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TO IMMEDIATE F C O

TELEGRAM NUMBER 753 OF 29/12/82

AND INFO ROUTINE WASHINGTON, UKREP BRUSSELS, PARIS, AND BONN.

MR ABE'S VISIT TO EUROPE.

1. THE NAKASONE CABINET IS BEGINNING TO SHAKE DOWN AND GIVES THE IMPRESSION OF A TEAM WITH A FIRM LEADER WHO IS DETERMINED TO PAY ATTENTION TO JAPAN'S INTERNATIONAL POSITION. HIS PUBLIC STATEMENTS HAVE BEEN MEASURED AND THE CRITICISM WHICH GREETED HIS ELECTION IS BEGINNING TO WITHER. STATEMENTS BY OTHER MINISTERS HAVE GIVEN THE IMPRESSION OF A MORE PURPOSEFUL BUT POISED STYLE. THE MAIN CONCERNS AT THE MOMENT ARE THE DRAFT BUDGET AND PREPARATIONS FOR NAKASONE'S VISIT TO THE US ON 17 JANUARY.

2. TRADE FRICTION WITH THE US AND EUROPE ARE ALSO WELL TO THE FORE. THE GOVERNMENT FACES INCREASINGLY STRIDENT DEMANDS FROM JAPAN'S TRADING PARTNERS BUT HAS TO TAKE ACCOUNT OF SIGNIFICANT RESISTANCE FROM ENTRENCHED DOMESTIC INTERESTS. NAKASONE SEEMS, HOWEVER, TO HAVE DECIDED THAT MORE POSITIVE STEPS HAVE TO BE TAKEN TO TRY TO DEFUSE THE SITUATION. THE TARIFF CUTS ANNOUNCED OVER CHRISTMAS REFLECT THIS INITIATIVE AND THE PROCESS OF REACHING AGREEMENT BETWEEN THE GOVERNMENT DEPARTMENTS CONCERNED AND THE AGRICULTURAL LOBBIES OWED MUCH TO HIS OWN PERSONAL INTERVENTION.

3. THE PRINCIPAL FOCUS OF NAKASONE'S FOREIGN POLICY DURING HIS FIRST MONTH IN OFFICE HAS BEEN JAPAN'S RELATIONS WITH THE US. ABE WILL ACCOMPANY HIM TO WASHINGTON BUT SEEMS TO HAVE DECIDED PERSONALLY THAT A VISIT TO SOME OF THE PRINCIPAL EUROPEAN CAPITALS WAS ALSO NECESSARY. THIS DECISION, TOGETHER WITH HIS HANDLING OF THE EUROPEAN ANGLE OF THE NEW GOVERNMENT'S TARIFF CUTS PACKAGE, SUGGESTS THAT HE IS MORE CONSCIOUS THAN WE HAD AT FIRST FEARED OF THE IMPORTANCE OF PAYING ATTENTION TO JAPAN'S RELATIONS WITH THE EUROPEAN COMMUNITY. HOWEVER, THE PERCEPTION OF WESTERN EUROPE'S IMPORTANCE ON THE PART OF THE REMAINDER OF THE

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CABINET IS LOW, AND EVEN ABE, ACCORDING TO THE OUT-GOING FOREIGN MINISTER, SAKURAUCHI, HAD SAID THAT HIS MAIN PURPOSE IN VISITING EUROPE NOW WAS TO SEE FOR HIMSELF HOW "UNSTABLE" GOVERNMENTS IN EUROPE REALLY ARE.

4. ALTHOUGH IT IS STILL NOT EXACTLY CLEAR HOW HE PROPOSES TO PLAY HIS HAND, WE HAVE HEARD FROM THE MFA THAT HE WILL TRY TO LIMIT DISCUSSION OF ECONOMIC QUESTIONS TO HIS MEETINGS WITH LORD COCKFIELD AND MR JENKIN AND WOULD PREFER TO DISCUSS SUCH SUBJECTS AS EAST-WEST RELATIONS, ASIA AND POLITICAL COOPERATION WITH YOU.

I RECOMMEND HOWEVER, THAT THE MAIN FOCUS OF YOUR MEETING AND THAT OF THE PRIME MINISTER SHOULD ALSO BE ON ECONOMIC ISSUES. OUR AIM SHOULD BE TO ENSURE THAT MR ABE LEAVES LONDON WITH THE CLEAR IMPRESSION THAT HE HAS HEARD THE SAME MESSAGE FROM ALL MINISTERS HE MEETS ABOUT THE GRAVITY OF THE SITUATION ON THE TRADING FRONT.

5. I SUGGEST THAT YOU MIGHT ACKNOWLEDGE THE STEPS WHICH THE JAPANESE HAVE TAKEN OVER THE PAST YEAR TO IMPROVE ACCESS FOR FOREIGN GOODS AND, THAT THE NEW NAKASONE GOVERNMENT HAS DEMONSTRATED ITS RECOGNITION THAT EUROPE TOO HAD A PROBLEM (SOME OF THE LATEST TARIFF CUTS ARE SPECIFICALLY DESIGNED TO MEET EUROPEAN COMMUNITY AND BRITISH REQUESTS). BUT REGRETTABLE THESE MOVES WILL NOT IN THEMSELVES ALTER THE OVERALL IMBALANCE IN OUR BILATERAL RELATIONS. FURTHER ACTION IS NEEDED TO STEP UP JAPAN'S IMPORTS OF MANUFACTURES. THE GOVERNMENT ITSELF CAN TAKE ACTION TO ACHIEVE THIS THROUGH SPEAKING REGULARLY ABOUT THE NEED TO INCREASE IMPORTS: BY SETTING TARGETS FOR INCREASED LEVELS OF IMPORTS OF MANUFACTURED GOODS; AND BY RECOGNISING HOW JAPAN'S COMMERCIAL AND DISTRIBUTION STRUCTURES WORK AGAINST THE INTEREST OF FOREIGN MANUFACTURERS AND STAND IN THE WAY OF ENSURING SUCCESS IN THE JAPANESE MARKET FOR GOODS WHICH HAVE DEMONSTRATED THEIR COMPETITIVENESS ELSEWHERE IN THE INDUSTRIALISED WORLD. THE JAPANESE GOVERNMENT ALSO NEEDS ACTIVELY TO ENCOURAGE INDUSTRIAL COOPERATION AND FURTHER INVESTMENT BY JAPANESE COMPANIES IN BRITAIN E G IN VTR MANUFACTURE. IN THE CONTEXT OF JAPANESE EXPORTS TO THE UK, A WELCOME COULD BE GIVEN TO THE CONSTRUCTIVE OUTCOME OF TALKS BETWEEN THE TWO MACHINE TOOL INDUSTRIES WHILE POINTING OUT THAT WE STILL AWAIT PROOF OF PROMISED ACTION TO DEAL WITH FORKLIFT TRUCK EXPORTS.

6. ON THE FALKLANDS, ALTHOUGH THERE MAY BE NO IMMEDIATE ASPECTS OF THE PROBLEM TO RAISE WITH ABE, IT WOULD BE A MISTAKE TO LEAVE HIM WITH THE IMPRESSION THAT WE HAVE FORGOTTEN OR ARE READY TO OVER LOOK THEIR FAILURE TO ABSTAIN AT THE UN GENERAL ASSEMBLY. WE SHOULD TRY TO MAKE THEM FACE UP TO THE FACT THAT POLITICAL COOPERATION AND FRIENDSHIP MEAN , SOLIDARITY

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ON ISSUES OF PRINCIPLE AND OF MAJOR IMPORTANCE TO A PARTNER. WE DEMONSTRATED THIS TO JAPAN'S ADVANTAGE OVER THE NORTHERN ISLANDS AND WERE SHOCKED BY JAPAN'S FAILURE TO SUPPORT US OVER THE FALKLANDS.

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