir Robert Armstrong responded that the British assessment of the Summit had been largely similar and he rehearsed the main issues with the Japanese Ambassador. He noted the general determination to maintain sustained, non-inflationary, growth; the initiative whereby individual Governments had committed themselves to policies reflecting their particular circumstances which were designed to produce convergence of the major economies - the Japanese commitment on access, following Mr Nakasone's statement of 9 April had been welcomed; the general resistance to protectionism; and the commitment to a new GATT round, despite the argument over the precise date. On the political side he noted that the Political Declaration represented rather more than reconciliation, it was a statement of firm and lasting friendship and a commitment to work for peace and prosperity in the future.

/In response to a

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In response to a question from the Japanese Ambassador, Sir Robert indicated that he thought the most positive result from the British point of view was the general commitment to maintain monetary discipline and to work to remove the constraints on industrial growth to make the most of the opportunities of the world recovery. The Ambassador suggested that the French position of setting a date for the new trade round was due to concern over the Common Agricultural Policy. Sir Robert responded that the French were undoubtedly concerned about the integrity of the CAP and may also have had domestic political considerations in mind but were probably not opposed to a 1986 start though they were not yet ready to commit themselves. He noted that the French also attached importance to "parallelism" with progress on monetary reform and said that even the United States were looking forward to progress in the Group of Ten discussions and, subsequently, in Seoul.

Before leaving the subject of Summit meetings, there was a brief discussion of the date for the Tokyo Summit. Sir Robert said that the British Government had welcomed the invitation to Tokyo and understood that, for domestic reasons, the Japanese might be planning to hold the Summit in May 1986. From a purely European point of view, there would be some advantage in a Summit in the second half of the year to avoid the need for an extra invitation as the Netherlands would have the Presidency of the European Community in the first half of the year, while the United Kingdom probably have the Presidency in the second half of the year.

The Ambassador then turned to the subject of the Bosphorus Bridge and suggested that there had been some misunderstanding underlying the Prime Minister's discussion with Prime Minister Nakasone in the margin of the Summit. The Ambassador said that he had forwarded a letter to the Prime Minister via Mr Luce on May 9. The Ambassador showed Sir Robert a copy of this letter and ran through the points it contained. He said that there were a number of contracts relating to the Bosphorus Bridge and the connected network of expressways. Section 2 was the key section, covering the Bridge itself and the approach roads. He understood that the British bid had been higher in relation to all sections, including section 2 where the Japanese bid had been the lowest bid. He emphasised that the Turkish Government had not sought the tender for the bridge alone but for section 2 as a whole, including the approach roads. The Ambassador said that the bridge was a major infrastructure project and that the Japanese had been asked by the European countries to provide more aid to Turkey because of its important position. It had therefore provided the "soft loan" to the Turkish Government as part of its aid policy but this was quite separate from the question of subsidies.

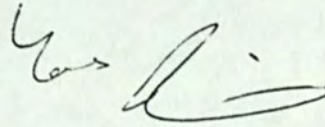
Sir Robert Armstrong said that he had not himself seen the letter but he was sure that it would have reached the Prime Minister and that it would be carefully studied and a response made in due course. He understood, however, that Mr Luce had felt that the Japanese press had contained a somewhat one-sided account of his discussion with the Ambassador. The Japanese Ambassador reiterated that he felt that there had been some misunderstanding of this situation; the Japanese has won a fair competition and had put no pressure on the Turkish

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Government. The Ambassador commented that he had noted that the British company concerned was located in the North East and wondered whether employment considerations had affected the strength of the British Government's feelings on this matter. Sir Robert Armstrong accepted that the loss of employment opportunities in the North East was undoubtedly disappointing especially as the firm had built the first bridge but there had been genuine concern over the way in which the contrast had been settled. Nevertheless, he hoped that the matter would not mar Anglo-Japanese relations in the wider sense and indeed, was sure that it would not as the Prime Minister had great admiration and respect for Mr Nakasone. He undertook to report the conversation to the Prime Minister.

I am sending copies of this letter and the attachment to Charles Powell (NO 10), Rachel Lomax (HMT), Jonathan Startup (DTI), and Jonathan Lingham (ODA).



(R P Hatfield)
Private Secretary

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