



File JR
SC MASTER

SUBJECT

10 DOWNING STREET

From the Private Secretary

6 January 1983

Dear John,

CALL BY THE JAPANESE FOREIGN MINISTER

Mr. Abe called on the Prime Minister at 1615 today. He was accompanied by the Japanese Ambassador to London, Mr. Matsunaga, Mr. Kato, Mr. Seo and an interpreter. Sidney Gifford and Robin Gray were also present.

The Prime Minister opened the discussion by recalling with pleasure her visit to Japan. Mr. Abe said that Mrs. Thatcher had left a very strong impression on the Japanese people. He now brought warm regards from the new Japanese Prime Minister. Mr. Nakasone believed that ties between Europe and Japan must be strengthened. Hence, Mr. Abe's first trip abroad was to Europe. He had had useful discussions with Mr. Jenkin and Lord Cockfield and a particularly productive exchange with the Foreign and Commonwealth Secretary on the subject of political co-operation between our two countries - Japan had accepted the British proposal designed to improve this.

The Prime Minister said that the first subject which she would like to discuss in some detail was that of trading relations. Our preference was to conduct our negotiations on external trade through the European Community. In the past, the differing interests of European Member States with regard to trade with Japan had made this difficult. We had now made it plain to the European Commission, in particular Commissioner Davignon who had visited London at the end of last year, that unless the Commission could negotiate effectively with Japan in the next two months, then we should have to resort to our own measures. The figures for the balance of trade between Japan and Britain demonstrated that the problem was getting bigger. Commissioner Davignon now, in effect, had his marching orders.

We did not like a situation where individual Member States imposed their own restrictions. There was reason to believe that united action was now more likely.

We were anxious to sell Japan capital goods to correct the adverse balance in our trade and we would also welcome more inward investment.

/Mr. Abe said

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Mr. Abe said that he understood these points. In Brussels he had reached agreement on a general framework for high-level consultations at the end of January between the European Community and Japan. He expected Commissioners Davignon and Haferkamp to visit Japan in February to discuss the major issues. Japan wanted to play its part in safeguarding free trade. It had recently made several substantial tariff reductions, some of which would have a direct effect on longstanding problems between the United Kingdom and Japan. He instanced the reductions in the case of chocolates, biscuits, cigarettes and some industrial goods such as agricultural tractors. These measures had evoked strong opposition from some circles in Japan but had been pushed through by the determination and leadership of Prime Minister Nakasone.

When in Japan, the Prime Minister had mentioned her concern about numerically controlled machine tools and fork lift trucks. Talks on these matters were now coming to a satisfactory conclusion. Japan intended to take other steps to improve access to the Japanese market and would try to encourage imports of manufactured goods. His country also sought scientific and technical collaboration and there had been promising signs of increased co-operation in this field since the Prime Minister's visit to Japan.

He had been glad to observe that the British Government was determined to uphold the principles of free trade. It was a pity that some European countries had imposed restrictive measures. Japan thought the right course was to seek more balanced trade by expansion.

The Prime Minister agreed that this was the better course. But public opinion felt quite strongly that our market was open in a way that others were not. We were glad that Japan had made some tariff reductions but these were small compared with the magnitude of the problem. Tariff changes on items such as chocolates and biscuits could not solve the fundamental problem. Only large-scale purchases of our capital goods could make a real impact.

The question of trade with Japan was a permanent item on the agenda of European Heads of Government. We were determined to try to negotiate through the Community with Japan. But if this was not successful, then the Member States were likely to resort to competitive protectionism.

The Prime Minister expressed her gratitude for the speed with which the problems of numerically controlled machine tools and fork lift trucks had been tackled. She stated that we were looking forward to participating in the Tsukuba Scientific Exhibition in 1985. Mr. Abe referred to the fact that the Japanese had just presented a revised draft of the proposed agreement on science and technology. The Prime Minister said that we would pursue this matter - she thought that outward and visible signs of co-operation between the world's democracies were helpful.

/ Looking ahead,

Looking ahead, she believed that the Williamsburg Economic Summit was likely to be one of the most important in the series, given the depth of the world recession. Mr. Abe said that Mr. Nakasone entirely agreed. He was looking forward to frank discussions in Williamsburg.

Mr. Abe informed the Prime Minister that Prince Hiro was expected to visit the United Kingdom in the autumn. The Prime Minister said that he would be a most welcome guest.

Turning to political issues, Mrs. Thatcher said that she believed that 1983 would be an important year. Major subjects of interest would be the developing policies of the new Soviet leadership, the prospects for arms control and disarmament and the likelihood of a Soviet/Chinese rapprochement. The Russians seemed to be making a strong effort to improve their relations with China but she felt it difficult to assess what progress they were achieving. Mr. Abe said that Japan was watching closely the development of relations between Russia and China. Some signs of improvement were visible but the three conditions imposed by China would probably prevent fundamental progress. The Prime Minister said that in her view partial satisfaction of these conditions could lead to a substantially better relationship and that this could mean a fundamental disturbance of the world political balance.

The discussion ended at 1655.

I am copying this letter to John Rhodes (Department of Trade), Jonathan Spencer (Department of Industry) and Robert Lawson (MAFF).

John Rhodes

John Lawson

J.E. Holmes, Esq.,
Foreign and Commonwealth Office.