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From the Principal Private Secretary

28 March 1988

Dear Rodric,

I duly saw Mr. Murioka of Miti this afternoon. He was accompanied by Mr. Yamamoto and one other. The conversation was on predictable lines, but I nevertheless record some of the main points.

Mr. Murioka began by asking me for my views on the main subjects for the Prime Minister's meeting with Mr. Takeshita. I said that I did not know. In answer to a question about the climate of the meeting, I said that I expected it to be friendly and courteous. But the meeting was still over a month away. If Mr. Murioka had views on the discussion, he should communicate them to Christopher Roberts whom I knew he was seeing during his visit over here. Towards the end of the meeting, Mr. Murioka came back to Mr. Takeshita's discussion with the Prime Minister. Emphasising that he was expressing a personal view, he said that he hoped that the discussion would not focus entirely on sectional (by which I think he meant bilateral) issues, but would deal with wider issues such as world economy management, the consequences for other countries of the single European market and the fight against world protectionism. I offered no comfort here.

Mr. Murioka then went on to give his own impressions of Mr. Takeshita, including the delphic comments that Mr. Takeshita's words were clear, but his meaning was sometimes not.

I asked Mr. Murioka about the change in Japanese tax law, due to take effect on 1 April, whereby certain small savings deposits would now be liable to tax. Mr. Murioka did not think this would much affect the Japanese savings ratio. He believed that this could rise still further. The enormous level of land prices gave Japanese a peculiar incentive to save. He then described the current battle waging in Tokyo between the Ministries regarding the economy. Miti was urging a higher rate of growth on the Finance Ministry. Inevitably, that Ministry was resisting, especially since it was concerned about the already high level of public sector debt.

I also asked about Mr. Murioka's views for handling the "Four Tigers" (to use Mr. Murioka's own words). He emphasised that it was important not to regard the four as posing a common problem. Singapore and Hong Kong had relatively small trade surpluses and maintained open markets. South Korea's large trade balance had only recently emerged. It had had a volatile record in controlling inflation. Last year there had been a 21% increase in wages for the larger companies and 8% had been offerd this year. That too would affect inflation. South Korea was, he thought, willing to graduate into the trading system of the advanced countries, though there would be problems. The real difficulties lay with Taiwan, though even that country had been adjusting its economy. The Taiwanese dollar had risen by 45 per cent since the Plaza Agreement though it clearly needed to appreciate more. Taiwan also needed to open up its markets further. In answer to a further question about intellectual property rights, Mr. Murioka said that Japanese businessmen, like British businessmen, complained about difficulties in enforcing intellectual property rights in some of the NICs. But Japanese businessmen's difficulties were not confined to NICs: they had problems in Italy regarding electronics. Clearly intellectual property matters were the subject for an early harvest from the Uruguay Round, both as regards rules and enforcement. It was important, however, not to adopt an 'excessive' approach, as too often adopted by the US authorities. He was particulaly scathing about Clause 337 of the US customs law and the lack of knowledge and precipitate reaction of the ITC.

I am sending a copy of this letter to Christopher Roberts in DTI.

Yours ever
Nigel Wicks

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