



Foreign and Commonwealth Office

London SW1A 2AH

31 October 1983

Dear John,

Mr Michio Watanabe is calling on the Prime Minister at 4 p.m. on 2 November. I enclose copies of the briefing prepared for the Foreign Secretary (who is receiving a similar courtesy call on 1 November), a personality note, and a copy of Mr Watanabe's programme.

Mr Watanabe is reported to be bringing with him a personal letter for the Prime Minister from Mr Nakasone.

Yours ever,

(P F Ricketts)
Private Secretary

Peter Ricketts

A J Coles Esq
10 Downing Street

POINTS TO MAKE

CALL ON THE SECRETARY OF STATE BY MR WATANABE

1. Have followed closely events in Japan since the Tanaka verdict. Interested in Mr Watanabe's views about how the situation may develop.

2. Recently announced economic measures demonstrate political will of Japanese Government to deal with this problem. We welcome these steps but acid test will be whether measures reduce the present trade surpluses. Trade figures continue to deteriorate. In Japan's interest to defuse inevitable pressures for protectionism.

Far Eastern Department
31 October 1983

ESSENTIAL FACTS

POLITICAL

1. On 12 October former Prime Minister Kakuei Tanaka was found guilty of accepting a 500 million yen bribe from the Lockheed Corporation whilst in office. He immediately appealed against the verdict and announced his determination not to give up his seat in the Diet, although he had formally left the LDP some time earlier and sits as an independent. Parliamentary business has been brought to a standstill because opposition parties insist that a resolution calling for his resignation be introduced into the Diet before other legislation proceeds. Two bills being held up by the opposition boycott, one cutting income tax and the other raising the wages of public servants, are popular with all parties, but the opposition remains intransigent. The powerful influence which Tanaka's faction still exerts within the LDP makes the introduction of a resolution for Tanaka's resignation unacceptable although there are those even in the LDP who would vote for it. Prime Minister Nakasone is reported recently to have tried unsuccessfully to persuade Tanaka to resign. A General Election is due before June 1984, and it is likely that Mr Nakasone will call one in the near future as the only way out of the present impasse. Nakasone's handling of this problem will have a decisive influence on his political fortunes.

2. Mr Watanabe was formerly a member of Mr Nakasone's faction and at present belongs to none (although he is still close to Mr Nakasone). His views as an independent in the LDP, as well as a former senior Minister (Finance) with continuing ambitions, will be of interest.

/TRADE

TRADE

3. The Japanese Government unveiled on 21 October a new package of economic measures. Welcome though these measures are, it remains to be seen how effective they will be in correcting Japan's trade imbalance with the rest of the world. A check-list of the measures is attached. Some of the suggestions (eg creation of a banker's acceptance market to increase the internationalisation of the yen) are presented simply as ideas for consideration. Others (eg low-cost finance for importers) may be of more positive value.

4. Mr Watanabe is known to believe that trade and economic relations in general must be looked at globally rather than bilaterally. The fact remains however that Japan's global trading surplus for the first eight months of 1983 was \$12bn, while projecting the figures for the first four months of fiscal 1983 (April-July) would point to an annual global surplus of \$36bn. As for the UK, the bilateral trading deficit in 1982 was £2bn with the first eight months of this year showing a 25% increase on the corresponding period of 1982.

Far Eastern Department

31 October 1983

ANNEX 7

PACKAGE OF MEASURES ANNOUNCED BY JAPANESE ON 21st OCTOBER

i) Economic Management

Measures to expand domestic demand. These include a ¥1.8 billion expansion of public works, income tax reduction, privatisation of publicly owned land to promote housing development, urban re-development and the removal of controls on housing construction, promotion of industrial investment particularly in energy related industries and measures to stimulate small businesses. In addition a cut of 0.5% in the official discount rate is expected to bring it down to 5%.

ii) Market Opening

A further round of cuts in certain tariffs are to be made with effect from April 1984. In addition the Japanese Government will accelerate Tokyo round reductions should other countries reciprocate. Increases of 50% in quotas for industrial products under the GSP. Confirmation of follow up to the Gotoda Committee's work on standards and certification. Further reinforcement of the trade ombudsman's office.

iii) Import Promotion

Preferential finance for manufactured imports from the EX-IM Bank (7.75% for up to 5 years and up to 60% of the import contract). Further consideration of new financing arrangements to promote imports, the promotion of public procurement of imports, the designation of an 'import promotion month' and better distribution for imported tobacco.

iv) Capital In-Flows

Government bond issues overseas to raise foreign capital.

v) Greater Yen Financing

Consideration of a number of measures (including a bankers acceptance market in yen) to promote greater use of the yen in international exchanges.

vi) Promotion of International Cooperation

Increased aid to the developing world, more encouragement for industrial cooperation and a reaffirmation of the need for Japan to moderate exports.

WATANABE, MICHIO

LDP Politician.

Born 1924.

Entered the Tokyo University of Commerce which later became Hitotsubashi University but was drafted during World War II while still at college. Started his political career as a Prefectural Assembly man. Elected 7 times to the Lower House from Tochigi 1 Constituency. Minister for Health and Welfare 1976-77 and Minister for Agriculture, Forestry and Fisheries November 1978-November 1979. He has also been Chairman of the Lower House Cabinet Committee and Deputy Secretary General of the LDP. He became acting Chairman of the LDP Policy Affairs Research Council when Abe resigned after he had boycotted the vote of no-confidence in the Ohira government. Minister for Finance July 1980-November 1982.

Watanabe is a tough negotiator. During his time as Minister for Health and Welfare he put through a reform of tax privileges for doctors and dentists in the face of strong opposition from the Japan Medical Association. He is frank, jovial and a persuasive speaker. He is known for his ability and directness in dealing with problems. He is one of the youthful but senior LDP men often tipped as a future Prime Minister.

He left the Nakasone faction in a dispute over the election of the Prime Minister in 1979. Although he now has no factional affiliation he is still close to Nakasone.

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RECEIVED IN REGISTRY No. 50		
31 OCT 1983		
DESK OFFICER		REGISTRY
INDEX	PA	Action Taken

YOUR VISIT 49: MR WATANABE

1. OUTLINE PROGRAMME, SUBJECT TO ALTERATION/CONFIRMATION, AS FOLLOWS:

MONDAY 31 OCTOBER

ARRIVE 0505 HRS, MET BY COI REPRESENTATIVE AND PRECEED TO ATHENAEUM HOTEL,

1630 PROGRAMME DISCUSSION AT HOTEL

TUESDAY 1 NOVEMBER

1000 GOVERNOR OF BANK OF ENGLAND

1500 SIR GEOFFREY HOWE

EVENING FREE FOR DISCUSSIONS WITH JAPANESE BUSINESSMEN

WEDNESDAY 2 NOVEMBER

1000 CHAIRMAN OF BOARD, INLAND REVENUE DEPT, FOLLOWED BY LUNCH

1430 DHSS. DISCUSSION WITH UNDER-SECRETARY

1600 MRS THATCHER (CONFIRMED)

THURSDAY 3 NOVEMBER

0900 CHAIRMAN, LLOYDS BANK

1200 HOUAE OF COMMONS LUNCH WITH MPS FOLLOWED BY PM QUESTION TIME

EARLY EVENING: SHUTTLE FLIGHT TO EDINBURGH

FRIDAY 4 NOVEMBER

VISIT LIVINGSTON NEW TOWN, NEC AND MITSUBISHI

LUNCH WITH LIVINGSTON DEVELOPMENT CORPORATION

P.M. DISTILLERY VISIT

SATURDAY 5 NOVEMBER

GOLF. HOPEFULLY AT MUIRFIELD, OLDEST CLUB IN WORLD.

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27576 - 2

GLENEAGHES CONSIDERED UNSUITABLE AS TOO DISTANT, AND
CROWDED BY TOURISTS.

SUNDAY 6 NOVEMBER

SHUTTLE TO HEATHROW, TO PICK UP RETURN JAL FLIGHT.

2. NO DIFFICULTY OVER NAGANO JOINING SCOTTISH PROGRAMME.

HOWE

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OFFICE OF THE PRIME MINISTER
TOKYO

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. 161^B/83

October 24, 1983

Dear Prime Minister,

Learning that Mr. Michio Watanabe, member of Diet and a long political associate of mine, is proceeding to Britain, I am writing to ask you to be good enough to receive and talk with him about the current Japanese - British relations.

Mr. Watanabe has served key Cabinet portfolios, including Minister of Health and Welfare, Agriculture and Fisheries, and twice Finance, and, though young, forms the core of the Liberal Democratic Party and the modern conservatism in Japan.

I am certain that you will find Mr. Watanabe informative as well as interesting.

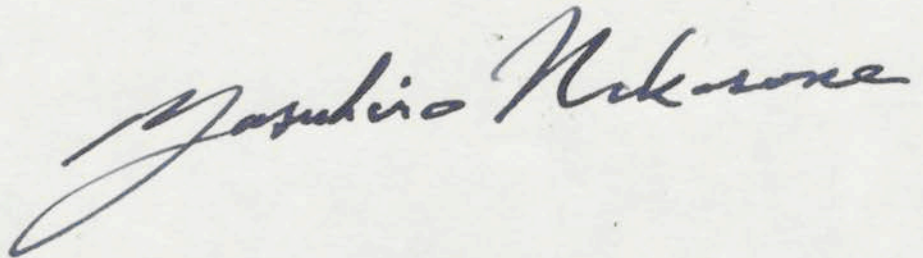
Now that the term at Oxford has started and Prince Hiro has entered into academic and social life at Merton College, I should like to express my heartfelt sense of gratitude to you and the British people concerned for the kind and constant consideration devoted to His Imperial Highness.

Rt. Hon. Margaret Thatcher, MP
Prime Minister of the United Kingdom
of Great Britain and Northern Ireland
10 Downing Street
London, SW1
U.K.

During the two years at Oxford, your Alma Mater, the Prince will learn not only academic science but the basic thinking and philosophy of Western civilization, broadening the Prince's outlook to the world.

Thanking again for the considerate attention to Prince Hiro and wishing you to meet next year at the Summit.

Yours sincerely,

A handwritten signature in dark ink, reading "Yasuhiro Nakasone". The signature is written in a cursive, flowing style with a large, sweeping initial 'Y'.

Yasuhiro Nakasone
Prime Minister of Japan