



cc ~~Quater~~ (2)  
Prime Minister

A.T.C. 15/2

From the Secretary of State

John Coles Esq  
Private Secretary  
10 Downing Street  
London  
SW1

15 February 1983

Dear John,

#### EC-JAPAN TALKS ON EXPORT RESTRAINT

You asked for briefing on the announcement over the weekend on the Commission's discussions with the Japanese Government on export restraint.

The Japanese Government has agreed to export restraint on 10 items : video tape recorders (VTRs), colour tvs and tubes, machine tools, cars, light commercial vehicles, fork-lift trucks, motorcycles, quartz watches and hi-fi equipment.

The agreement is an important move by the Japanese Government in taking the Community more seriously, but we still need to clarify with the Commission some details of the outcome. The following reflects our present understanding.

General assurances of export restraint to the EC have been given in a number of sectors of interest to the UK, notably on vehicles, machine tools and fork-lift trucks. These are all sectors where our industries themselves have discussions with the Japanese.

Specific assurances have been given on the exports of colour television tubes and VTRs. Large CTV tubes are to be cut to 900,000 in 1983; only general assurances have been given on exports of medium sized (14-20 inch) CTV tubes. On VTRs, the Japanese have agreed to restrain exports to within a ceiling of 4.55 million units in 1983. This compares with the likely out-turn of 4.3 million in 1982, but on a rising market leaves room for EC manufacturers to sell at least 1.2 million units and thereby increase their overall market share. The Commission has informally told us that MITI have allowed for 600,000 VTR kits (which are essential for our new domestic production ventures with the Japanese) in the total, and that our need for such kits will thus be met. We are still clarifying this point. In addition, there have been some general assurances on export restraints in other sectors, as noted above, where European industries hard pressed.

A number of points of detail still need to be discussed with the Commission. It is an important advance that the Japanese have been prepared to deal with the Community as a single entity and indeed have been willing to come to what will be represented to be a wide ranging agreement. But in general there is no "roll back" in the agreement: for example, the number of VTRs to be imported will increase not decrease. While the agreement is worth having it does not in itself have any bearing on the major problem of better access for our own exporters to the Japanese domestic market. Whilst therefore





*From the Secretary of State*

the agreement will make some contribution to stopping the present situation getting worst, we shall still need to press very strongly if we are to achieve a significant improvement in our trade balance - and the EC's balance for that matter - with Japan.

The details of the agreement should become clearer over the next week, and will be considered at the Foreign Affairs Council on 21/22 February next week. The Secretary of State will be attending the Council.

I am copying this to Roger Bone (FCO) and Jonathan Spencer (DOI) and Richard Hatfield (Sir Robert Armstrong's office).

*Yours sincerely,  
John Rhodes*

JOHN RHODES  
Private Secretary



Joe B.  
JAPAN

10 DOWNING STREET

*From the Private Secretary*

17 February 1983

EC/Japan Talks on Export Restraint

Thank you for your letter of 15 February, the contents of which the Prime Minister has noted.

I am copying this letter to Roger Bone (Foreign and Commonwealth Office), Jonathan Spencer (Department of Industry) and Richard Hatfield (Cabinet Office).

A. J. COLES

John Rhodes, Esq.,  
Department of Trade.