

CONFIDENTIAL FILING

Visit by the Prime Minister of
Japan 16-18th June 1981

JAPAN

SJ
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MAY 1981

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
5.6.81							
17.6.81							
19.6.81							
29.6.81							
13.7.81.							

PREM 19/511

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806

Briefing for mtg on the
17 June 1989 in folders attached
[Now incorporated]

File

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Japa

13 July 1981

I am replying on the Prime Minister's behalf to your letter to her of 8 July. The message which you enclosed from Prime Minister Suzuki has been placed before the Prime Minister.

MICHAEL ALEXANDER

His Excellency Mr. Naraichi Fujiyama

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Prime Minister

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EMBASSY OF JAPAN
UNITED KINGDOM

London : 8th July 1981

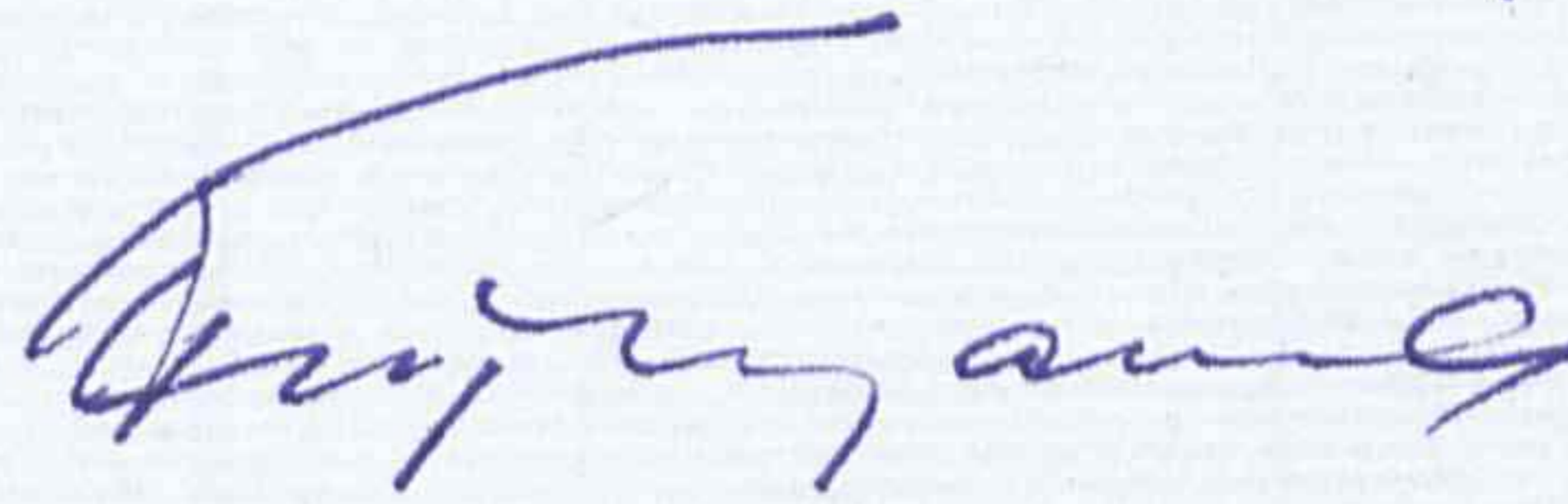
Dear Prime Minister,

I am asked by Prime Minister Suzuki to forward a letter to you.

See letter of
25/6/81

I have much pleasure in enclosing this letter herewith.

Yours sincerely



Naraichi Fujiyama
Ambassador

The Rt. Hon. Margaret Thatcher, MP,
Prime Minister and First Lord of the Treasury,
10 Downing Street,
London, SW1.

C/F T-157

Japer

8 July, 1981

I am replying on the Prime Minister's behalf to your letter to her of 8 July. The message from Prime Minister Suzuki has been placed before Mrs Thatcher.

W. F. S. RICKETT

His Excellency Mr Naraichi Fujiyama

FILE

VLB

Japan

29 June 1981

The Prime Minister has asked me to
thank you for your letter, and she is
delighted with the photograph of Mr. Suzuki.

With best wishes.

CAROLINE STEPHENS

CS

His Excellency Mr. Naraichi Fujiyama

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T96A/87

SUBJECT
(Translation)

June 25, 1981

Dear Prime Minister,

I thank you very much for the kind hospitality you and your Government extended to me on the occasion of my recent visit to your country.

It was a great pleasure for me that during my very brief stay in your country, I had an opportunity to observe for myself warm customs and manners of your people and to have a frank exchange of views with you on the present international situation and on the relations between Japan and the United Kingdom and Japan and Europe. I found your esteemed views extremely useful for Japan in dealing with the international situation and strengthening relations between our two countries.

I take this opportunity to reaffirm my intention to continue my best efforts, on the basis of the results of my recent visit to your country, for the further advancement of relations between Japan and your country.

I am looking forward to seeing you again at the Ottawa Summit Meeting.

Yours sincerely,

Zenko Suzuki

拜啓

先般の貴国訪問に際して閣下及び貴国政府関係者より温かいおもてなしを受けましたことに対し、心より感謝申し上げます。

貴国における滞在は極く短期間なものでありましたが、貴国の実状をつぶさに拝見し、また、貴首相との間で現下の国際情勢並びに日英及び日欧関係につき親しく会談できましたことは私にとって望外の喜びでありました。貴首相の貴重な御意見は、今後我が国が国際情勢に対処していく上で、また、日英関係の緊密化を推進していく上で極めて有意義なものでありました。

私としては、今回の貴国訪問を踏まえ、今後とも日英関係の一層の発展のため最大限の努力を重ねていく所存であることを、ここに改めて表明いたしたく思います。

来月のオタワ・サミットにおいて再びお会いできることを楽しみにしております。

敬具

昭和五十六年六月二十五日

日本国内閣総理大臣

鈴木善孝

連合王国首相

マーガレット・サッチャー閣下

1-493 6030

EMBASSY OF JAPAN

46 GROSVENOR STREET

LONDON W1X 0BA

24th June 1981

Dear Prime Minister,

Before our Prime Minister, Mr. Zenko Suzuki, left London last week, he requested me to convey to you his gift which is a memento of his visit to this country.

I have much pleasure in sending it herewith.

Yours sincerely
Naraichi Fujiyama

Naraichi Fujiyama

Ambassador

The Rt.Hon. Margaret Thatcher, MP,
Prime Minister and First Lord of the Treasury,
10, Downing Street,
London, S.W.1.



JS

Japan

10 DOWNING STREET

From the Private Secretary

19 June 1981

My dear Ambassador,

I am replying on the Prime Minister's behalf to your letter to her of 18 June. The message from Prime Minister Suzuki has been placed before Mrs. Thatcher.

Yours sincerely

Michael Alexander

His Excellency Mr. Naraichi Fujiyama



T-1e

24

Japan

10 DOWNING STREET

From the Private Secretary

19 June 1981

Dear Roderic,

Japanese Prime Minister

I enclose a copy of the record of the Prime Minister's discussion here with Mr. Suzuki on Wednesday 17 June.

I am sending copies of this letter and its enclosure to Ian Ellison (Department of Industry), John Rhodes (Department of Trade), Brian Norbury (Ministry of Defence) and David Wright (Cabinet Office).

Yours ever

Michael Alexander

Roderic Lyne, Esq.,
Foreign and Commonwealth Office.

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. 193/81

EMBASSY OF JAPAN
UNITED KINGDOM

*Mr. Master
Ops.*

London : 18th June 1981

Dear Prime Minister,

I am asked by Prime Minister Suzuki to transmit the following message to you :

"As I leave London, I wish to express my profound gratitude for the warm welcome and kind hospitality extended to me and my party during our stay in London.

"I greatly appreciate the opportunity we had to discuss matters of mutual interest with you and your colleagues.

"I look forward to seeing you again in Ottawa."

ZENKO SUZUKI

Prime Minister of Japan

*Yours sincerely
Naraichi Fujiyama*

Naraichi Fujiyama

Ambassador

mt

The Rt.Hon. Margaret Thatcher, MP,
Prime Minister and First Lord of the Treasury,
10, Downing Street,
London, S.W.1.

Mr. Martin.
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RECORD OF A DISCUSSION BETWEEN THE PRIME MINISTER AND THE PRIME MINISTER OF JAPAN, MR. ZENKO SUZUKI, HELD AT NO. 10 DOWNING STREET AT 1150 HOURS ON WEDNESDAY 17 JUNE 1981

Present:-

Prime Minister	Mr. Zenko Suzuki
Foreign and Commonwealth Secretary	H.E. Mr. Naraichi Fujiyama
Secretary of State for Industry	Mr. Tsutomu Kawara
Secretary of State for Trade	Mr. Masuo Takashima
Sir Robert Armstrong	Mr. Toshiaki Muto
Sir Michael Palliser	Mr. Hiromu Fukada
Sir Hugh Cortazzi	Mr. Takashi Kato
Mr. Michael Alexander	Mr. Ichiro Fujiwara
Mr. Robin McLaren	Mr. Sakutaro Tanino
	Mr. Shinichi Kitajima

* * * * *

The Prime Minister welcomed Mr. Suzuki and his colleagues to London. It was important that those who subscribed to the same values should meet regularly. She was particularly glad to have the opportunity of talking to Mr. Suzuki before the Ottawa Summit. Expressing his thanks, Mr. Suzuki looked forward to a fruitful exchange of views on international political and economic issues as well as bilateral matters.

During further courtesies, Mr. Suzuki expressed congratulations on the engagement of the Prince of Wales and Lady Diana Spencer. The Prime Minister undertook to convey them and enquired about the Emperor's health. Mr. Suzuki said that he was well and enjoying life but because of his age he had asked the Crown Prince and Princess to represent him at the Royal Wedding. The Japanese Cabinet would give their formal agreement to this after Mr. Suzuki's return and we should then be informed officially. Mr. Suzuki added that although the Crown Prince had agreed to be a co-patron on the Great Japan Exhibition a prior engagement would prevent him from attending its opening in October. Consideration was now being given to which member of the Imperial Family might visit Britain on this occasion.

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/The Prime

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- 2 -

The Prime Minister proposed that political questions should be discussed first and invited Mr. Suzuki to give his views. The British Government were concerned about Afghanistan, Poland and of course the Middle East. She recalled the close co-operation between Japan and Europe following the Iran hostages crisis.

Mr. Suzuki referred to his recent visit to the US. In his discussions with President Reagan there had been complete agreement that those countries which held to the ideals of freedom and democracy should extend their co-operation in the interests of promoting peace and stability. They had discussed the build-up of Soviet military forces and the threat posed by increasing Soviet influence in Asia, including Afghanistan, and Africa. They had agreed on the need to maintain deterrence and that in the security field each should make the contribution appropriate to its national circumstances.

Continuing, Mr. Suzuki said that the countries of the third world had an increasing political influence but economically and socially they were still weak. The non-oil LDCs had been particularly hard hit by the economic recession; Western neglect of their problems would stimulate Soviet penetration. He therefore hoped that Europe, Japan and the US could join forces in increasing assistance to such countries.

Mr. Suzuki added that it was also important to solve problems among the industrialised democracies which faced inflation, unemployment, stagnation and imbalances between their economies. In the medium term there were also likely to be serious problems over energy. There was a need for the industrialised countries to show greater understanding of each other's problems and to increase their cooperation. In doing so they would contribute both to the security of the West and to peace and stability more generally.

/In answer

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In answer to a question, Mr. Suzuki said that there were currently 1.3 million unemployed in Japan. The Prime Minister said that that corresponded to 2.2 per cent of the work force, a figure which could be accounted for by people changing jobs. Japan was very fortunate in this respect. She also noted that Japan's inflation was running at only 6.2 per cent, and offered her congratulations. For Europe and the US unemployment was the burning issue and inflation was much too high. We were suffering from the effects of the world recession. Successive rises in the price of oil meant that our traditional customers could no longer buy our goods and there was increasing competition for trade among Western countries. All these matters would need to be discussed at Ottawa.

The Prime Minister then invited the Foreign and Commonwealth Secretary to speak on the other matters which Mr. Suzuki had raised. Lord Carrington said that there was a connection between the Soviet military build-up and the problems of the third world. The British Government was concerned by the extension of Soviet power into Indochina (through Vietnam), Afghanistan and Africa, and particularly concerned about the situation in Poland because the future of East-West relations depended on what happened there. The NATO countries had responded to the situation by committing themselves to increasing their defence spending in real terms by 3 per cent a year. But there was a danger that Western influence in the third world, particularly in countries like Pakistan, would be eroded unless we were able to provide sufficient help. There was a need for more investment and aid. Britain was still providing over £1,000 million in aid which was as much as we could afford. The constraints on the Japanese defence effort were well known but Lord Carrington hoped that Japan could make its contribution through aid and pay special attention to those countries most vulnerable to Soviet influence, in particular Pakistan. In this context he wished to take the opportunity to thank Mr. Suzuki for the recent increase in Japan's aid to Zimbabwe.

Mr. Suzuki

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- 4 -

Mr. Suzuki agreed that any Soviet intervention in Poland would place a dark cloud over the future of detente. It was important that the West should make it clear to the Russians that they would have to pay a very high price if they intervened. If Soviet intervention did take place Japan would wish to co-operate closely with other Western countries with a view to agreeing on a "responsible" response. As regards Indochina, the Japanese supported the early convening of an international conference on Cambodia. They were keeping in close touch with ASEAN countries over this. Lord Carrington had mentioned the importance of aid to countries bordering areas of tension. The Japanese were already directing their aid in this way, in particular to Pakistan, Turkey and Thailand. Mr. Suzuki was glad that Japan had been able to increase its aid to Zimbabwe.

Lord Carrington then outlined the main features of the proposed initiative on Afghanistan. We had in mind an international conference in two stages. The first stage, which would be attended by the Permanent Members of the Security Council, Pakistan, Iran and India, would concentrate on the external aspects of the problem. Participation in the second stage would be extended to include Afghan representatives; it would seek to reach agreement on the international arrangements proposed at the first stage and create the conditions in which Afghanistan's independent and non-aligned status could be restored. We would prefer this idea to be put forward as a European initiative; if not we would propose it ourselves. Lord Carrington hoped that the Japanese Government would give it their support once it had been made public. In the meantime it was important to preserve secrecy. Mr. Suzuki said that this sounded like a very good idea. Japan was a member of the Security Council, though not a Permanent Member, and would want to co-operate.

Mr. Suzuki said he wished to say something on Japan's position as regards defence. The Japanese Constitution placed certain limits on Japan's defence role, and Japan was also bound by its three non-nuclear principles. But the Japanese had been making steady efforts to improve their defence capabilities. Between

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1971 and 1979 defence expenditure had grown in real terms by an average of 7 per cent a year. Similarly, Japan had doubled its development assistance between 1977 and 1980 and hoped to double it again over the next 5 years.

The Prime Minister pointed out that the UK spent 5½ per cent of GNP on defence. This was a heavy burden which was reflected in our industrial costs. We also had a very good record on aid. By contrast Japan's spending on defence was less than one per cent of GNP. She therefore hoped that Japan would be able to increase its aid to the third world.

The Prime Minister then turned to trade questions, emphasising that she was speaking as a friend. The British Government believed in the open trading system. The UK exported twice as much per head as Japan and was also a major importing country: we had few raw materials apart from oil and coal and also had to import food. It was therefore to our advantage to resist protectionism and preserve the open trading system. But we should not be able to maintain that policy unless others opened their markets to British goods as freely as the UK market was open to their goods. The Government faced great pressure from people who wanted more protectionist policies. This was because of the increasing penetration of the British market in sensitive sectors, particularly cars and electronics, and because of the general belief in Britain that other countries were erecting non-tariff barriers which operated to the UK's disadvantage. We were seeking to tackle the problem through the European Community, which was the correct channel, and were therefore greatly disappointed that the recent EC/Japan talks had achieved no progress. The Prime Minister appealed to Mr. Suzuki to do everything possible to open up the Japanese market. Japan's imports of manufactures were very low; indeed they were on roughly the same level proportionally as those of Turkey. This was a major problem for Europe and the US, and a major problem for Japan. The Prime Minister hoped that efforts to solve it could begin before Ottawa; otherwise it was likely to be an important topic for discussion there.

/ Mr. Suzuki

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- 6 -

Mr. Suzuki thanked the Prime Minister for her frank and friendly remarks, and in particular for what she had said about the importance of upholding the principles of free trade and stemming the tide of protectionism. He hoped that the Prime Minister and Lord Carrington would work for the maintenance of the open trading system during the UK Presidency of the European Community. The Prime Minister had mentioned Britain's wish to work through the Community in resolving trade problems. This question had also been raised by M. Thorn on 16 June. It was very desirable that the EC Commission should resolve differences of approach among the member states; Japan would then be able to show its full respect for the Community by using the Commission as the official channel for trade discussions.

As regards the opening of the Japanese market, Mr. Suzuki said that that market was not as closed as it might seem. Once the cuts agreed at the Tokyo round of MTNs had been fully implemented, the average tariff in Japan would be only 3.6% compared with 5% in the US and 6.4% in the EC. The Prime Minister intervened to say she had been referring to tariffs on manufactures, and in particular on scotch whisky which was a very important UK export. Mr. Suzuki claimed that the 3.6% figure referred to tariffs on manufactures and 'minerals'. He added that Japan now maintained residual import restrictions on only 5 items whereas restrictions applied to 6 items in the US and 27 in France. As regards the question of increasing imports of manufactures, the Minister for International Trade and Industry was about to visit London and would be seeing British Ministers. Mr. Suzuki hoped that the opportunity could be taken to discuss this question further.

At the Prime Minister's invitation, the Secretary of State for Trade said that since 1975 imports of Japanese cars to this country had been governed by an inter-industry understanding. In general the British Government had been content with the way which this understanding had operated but he was concerned by the prospect that cars excluded from the US market as a result of the recent US/Japan agreement would be diverted to other markets. It was

/ essential

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- 7 -

essential to preserve the integrity of the existing voluntary arrangements; Mr. Biffen hoped that Mr. Suzuki could assure him that the Japanese government shared his concern on this point.

Mr. Suzuki said he had a high regard for the understanding between the two motor manufacturing industries, which was a model of its kind. There was no need for concern about the possibility of diversions of cars from the US to the European market: the understanding reached with the US was on the basis of the exports actually achieved in recent years. During his current visit to Europe Mr. Tanaka would be assuring his European counterparts that Japan would continue to be very vigilant over car exports to Europe. Japan had no wish to see these exports cause difficulties for the European industries.

The Prime Minister then invited Sir Keith Joseph to speak. The Secretary of State for Industry said he was looking forward to meeting Mr. Tanaka. There were now more than 20 Japanese firms which had established factories in this country and they were doing well. He hoped that Nissan would also decide to invest in the UK; if they did so it would represent a very big step forward in collaboration between the two countries. Mr. Suzuki was no doubt aware that Rolls-Royce was collaborating with a number of Japanese firms over a new aero-engine, the RJ 500. This project would have the British Government's full support if it proved sound and commercially viable. Sir Keith Joseph added that he was hoping to visit Japan in September for an inward investment seminar and looked forward to pursuing these matters then.

Mr. Suzuki said that Nissan had carried out a feasibility study with regard to the possibility of investment in the UK. He believed that the prospects were bright but Mr. Tanaka would be able to give a clearer indication of the company's position when he visited London. He understood it was the strong wish of the three Japanese companies concerned to proceed with the RJ 500 project.

/ The Prime Minister

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- 8 -

The Prime Minister suggested that the conversation should be continued over lunch since other guests were assembling. The meeting ended at 1308.

Handwritten signature

18 June 1981

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Foreign and Commonwealth Office

London SW1A 2AH

18 June 1981

M O'D B Alexander Esq
No 10 Downing Street

New Michael,

*Type main record
for my signature*

JAPANESE PRIME MINISTER'S VISIT TO THE UK

And

- 1. I enclose my draft record of the Prime Minister's meeting with Mr Suzuki yesterday. I have shown it to Sir Hugh Cortazzi who is content. In view of the visits here by Messrs Tanaka and Komoto I have sent advance copies, stressing that it is only a draft, to the Treasury and the Departments of Trade and Industry.
- 2. You will also wish to see the enclosed copy of a minute by Stuart Jack recording some of the points made during discussion over lunch.

*Yours ever,
Robin*

R J T McLaren
Far Eastern Department

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Mr Zenko Suzuki,

RECORD OF A DISCUSSION BETWEEN THE PRIME MINISTER AND THE
PRIME MINISTER OF JAPAN, HELD AT NO 10 DOWNING STREET AT
1150 ON WEDNESDAY 17 JUNE 1981

PRESENT

The Prime Minister	Mr Zenko Suzuki
The Foreign and Commonwealth Secretary	HE Mr Na ^{ri} richi Fujiyama
The Secretary of State for Industry	Mr Tsutomu Kawara
The Secretary of State for Trade	Mr Masuo Takashima
Sir Robert Armstrong	Mr <i>TOSHIAKI</i> Muto
Sir Michael Palliser	Mr Hiromu Fukada
Sir Hugh Cortazzi	Mr Takashi Kato
Mr Michael Alexander	Mr Ichiro Fujiwara
Mr Robin McLaren	Mr Sakutarō Tanino
	Mr <i>SHINICHI</i> Kitajima

1. The Prime Minister welcomed Mr Suzuki and his colleagues to London. It was important that those who subscribed to the same values should meet regularly, ~~and~~ she was particularly glad to have the opportunity of talking to Mr Suzuki before the Ottawa Summit. Expressing his thanks, Mr Suzuki looked forward to a fruitful exchange of views on international, political and economic issues as well as bilateral matters.

2. During further courtesies, Mr Suzuki expressed congratulations on the engagement of the Prince of Wales and Lady Diana Spencer. The Prime Minister undertook to convey them and enquired about the Emperor's health. Mr Suzuki said that he was well and enjoying life but because of his age he had asked the Crown Prince and Princess to represent him at the Royal wedding. The Japanese Cabinet would give their formal agreement to this after Mr Suzuki's return and we should then be informed officially. Mr Suzuki added that although the Crown Prince had agreed to be a co-patron of the Great Japan Exhibition a prior engagement would prevent him from attending its opening in October. Consideration was now being given to which member of the Imperial Family might visit Britain on this occasion.

3. The Prime Minister proposed that political questions should be discussed first and invited Mr Suzuki to give his views. The British government were concerned about Afghanistan, Poland and of course the Middle East. She

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recalled the close co-operation between Japan and Europe following the Iran hostages' crisis.

4. Mr Suzuki referred to his recent visit to the US. In his discussions with President Reagan there had been complete agreement that those countries which held to the ideals of freedom and democracy should extend their co-operation in the interests of promoting peace and stability. They had discussed the build-up of Soviet military forces and the threat posed by increasing Soviet influence in Asia, including Afghanistan, and Africa. They had agreed on the need to maintain deterrents^{ce}, and that in the security field each should make the contribution appropriate to its national circumstances.

5. Continuing, Mr Suzuki said that the countries of the third world had an increasing political influence but economically and socially they were still weak. The non-oil LDCs had been particularly hard hit by the economic recession. Western neglect of their problems would stimulate Soviet penetration. He therefore hoped that Europe, Japan and the US could join forces in increasing assistance to such countries.

6. Mr Suzuki added that it was also important to solve problems among the industrialised democracies which faced inflation, unemployment, stagnation and imbalances between their economies. In the medium term there were also likely to be serious problems over energy. There was a need for the industrialised countries to show greater understanding of each other's problems and to increase their co-operation. In doing so they would contribute both to the security of the West and to peace and stability more generally.

* 7. In answer to a question, Mr Suzuki said that there were currently 1.3 million unemployed in Japan. The Prime Minister said that that corresponded to 2.2% of the work force, a figure which could be accounted for by people changing jobs. Japan was very fortunate in this respect. She/^{also}noted that Japan's inflation was running at only 6.2%, and offered her congratulations. For Europe and the US unemployment was the burning issue and inflation was much too high. We were suffering from the effects of the world recession. Successive rises in the price of oil meant that our traditional customers could no longer buy

our goods and there was increasing competition for trade among Western countries. All these matters would need to be discussed at Ottawa. ^{8.} The Prime Minister then invited the Foreign and Commonwealth Secretary to speak on the other matters which Mr Suzuki had raised. Lord Carrington said that there was a connection between the Soviet military build-up and the problems of the third world. The British government was concerned by the extension of Soviet power into Indochina (through Vietnam), Afghanistan and Africa, and particularly concerned about the situation in Poland because the future of ~~detente~~ ^{East-West relations} depended on what happened there. The NATO countries had responded to the situation by committing themselves to increasing their defence spending in real terms by 3% a year. ^{But} There was ~~nevertheless~~ a danger that Western influence in the third world, particularly in countries like Pakistan, would be eroded unless we were able to provide sufficient help. There was a need for more investment and aid. Britain was still providing over £1000 million in aid which was as much as we could afford. The constraints on the Japanese defence effort were well known but Lord Carrington hoped that Japan could make its contribution through aid and pay special attention to those countries most vulnerable to Soviet influence, in particular Pakistan. In this context he wished to take the opportunity to thank Mr Suzuki for the recent increase in Japan's aid to Zimbabwe.

8. Mr Suzuki agreed that any Soviet intervention in Poland would ^{place} ~~cause~~ a dark cloud over the future of detente. It was important that the West should make it clear ^{to the Russians} that the ~~Russians~~ would have to pay a very high price if they intervened. If Soviet intervention did take place Japan would wish to co-operate closely with other Western countries with a view to ^{agreeing on} a 'responsible' response. As regards Indochina, the Japanese supported the early convening of an international conference on Cambodia. They were keeping in close touch with ASEAN countries over this. Lord Carrington had mentioned the importance of aid to countries bordering areas of tension. The Japanese were already directing their aid in this way, in particular to Pakistan, Turkey and Thailand. Mr Suzuki was glad that Japan had been able to increase its aid to Zimbabwe.

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9. Lord Carrington then outlined the main features of the proposed initiative on Afghanistan. We had in mind an international conference in two stages. The first stage, which would be attended by the Permanent Members of the Security Council, Pakistan, Iran and India, would concentrate on the external aspects of the problem. Participation in the second stage would be extended to include Afghan representatives; it would seek to reach agreement on the international arrangements proposed at the first stage and create the conditions in which Afghanistan's independent and non-aligned status could be restored. We would prefer this idea to be put forward ^{as} ~~an~~ a European initiative; if not we would propose it ourselves. Lord Carrington hoped that the Japanese government would give it their support once it had been made public. In the meantime it was important to preserve secrecy. Mr Suzuki said that this sounded like a very good idea. Japan was a member of the Security Council, though not a Permanent Member, and would want to co-operate.

10. Mr Suzuki said he wished to say something on Japan's position as regards defence. The Japanese Constitution placed certain limits on Japan's defence role, and Japan was also bound by its 3 non-nuclear principles. But the Japanese had been making steady efforts to improve their defence capabilities. Between 1971 and 1979 ^{defence expenditure had grown in real terms by} ~~there had been an average of 7% growth in~~ ^a ~~defence expenditure~~ a year in real terms. Similarly, Japan had doubled its development assistance between 1977 and 1980 and hoped to double it again over the next 5 years.

11. The Prime Minister pointed out that the UK spent 5 and a half% of GNP on defence. This was a heavy burden which was reflected in our industrial costs. We also had a very good record on aid. By contrast Japan's spending on defence was less than 1% of GNP. She therefore hoped that Japan would be able to increase its aid to the third world.

12. The Prime Minister then turned to trade questions, emphasising that she was speaking as a friend. The British government believed in the open trading system. The UK exported twice as much per head as Japan and was also a major importing country: ~~since~~ we had few raw materials apart from oil and coal and also had to import

food. It was therefore to our advantage to resist protectionism and preserve the open trading system. But we should not be able to maintain that policy unless others opened their markets to British goods as freely as the UK market was open to their goods. The government faced great pressure from ^{people} others who wanted more protectionist policies. This was ~~particularly~~ because of the increasing penetration of the British market in sensitive sectors, ^{particularly} such as cars and electronics, and ~~particularly~~ because of the general belief in Britain that other countries were erecting non-tariff barriers which operated to the UK's disadvantage. We were seeking to tackle the problem through the European Community, which was the correct channel, and were therefore greatly disappointed that the recent EC/Japan talks had achieved no progress. The Prime Minister appealed to Mr Suzuki to do everything possible to open up the Japanese market. Japan's imports of manufactures were very low; indeed they were on roughly the same level ^{proportionally} as those of Turkey. This was a major problem for Europe and the US, and a major problem for Japan. The Prime Minister hoped that efforts to solve it could begin before ~~the~~ Ottawa Summit; otherwise it was likely to be an important topic for discussion ^{there}.

13. Mr Suzuki thanked the Prime Minister for her frank and friendly remarks, and in particular for what she had said about the importance of upholding the principles of free trade and stemming the tide of protectionism. He hoped that the Prime Minister and Lord Carrington would work for the maintenance of the open trading system during the UK Presidency of the ~~E~~uropean Community. The Prime Minister had mentioned Britain's wish to work through the Community in resolving trade problems. This question had also ~~been~~ raised by M Thorn on 16 June. It was very desirable that the EC Commission should resolve differences of approach among the member states; Japan ^w should then ^{be able to} show its full respect for the Community by using the Commission as the official channel for trade discussions.

14. As regards the opening of the Japanese market, Mr Suzuki said that that market was not as closed as it might seem. Once the cuts agreed at the Tokyo round of MTNs had been fully implemented, the average tariff in Japan ^w would be only 3.6% compared with 5% in the US and 6.4% in the EC. The Prime Minister intervened to say she

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had been referring to tariffs on manufactures, and in particular on scotch whisky which was a very important UK export. Mr Suzuki claimed that the 3.6% figure referred to tariffs on manufactures and 'minerals'. He added that Japan now maintained residual import restrictions on only 5 items whereas restrictions applied to 6 items in the US and 27 in France. As regards the question of increasing imports of manufactures, the Minister for International Trade and Industry was about to visit London and would be seeing British Ministers. Mr Suzuki hoped that the opportunity could be taken to discuss this question further.

15. At the Prime Minister's invitation, the Secretary of State for Trade said that since 1975 imports of Japanese cars to this country had been governed by an inter-industry understanding. In general the British government had been content with the way which this understanding had operated but he was concerned by the prospect ^{that} ~~of~~ cars excluded from the US market as a result of the recent US/Japan agreement would be diverted to other markets. It was essential to preserve the integrity of the existing voluntary arrangements; Mr Biffen hoped that Mr Suzuki could assure him that the Japanese government shared his concern on this point.

16. Mr Suzuki said he had a high regard for the understanding between the two motor manufacturing industries, which was a model of its kind. There ^{was} ~~fore~~ no need for concern about the possibility of diversions of cars from the US to the European market: the understanding reached with the US was on the basis of the exports actually achieved in recent years. During his current visit to Europe Mr Tanaka would be assuring his European counterparts that Japan would continue to be very vigilant over car exports to Europe. Japan had no wish to see these exports cause difficulties ^{ies} ~~ures~~ for the European industries.

17. The Prime Minister then invited Sir Keith Joseph ^{to} speak. The Secretary of State for Industry said he was looking forward to meeting Mr Tanaka. There were now more than 20 Japanese firms which had established factories in this country and they were doing well. He hoped that Nissan would also decide to invest in the UK; if they did so it would represent a very big step forward in collaboration between the two countries. Mr Suzuki was

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no doubt aware that Rolls-Royce was collaborating with a number of Japanese firms over a new aero-engine, the RJ 500. This project would have the British government's ^{full} support if it proved sound and commercially viable.

Sir K Joseph added that he was hoping to visit Japan in September for an inward investment seminar and looked forward to pursuing these matters then.

18. Mr Suzuki said that Nissan had carried out a feasibility study with regard to the possibility of investment in the UK. He believed that the prospects were bright but Mr Tanaka would be able to give a clearer indication of the company's position when he visited London. He understood it was the strong wish of the ^{three} Japanese companies concerned to proceed with the RJ 500 project.

19. The Prime Minister suggested that the conversation should be continued over lunch since other guests were assembling. The meeting ended at 1308.

CONFIDENTIAL

Mr McLaren

PRIME MINISTER SUZUKI'S CONVERSATION OVER
LUNCH AT NO. 10

1. Mr Kitajima (who interpreted for Mr Suzuki) has given me some details about what was discussed over lunch. During the drinks beforehand Mr Suzuki extended an 'official invitation' to the Prime Minister to visit Japan at some convenient date to be agreed through official channels. The Prime Minister thanked him and said that 'we' very much looked forward to going back to Japan at some point. She did not in so many words accept the invitation nor made any reference to dates, but the Japanese took her response to mean acceptance in principle.
2. Also over drinks the Prime Minister introduced Mr Suzuki to the representatives of industry who were present and apparently they all briefly set out their individual concerns and requests vis-à-vis Japan (on whisky, biscuits etc).
3. Over lunch Mr Suzuki set out in some detail his views about the promotion of industrial collaboration between Japan and Europe on 'the usual lines' (Mr Kitajima's comment): joint R&D, collaboration in third markets etc. Both the Prime Minister and Mr Baker (who was sitting to the other side of Mr Suzuki) agreed with the importance of this, and the latter went into some detail about what we hoped to achieve. Mr Suzuki also mentioned the large delegation to Europe which Mr Inayama, the President of the Keidanren would be leading in the autumn; the Prime Minister welcomed this.
4. The other subjects discussed by the two Prime Ministers over lunch were the Ottawa Summit, the new French Government, and the Suzuki Government's domestic policies. On Ottawa they discussed in general terms the subjects that would be raised there. The Prime Minister mentioned interest and apparently exchange rates but was of the view that North/South relations should not dominate discussion. Mr Suzuki asked about President Mitterrand; the Prime Minister said that she did not expect any major changes in French foreign policy under the new President but there would be some changes of domestic policy. The Japanese Prime Minister explained to her what he was trying to achieve in Japan through fiscal and administrative reforms.

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5. Mr Kitajima said that he might be able to give me more detail about their discussion later today (but he could obviously not guarantee to do so).

6. The speeches by the two Prime Ministers were on standard lines. Our Prime Minister spoke about our common political values; her hopes for developing our relations with Japan; the importance of maintaining the free trade system, but the existence of some trading problems between us (she did not develop this point at any length); the Great Japan Exhibition; and the importance of visits in both directions by Ministers and MPs (she praised Sir J Ridsdale's role in this respect). Mr Suzuki talked about the principles of freedom, democracy and free trade learned from Europe and the UK in particular; he talked at some length about the Great Japan Exhibition; and in light-hearted terms about his interest in golf. Mr Suzuki said nothing about trade relations between Britain and Japan.

17 June 1981

Tesca Osman
pp S D M Jack

CONFIDENTIAL

Top copy of PM's speech at luncheon in honour of his excellency Mr. Zenko Sugitaki, PM of Japan on 19 June.

Japan

I extend a sincere welcome to Britain to you, Mr. Prime Minister, and to your colleagues.

As industrialized democracies, Japan and Britain have many vital interests in common.

Your visit underlines the depth and range of relations between Japan and the United Kingdom and other countries of the European Community.

You have stressed to me, Mr. Prime Minister, the priority which you have given to developing those relations.

The British Government fully shares that view.

The relationship between Britain and Japan began to take shape some 120 years ago when Japan opened her doors to the outside world.

It might be compared to a fine old house, well built and of great character.

Its foundations have proved strong enough to survive an earthquake or two; but it needs careful maintenance and occasional repairs.

/Now might be

Now might be the time to give it a coat of paint and to extend the building.

I hope that our discussions today and the personal understanding between us, Mr. Prime Minister, have provided a starting point for this.

We have talked frankly about our trade relationship.

The senior representatives of British industry here today know very well how hard our exporters are trying to take advantage of the opportunities and overcome the difficulties of the Japanese market.

They also know the implications of the level of certain imports into this country from Japan.

It is essential to get this aspect of our relationship right.

We must also reinforce the foundations by extending the relationship to include more investment in both directions and other forms of industrial co-operation.

/On major

On major international issues we found today that our two governments think along almost identical lines. We may be at different ends of the globe, but we are both conscious of the Soviet threat. We must respond to it together. We both hope for stability in the Middle East and South East Asia. We must strengthen our political links still further.

In October the Great Japan Exhibition will open at the Royal Academy in London. It will be a magnificent exhibition which I am sure will create better understanding of Japan on the part of the British public. I am happy to be able to announce that both you, Prime Minister, and I will be members of the Committee of Honour.

With your visit, the Great Japan Exhibition and several other important visits to and from Japan, 1981 will be a vintage year for Anglo-Japanese relations. I am confident that subsequent years will be even better.

LIST OF GUESTS ATTENDING THE LUNCHEON TO BE GIVEN BY THE PRIME MINISTER
IN HONOUR OF HIS EXCELLENCY MR. ZENKO SUZUKI, PRIME MINISTER OF JAPAN ON
WEDNESDAY, 17 JUNE 1981 AT 1.00 PM FOR 1.15 PM

The Prime Minister

His Excellency Mr. Zenko Suzuki Prime Minister of Japan

His Excellency the Japanese Ambassador

His Excellency Mr. Tsutomu Kawara Deputy Chief Cabinet Secretary (= Minister of State)

Mr. Ichiro Ozawa Member of House of Representatives

Mr. Juro Matsumoto Member of House of Representatives

Mr. Shozo Harada Member of House of Representatives

Mr. Tai Morishita Member of House of Counsellors

Mr. Masuo Takashima Vice Minister for Foreign Affairs (= PUS)

Mr. Hiromu Fukada Director General of Economic Affairs MFA (= DUS)

Mr. Akira Matsuura Director General, Economic Affairs Bureau, Ministry of Agriculture, Forestry and Fisheries

Mr. Seiichiro Tanaka Director General Research Bureau, Economic Planning Agency

Mr. Sakutarō Tanino Private Secretary to the Prime Minister

HM Government

The Rt. Hon. Lord Carrington

Mr. Kenneth Baker, MP Minister of State, Department of Industry

Conservative MPs

Sir Julian Ridsdale, MP Chairman, British-Japanese Parliamentary Group

Sir Donald Kaberry, MP Visited Japan as Chairman of Industry and Trade Select Committee

Mr. Jock Bruce-Gardyne, MP

Labour MPs

The Rt. Hon. John Smith, MP

Businessmen

Sir Hector Laing Chairman, United Biscuits

Mr. W.B. Duncan Deputy Chairman, ICI Ltd.

PRIME MINISTER

TALKS WITH MR. SUZUKI

Our Ambassador in Tokyo, Sir Hugh Cortazzi, has made what seems to me a valid point about the presentation of our case on the trade imbalance to Mr. Suzuki tomorrow.

He argues that if one describes the Japanese system as "impenetrable" or "closed", ~~to~~ *this* ~~do so~~ will simply result in an argument about whether Japan is or is not a closed market. It may, therefore, be better to seeking the co-operation of the Japanese Government in overcoming the difficulties of penetrating their market".

Ant

16 June 1981

PRIME MINISTER

Lunch for the Prime Minister of Japan
Wednesday, 17 June 1981

I attach a revised list of guests attending
the lunch tomorrow together with a draft
seating plan.

Do you agree the seating plan please?

Sue Goodchild

16 June 1981

* Interpreters

LIST OF GUESTS ATTENDING THE LUNCHEON TO BE GIVEN BY THE PRIME MINISTER
IN HONOUR OF HIS EXCELLENCY MR. ZENKO SUZUKI, PRIME MINISTER OF JAPAN
ON WEDNESDAY, 17 JUNE 1981 AT 1.00 PM FOR 1.15 PM

The Prime Minister

- * His Excellency Mr. Zenko Suzuki Prime Minister of Japan
- His Excellency the Japanese Ambassador
- * His Excellency Mr. Tsutomu Kawara Deputy Chief Cabinet Secretary
(= Minister of State)
- * Mr. Ichiro Ozawa Member of House of Representatives
- Mr. Juro Matsumoto Member of House of Representatives
- Mr. Shozo Harada Member of House of Representatives
- * Mr. Tai Morishita Member of House of Counsellors
- Mr. Masuo Takashima Vice Minister for Foreign Affairs
(= PUS)
- Mr. Hiromu Fukada Director General of Economic Affairs
MFA (= DUS)
- Akira Nakamura*
Mr. ~~Takashi Kato~~ Director General *Bureau of Economic Affairs*
~~International Finance Bureau, Ministry of Finance~~
- Seichiro Tanaka*
Mr. ~~Ichiro Fujiwara~~ Director General *Ministry of Agriculture,*
~~International Trade Policy Bureau, Ministry of International Trade and Industry~~
Bureau of Research, Economic Planning Agency.
- Mr. Sakutarō Tanino Private Secretary to the Prime Minister

HM Government

The Rt. Hon. Lord Carrington

Mr. Kenneth Baker, MP

Minister of State, Department of Industry

Conservative MPs

Sir Julian Ridsdale, MP

Chairman, British-Japanese Parliamentary Group

Sir Donald Kaberry, MP

visited Japan as Chairman of Industry and Trade Select Committee

Mr. Jock Bruce-Gardyne, MP

Labour MPs

The Rt. Hon. John Smith, MP

Businessmen

Sir Hector Laing

Chairman, United Biscuits

Mr. W.B. Duncan

Deputy Chairman, ICI Ltd.

Businessmen continued

Mr. Hamish Orr-Ewing	Chairman, Rank Xerox
Mr. R.C. Hesketh-Jones	Deputy Chairman, British Oxygen Co. International Ltd.
Mr. J.R. Cater	Chairman, Scotch Whisky Association
Mr. Victor Steel	Marketing Director, Beecham Products International
Mr. Peter Bennett	Executive Director, Lucas East West Ltd.
Mr. E. Healey	General Manager, Smiths Industries Ltd.

Others

Sir Hugh Casson	President, Royal Academy (hosting Great Japan exhibition in autumn)
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Officials

Sir Michael Palliser	FCO
Sir Hugh Cortazzi	HM Ambassador, Tokyo

10 Downing Street

Mr. Michael Alexander	
Mr. David Wolfson	

REVISED DRAFT SEATING PLAN FOR LUNCH ON WEDNESDAY, 17 JUNE 1981

Mr. Victor Steel

Mr. David Wolfson

Seiichi Tomaka
Mr. ~~Ichiro Fujiwara~~

Mr. John Bruce-Gardyne

Mr. J.R. Cater

Mr. R.C. Hesketh-Jones

Sir Donald Kaberry

Mr. Hiromu Fukada

Mr. Shozo Harada

Mr. Hamish Orr-Ewing

Sir Hector Laing

Sir Hugh Casson

I HE Mr. Tsutomu Kawara

HE The Japanese Ambassador

THE PRIME MINISTER

The Rt. Hon. Lord Carrington

I HE MR. ZENKO SUZUKI

Mr. Ichiro Ozawa I

Mr. Kenneth Baker

Rt. Hon. John Smith

Mr. Juro Matsumoto

Mr. Tai Morishita I

Sir Julian Ridsdale

Mr. W.B. Duncan

Mr. Masuo Takashima

Sir Hugh Cortazzi

Sir Michael Palliser

Akira Nakamura
Mr. ~~Takashi Kato~~

Mr. Peter Bennett

Mr. E. Healey

Mr. Michael Alexander

Mr. Sakutarō Tanino

ENTRANCE

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Foreign and Commonwealth Office

London SW1A 2AH

16 June 1981

Dear Michael,

Japanese Prime Minister's Visit

We have heard from Rome that Mr Suzuki has proposed that there should be a meeting of Finance Ministers or Central Bank Governors before the Ottawa Summit, in order to ensure proper preparation of discussion of the effects of the strong dollar and high interest rates. The Italians appear to have agreed that this would be useful.

/ I enclose a supplementary brief prepared jointly by the Treasury and the FCO which deals with this point.

no. 4. - in folder attached to file

yours ever
Roderic Lyne

(R M J Lyne)
Private Secretary

M O'D B Alexander Esq
10 Downing Street

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Foreign and Commonwealth Office

London SW1A 2AH

15 June 1981

Dear Michael,

Japanese Prime Minister's Visit to UK: 18-18 June

The Prime Minister has agreed to see Mr Suzuki for talks at 11.45 am on Wednesday 17 June and to give a lunch for him afterwards. Mr Suzuki will be accompanied by the Japanese Foreign Minister, Mr Sonoda (who called on Mrs Thatcher in May 1979 during his first period as Foreign Minister), by Mr Kawara, Deputy Chief Cabinet Secretary and by officials.

in folder attached to this
on the — I enclose three sets of briefs for the meeting and a
speech file / — draft for a short speech which the Prime Minister may wish to make at her lunch.

There is no formal agenda for the talks. The Japanese were asked whether there were any specific subjects Mr Suzuki wished to discuss. At one point they indicated that they were likely to have suggestions to put forward but they have not in fact done so. They have however made it clear that Mr Suzuki will be reluctant to discuss trade issues in detail.

The briefs include the programme for the visit. You will note that Mr Suzuki will be speaking at Chatham House on the evening of 17 June on the subject: 'Towards a new Japanese/Euro-pean Relationship'. So far as we know this will be Mr Suzuki's only public speech during his current tour. The Prime Minister will wish to be aware that in the early stages of planning for the visit the Japanese asked whether it would be possible for Mr Suzuki to be received in audience by the Queen. The Queen does not receive distinguished foreign visitors during Ascot Week and it quickly became clear that it would be impracticable to arrange for Mr Suzuki to meet the Queen at Ascot. The Japanese therefore withdrew their request.

It seems likely that Mr Suzuki will invite the Prime Minister to visit Japan at some point. The Prime Minister will no doubt wish to accept the invitation in principle without committing herself to any particular timing. (We may in due course wish to recommend that the Prime Minister should include Japan in her itinerary if she visits China next year (my letter to Willie Rickett of 2 June).)

yours ever
Roderic Lyne

(R M J Lyne)
Private Secretary

M O'D B Alexander Esq
10 Downing St

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THE PRIME MINISTER'S MEETING WITH THE JAPANESE PRIME MINISTER,
11.45 AM ON 17 JUNE 1981

Japanese participants

Mr Suzuki	Prime Minister
Mr Sonoda	Foreign Minister
Mr Fujiyama	Ambassador
Mr Kawara	Deputy Chief Cabinet Secretary
Mr Takashima	Vice Minister for Foreign Affairs
Mr Muto	Director General, European and Oceanic Affairs Bureau, MFA
Mr Fukada	Director General, Economic Affairs Bureau, MFA
Mr Tanino	Private Secretary to the Prime Minister
Mr Kitajima	Interpreter

E.R.

JAPANESE PRIME MINISTER'S VISIT TO UK, 16-18 JUNE 1981

LIST OF BRIEFS

<u>Number</u>	<u>Title</u>
1	Steering Brief
2	EC/Japan
3	Bilateral Economic Issues
4	Ottawa Summit and Relations with Developing Countries
5	Far East and South East Asia
6	East-West Relations: Poland and Afghanistan
7	Middle East

BACKGROUND BRIEFS

8	Background Brief: (a) Anglo-Japanese Relations (b) Politics in Japan (c) Japanese Economy
9	Personality Notes: (a) Mr. Zenko Suzuki (b) Mr. Sunao Sonoda (c) Mr. Tsutomu Kawara (d) Mr. Masuo Takashima



THE PRIME MINISTER'S MEETING WITH THE
JAPANESE PRIME MINISTER: 11.45 AM ON 17 JUNE 1981

Japanese participants

Mr Suzuki	Prime Minister
Mr Fujiyama	Ambassador
Mr Kawara	Deputy Chief Cabinet Secretary
Mr Takashima	Vice-Minister for Foreign Affairs
Mr Muto	Director General, European and Oceanic Affairs Bureau, MFA
Mr Fukada	Director General, Economic Affairs Bureau, MFA
Mr Kato	Director General, International Finance Bureau, Ministry of Finance
Mr Fujiwara	Director General, International Trade Policy Bureau, Ministry of International Trade & Industry
Mr Tanino	Private Secretary to the Prime Minister
Mr Kitajima	Interpreter

[All will be staying on to lunch except Mr Muto.]

JAPANESE PRIME MINISTER'S VISIT TO UK, 16-18 JUNE 1981

BRIEF NO 1: STEERING BRIEF

Brief by Foreign and Commonwealth Office

INTRODUCTION

1. Mr Suzuki's visit to London is part of a European tour, including West Germany, Italy, Belgium, the EC Commission and (after London) the Netherlands and France. It is the first by a Japanese Prime Minister to the UK since Mr Tanaka's visit in 1973 (Mr Heath in 1972 was the last British Prime Minister to pay a bilateral visit to Japan; Mrs Thatcher made visits in 1977 as Leader of the Opposition and in 1979 for the Tokyo Summit).

2. The present series of visits (Suzuki's first to Europe in any official capacity) is taking place at Japanese initiative. Its ostensible purpose is to enable Suzuki to meet his European counterparts before the Ottawa Summit and to put Japan's relations with Europe more on a par with those with the US. The importance which the Japanese attach to their political relations with Europe reflects their recognition that they must now play a more active role in international affairs; a divergence of interests on some issues with the Americans (though the relationship with the US remains the central pillar of Japan's foreign policy); and awareness of the similarity of Japanese and European interests following events in Afghanistan and Iran. At the same time Suzuki himself has little personal knowledge of Europe and little or no feel for European concerns; he appears not fully to appreciate the seriousness of the trade problems on which he will hope to avoid detailed discussion. His visit to Europe comes less than 6 weeks after a trip to Washington whose results aroused great controversy in Japan. Suzuki's inept handling of the situation has severely dented his reputation. He is likely to remain Prime Minister for some time, but he will hope for a successful European tour

/to

restore his credentials at home as a statesman.

3. Details of Suzuki's programme are at Annex A.

UK OBJECTIVES

4. (a) To leave the Japanese in no doubt about our economic concerns and the reasons for them; to persuade them of the validity of our case; and to get them to move in the right direction over specific practical issues;
- (b) To reaffirm the importance we attach to co-operation with Japan on political as well as economic issues.

MR SUZUKI'S PROBABLE OBJECTIVES

5. Suzuki's aims, which will be broadly similar in all European capitals, are likely to be:

- (a) to get to know the Prime Minister;
- (b) to prepare the way for the Ottawa Summit;
- (c) to demonstrate Japan's interest in closer political ties with Europe and willingness to play a role in world affairs; and
- (d) to play down economic problems, particularly with Ottawa in mind.

RESUME OF BRIEFS

6. Our principal objective is set out at paragraph 4(a) above. Suzuki is likely to be more receptive to this message if it is coupled with a general welcome for closer political relations between Japan and the Ten. We are already working for this in the Ten and will continue to do so during our Presidency: it is in our interest that Japan should play its proper part as 'a member of the Western camp' (a phrase now generally used in Japan) - and Suzuki will probably want to make a presentation on this general theme at some point.

7. The Prime Minister might therefore begin with a reference to our wish to work with Japan on major international issues, such as Afghanistan and Poland; and go on to welcome

/the

the increasing frequency of contacts at ministerial and official level. It would be useful at this point to remind Suzuki that difficulties over trade inevitably affect the overall relationship between the EC/UK and Japan, but it would be tactically best to defer discussion of trade issues until there has been some discussion of the international scene.

BRIEF NO
6

8. Suzuki is one of the leading doves in the Liberal Democratic Party and it will be important to stiffen his resolve in dealing with the Soviet Union. The Prime Minister might refer to the fragility of the situation in Poland; and stress the need for the West, including Japan, to react swiftly (and unitedly) to any Soviet intervention. Lord Carrington will probably have mentioned the Afghanistan initiative during his earlier meeting with Sonoda but the Prime Minister may wish to refer to it briefly, stressing its confidentiality at this stage.

BRIEF NO
2

9. To get our economic concerns across, the best approach might be to open with a firm presentation of the general case for Japanese restraint on exports and action to increase imports, stressing that the European Community is united in the view that the concentration of Japanese exports in sensitive industrial sectors, coupled with the impenetrable Japanese market for manufactured goods, is placing increasing strain on the open worldtrading system. The EC has been able to resist protectionist pressures so far, but may not be able to do so indefinitely unless Japan too makes an appropriate contribution.

BRIEF NO
3

10. After this the Prime Minister might move on to make points of specific concern to the UK, making it clear that we regard this as part of a united Community approach. Such points include:

- (a) existing voluntary restraint understandings, particularly for vehicles, must be made to work effectively;
- (b) barriers to UK exports should be removed (eg by reducing tariffs on whisky and confectionery);
- (c) the Japanese government should take

/direct



direct action to increase imports
through public procurement (eg
defence equipment from the UK).

The Prime Minister will also wish to welcome Japanese investment, co-operation in high technology industries and collaboration in third markets.

BRIEF NO 4 11. Suzuki will probably wish to have a general discussion of the Ottawa Summit and relations with developing countries. If the question has not arisen earlier, the Prime Minister may have to put down a marker about the need for discussion of Japan's trading role at Ottawa.

BRIEF NO 5 12. In discussion of other international issues the Prime Minister will want to show interest in Japan's regional concerns, though Suzuki is unlikely to have anything new to say. She could ask how he sees the Soviet threat and the general strategic environment in the Far East and South East Asia. In doing so, she could leave Suzuki with the thought that we would welcome a greater Japanese defence effort, but in view of Japanese sensitivities it would be best not to press this point. The Japanese see their contribution to the protection of Western interests more in the direction of aid to strategically important countries eg Pakistan and Thailand. The Prime Minister might show appreciation for this contribution, and in particular for Japan's increased aid for Zimbabwe (details in Brief No 4).

13. If time allows, or over lunch, Suzuki might be asked for his assessment of developments in China.

BRIEF NO 7 14. Finally, the Prime Minister might welcome Japan's support for the European approach to the Arab-Israeli dispute and look forward to keeping closely in touch, particularly during our Presidency. She could explain our condemnation of the recent Israeli attack on the Iraqi nuclear installation. If time allowed, Suzuki might welcome an account of her talks with King Khalid.



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JAPANESE PRIME MINISTER'S VISIT TO EUROPE, JUNE 1981ItineraryJune

- 10 Hamburg : Chancellor Schmidt.
- 12 Rome : President Pertini; Prime Minister Forlani.
- 13 Vatican.
- 15 Brussels : Prime Minister Eyskens; EC Commission.
- 16 King Baudouin.
London.
- 18 Netherlands : Prime Minister van Agt;
Queen Beatrix.
France.
- 19 President Mitterrand.

/Programme in UK

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JAPANESE PRIME MINISTER'S VISIT TO EUROPE, JUNE 1981

Programme in UK

Tuesday, 16 June

- 1600 Arrival at Heathrow (South Side) by JAL Special Flight. Met by Lord Skelmersdale and Sir H Cortazzi (HM Ambassador, Tokyo).
- 1800 - 1930 Reception at the Savoy Hotel (Lancaster Room) by the Japan Society of London, the Japan Association, the Japanese Chamber of Commerce, the Nippon Club, the British Japanese Parliamentary Group (Mr Suzuki to arrive about 1830 and leave about 1915).
- [1800 - 1830 Foreign Minister to call on Lord Carrington.]
- 2000 Informal dinner at the Japanese Ambassador's official resident.
- Stay at Claridges.

Wednesday, 17 June

- 1145 - Meeting with the Prime Minister at No.10 Downing Street.
- 1300 for
1315 Luncheon given by the Prime Minister.
- 1700 - Drinks at Royal Institute of International Affairs (Chatham House).
(Mr Suzuki to arrive about 1710).
- 1730 - 1830 Speech at Chatham House: 'Towards a New Japanese - European Relationship.'
- 2015 - Private dinner.
- [2000 Mr Sonoda leave by BA382 from Gatwick]

Thursday, 18 June

- 0740 Departure from Heathrow (South Side).
(Mr Suzuki to arrive at 0730). Seen off by Sir Derek Dodson (Lord Carrington's Special Representative) and Sir H Cortazzi.

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JAPANESE PRIME MINISTER'S VISIT TO UK, 16-18 JUNE 1981

BRIEF NO.2: EC/JAPAN

POINTS TO MAKE

1574.
~~1575~~
1. Japanese government must appreciate urgent need for action on trade imbalance. Regrettable lack of progress at EC/Japan high level consultations (Brussels, 1 June). Particular concern throughout EC over car imports as result of Japan/US agreement. Community has called for EC-wide restraint measures. (If raised) Welcome reported Japan/FRG agreement on cars in so far as a step in the right direction. But it does not go far enough.
 2. Problem of EC/Japan imbalance is compounded by concentration of Japanese export effort in sensitive industrial sectors and impenetrable domestic market. This is putting the open trading system under increasing strain. Matter of legitimate concern to all developed countries. Discussion at Ottawa Summit a necessary part of review of world trade.
 3. Preservation of open world trading system at time of severe recession requires major effort from us all. UK, together with EC partners, has successfully resisted protectionist pressures so far. But cannot rule out possibility of EC-wide action against Japanese imports unless Japan makes appropriate contribution. Export restraints have important part to play, and must not be undermined (eg cars, light commercial vehicles).
 4. In addition Japanese government needs to make determined effort to ensure that there really is an increase in Japanese imports of manufactures from other industrialised countries. Removal of formal import barriers (eg whisky tariff) important but not in itself sufficient. Direct action possible through public purchasing (eg defence equipment from UK) and private industry should be actively encouraged to buy from abroad. We know Americans share our concern over this and Japan has given commitments in the past (eg Ushiba/Haferkamp understanding of March 1978 - see Annex).

/5.

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5. (If Japanese argue surplus with EC needed to balance Japan's deficit with raw material producers) Japan not alone in depending heavily on imported raw materials. Japanese current account already moving back into balance.
6. (If Japanese point to EC deficit with US) EC imports from US more diverse than imports from Japan and US imports from EC vastly larger than Japan's. Problem with Japan is concentration of exports in a few highly sensitive sectors and nature of Japanese market.
7. (If Japanese argue EC has no common policy and Commission no mandate to negotiate) Get impression that Japanese use remaining French and Italian restrictions on their imports as a pretext to do nothing. Risky game. EC has firmly put forward a common approach and would look carefully at any Japanese proposals. But the main priority is satisfactory response from Japan to call for reduction of trade imbalance.
8. (If Japanese argue they have lower 'average' tariff than EC) Zero tariffs on raw materials are of no interest to UK and EC partners. We are concerned about tariff peaks (whisky, confectionary) and non-tariff barriers.

POLITICAL CO-OPERATION

9. UK wishes to strengthen EC/Japan political links. An important part of overall relationship between Europe and Japan. But that relationship inevitably affected by problems over trade.
10. Japanese co-operation with Europe and the West has been useful in the case of Iran and Afghanistan. Hope Japan will also join in any action agreed by the Europeans if there is Soviet intervention in Poland.
11. (Defensive: if Mr Suzuki suggests new machinery for Japanese/European consultations) Willing to consider any practical proposals; but let us make maximum use of regular informal contacts between Embassies and among officials. Will stay in close touch with Japanese Embassy during UK Presidency.

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12. (Defensive: if Mr Suzuki mentions 'Gymnich Formula') The 'Gymnich Formula' does not mention the US by name, no reason why it should not apply to Japan or any other country.

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JAPANESE PRIME MINISTER'S VISIT TO UK, 16-18 JUNE 1981

BACKGROUND

1. This Brief and Brief No 3 reflect recent discussion by Minister of 4 June (OD(E)81, 7th meeting).

EC/Japan trade imbalance

2. Japanese exports to EC have risen sharply since 1975. Community's trade deficit has increased from less than £1,500 million in 1975 to over £4,000 million in 1980. EC imports from Japan, already up by 29% in 1980 compared with 1979, have increased by 31% in period January-April 1981 compared with same period in 1980; and the EC's deficit increased by 46% in period January-April 1981.

Foreign Affairs Council statement

3. Since November 1980 Foreign Affairs Council has issued series of statements on relations with Japan. February Council introduced surveillance of imports of cars, colour TVs and tubes, and certain machine tools and called for discussion of trade with Japan at Ottawa Summit. Council agreed Community should seek commitments that there should be no trade diversion to EC as result of Japan/US arrangement on cars and that there should be 'analogous measures' for EC as a whole. This formula deliberately chosen to allow some flexibility over interpretation. Germans and Danes were not prepared to agree to any specific limit being set on EC imports of Japanese cars. UK, like France and Italy, was concerned to ensure that this call for restraint on exports to EC market as a whole should not be taken to imply a willingness to accept anything less effective than existing national measures. If implemented, the SMMT/JAMA understanding should mean that the Japanese take only 10% of a reduced UK car market this year to compensate for going as high as 11.9% in 1980. This would be better result than a US/Japan-type formula based on average sendings in 1979 and 1980. But to end May, Japanese took 11.35% of UK car market (see Brief No 3).

Japanese response

4. Japanese response remains disappointing. Commission

/described



described results of latest round of high level consultations with Japanese (Brussels, 1 June) as 'pretty near zero'. Only move Japanese appeared prepared to consider was some degree of 'export moderation' on cars for Benelux and FRG but not EC as a whole (Suzuki reported to have agreed in Bonn that in 1981 Japanese car exports to FRG should be no more than 10% higher than in 1980).

Japanese balance of payments

5. Japanese had current account deficit in 1980 of around \$9 billion. In first quarter of this year deficit was only \$1 billion; in April and May current account was in surplus.

Ottawa Summit: American attitude

6. Japanese now appear reluctantly to accept that there will be discussion of their trade performance at Ottawa Summit as part of review of world trade. US attitude important because of greater political and economic leverage with Japan. (US imports from Japan double EC figure.) While Americans have shown no enthusiasm for discussion of bilateral trade problems at Ottawa, they do think it important to open up Japanese market for imports. US Trade Representative Brock made this point to Mr Biffen on 29 May. We believe that by placing renewed emphasis on need for Japan deliberately to increase imports of manufactures (eg through public purchasing) EC more likely to get Americans to take helpful line at Ottawa.

Restraints on Japanese exports to EC

7. Export restraint by Japan remains important in short term. EC does not have a common policy on imports from Japan and Japanese make this a pretext for their failure to make concessions. Most member states retain national quotas which antedate EC membership. Italy and France have most. UK has none but informal inter-industry understandings cover about one quarter of our total imports. Statement by November 1980 Foreign Affairs Council suggested that discussions on liberalising EC access for Japanese imports could form part of a 'wide-ranging economic dialogue' but that, for this to take place, early and effective action by Japan to reduce trade

/imbalance



imbalance would be essential.

Political co-operation

8. Suzuki may hope to deflect criticism of Japanese trade performance by concentrating discussion on development of close political relations between Japan and Europe. While there can be no question of letting him get away with this, it would be unwise to give Japanese impression that we are uninterested in co-operating with them on political questions. In particular, if there is Soviet intervention in Poland and Western response includes trade sanctions, Japanese co-operation will be vital. Japanese may need some persuading to join West in action on Poland since they have no strong national interests in the country or emotional links with it; and because Japanese impression of post-Afghanistan action remains that they paid heavier price than anyone else (France and FRG signed major contracts with Soviet Union in 1980 and US decision to resume grain sales was unwelcome surprise to Japanese government).

9. Suzuki may suggest machinery for European consultation with Japan. Anything he proposes will need to be considered on its merits, but our view in general that new machinery unnecessary and that close contacts can be maintained effectively through existing channels. In particular Suzuki may refer to 'Gymnich Formula'. This is arrangement under which the Ten keep US informed about developments in political co-operation. The Formula itself (agreed at a meeting of Foreign Ministers in Schloss Gymnich in 1974 following a disastrous period in Europe/US relations) states no more than that Presidency can brief US on any topics where the Ten authorise them to do so. In practice it is used as a fig leaf to cover whatever level of briefing Presidency wishes to give the US. FCO officials have already told Japanese Embassy that they will keep them informed about European political co-operation during UK Presidency.



EXTRACT FROM USHIBA/HAFERKAMP UNDERSTANDING, 24 MARCH 1978

'... Mr Haferkamp stressed the importance of Japan increasing the share of manufactures in its imports.

Mr Ushiba stated that the Japanese government would continue to take all appropriate steps to increase imports of manufactures and expected that the total volume of imports of manufactures would increase substantially. Mr Ushiba further expected that the share of these imports in Japan's total imports, which has been distorted since the sharp rise of oil prices would increase steadily and return within a reasonable period of years to a more normal level under current international economic circumstances. ...'

JAPANESE PRIME MINISTER'S VISIT TO UK, 16-18 JUNE 1981

BRIEF NO 3: BILATERAL ECONOMIC ISSUES

POINTS TO MAKE

Trade

1. Concentration of Japanese exports in sensitive sectors and growing visible trade gap (£880 million in 1979; £1,100 million in 1980) gives rise to protectionist pressures (eg recent paper by CBI).
2. Current bilateral understandings to restrain Japanese exports to UK (particularly motor vehicles and consumer electronics) welcome. But must work satisfactorily.

Cars

3. Level of Japanese car and light commercial vehicle sales in UK much too high last year; and worrying trend so far this year. Japanese shares of these markets during 1981 must be significantly lower than in 1980.

Proposals to reduce imbalance

4. Need to seek practical ways to reduce imbalance. UK exporters already making considerable efforts with official support (British Export Marketing Centre in Tokyo only one of its kind). Look to Japanese government to help by:
 - (a) instructions to Ministries to facilitate imports and encourage public and private sector purchases of our goods;
 - (b) purchases of defence equipment, eg Sea Harrier;
 - (c) removal of barriers to UK exports: in particular, discriminatory import duty on scotch whisky (compared to bourbon and rye); high tariffs on confectionary, biscuits and chocolate (other examples: restrictive testing procedures on pharmaceuticals, chemicals and cosmetics).

Industrial collaboration

5. Keen to see strengthening of UK relations with Japan

/through



through industrial collaboration. Areas of particular interest are high technology industries, inward investment in UK and collaboration in third markets.

6. Welcome agreement between Mr Tanaka and Mr Baker to promote co-operation eg in telecommunications, computers and robotics.

Nissan

7. Hope Nissan project will go ahead as proposed. Would be important step forward in strengthening UK/Japan collaboration.

RJ 500 aero-engine

8. Fully support collaboration between Rolls-Royce and group of Japanese companies to define and design RJ 500. (Defensive) Cannot at this stage commit ourselves to approving launch of engine until partners' proposals, including funding implications, have been fully examined. (If asked) HMG would be very happy to see extension of Rolls/Japanese partnership to include, eg one of American manufacturers if Rolls and their Japanese partners made such a proposal. It is for them to explore in the first instance.

JAPANESE PRIME MINISTER'S VISIT TO UK, 16-18 JUNE 1981

BACKGROUND

<u>UK/Japan trade</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>(1980/79)</u>
1. UK exports to Japan (£m)	542	606	597	(-1.5%)
imports	1283	1490	1712	(+15%)
visible balance	-741	-884	-1115	(+26%)
UK surplus on invisibles	(250)	(225)	(na)	

2. UK's visible trade deficit with Japan still increasing. This deficit our largest after that with US (£1,375 million in 1979) with which we have a much larger total volume of trade. In 1980, UK exports to Japan covered only 34.9% of our imports from Japan.

3. Japanese exports concentrated in certain sectors (notably vehicles, consumer electronics and steel). Growth of these exports contained to some extent by restraint understandings covering some 25% of Japanese exports to UK, including motor vehicles and certain consumer electronics goods.

Cars

4. Bilateral inter-industry understanding between Society of Motor Manufacturers and Traders (SMMT) and Japanese Automobile Manufacturers' Association (JAMA) kept Japanese car exports to UK between 9% and 11% from 1975 to 1979. In 1980, Japanese share of UK car market rose to 11.9%. Following latest talks this year, SMMT expected UK market shares in cars and light commercial vehicles (LVCs) held by Japan to be well below 1980 shares to compensate for 'overshoot' in 1980. However so far this year, Japanese car sales have been high (11.3% cumulative at end of May) and LCV sales higher still (17.4% at end of May).

5. Note on Japanese arguments on UK/Japan and EC/Japan trade at Annex A.

Defence sales

6. Details at Annex B.

Co-operation in high technology areas

7. During recent visit to Japan, Minister of State for Industry, Mr Baker, and Mr Tanaka, Minister for International Trade and Industry, issued joint statement of intent to promote

/co-operation

co-operation between UK and Japan in high technology industries such as computers, telecommunications equipment, biotechnology, robotics and computer aided manufacture. MITI and DOI will hold follow up meetings at least once a year, the first in September 1981. Mr Baker and officials have already invited companies to meetings to discuss prospects. MITI have not yet got down to detailed discussions with companies on likely projects. We need to prevent talks becoming an empty gesture by Japanese or being manipulated into areas which only facilitate Japanese long term strategies with little benefit to UK. Therefore important to stress that we are taking this development seriously and that co-operation is two-way process.

Inward investment

8. Note circulated to OD(E) at Annex C.

Nissan

9. Nissan project to manufacture 200,000 cars a year in UK will be largest Japanese investment in Europe, if it goes ahead. Nissan's feasibility study team currently in Japan examining information gathered in UK. Company hope to reach preliminary conclusions on whether to proceed by mid-July. Next step further discussions between Nissan and DOI. UK vehicle and component industries concerned about likely effect of project; whether Nissan's intended local content levels are high enough; and whether they will be achieved in practice and how they are to be monitored. Government is confident that these concerns can be met and that project offers important national economic benefits.

Collaboration on RJ 500 aero-engine project

10. Important to assure Japanese that HMG remains committed to concept of joint ventures in aerospace if of mutual benefit and commercially viable. Japanese Trade and Industry Ministry (MITI) concerned that planned expenditure cuts in Japan may affect RJ 500 project. They hope that if Prime Minister raises subject with Mr Suzuki it will ensure the project's immunity from those cuts. We too are anxious to keep Japanese in play -

/although



although not finally committed to the launch of the engines - and hope subject can be mentioned.

11. Government was unable to accept launch proposals presented by Rolls-Royce in December because of uncertainties over precise size of engine to meet market requirements and concern that company appeared to be assuming competition from only one of its two main American rivals. The UK and Japanese partners are considering these questions and meanwhile, with approval of two governments, are continuing design and development work.

12. (Not for use) Rolls have been told that HMG is unlikely to approve full launch of the RJ 500 unless they can show that one or other of main American companies will be involved. Clear that Japanese government also concerned to eliminate part of expected American competition and would like its companies to press for American participation. Japanese government have been told at official level that we would favour any such proposal. We have been careful however not to reveal our own initiative with Rolls-Royce as we do not wish to be seen to be undermining Rolls' position. HMG's final decision on whether to approve launch of the engine will also turn on commercial viability of proposals which partners put forward as well as funding implications.

JAPANESE ARGUMENTS ON JAPAN/UK AND JAPAN/EC TRADE

1. Imbalance in visible UK/Japan trade is offset by invisible earnings.
 - A. No. Visible deficit with Japan was over £1,100 million in 1980. Invisible surplus was only some £200-250 million rather than £900 million claimed by Japanese authorities. Whereas Japan records all payments made to UK as invisible earnings, we employ more sophisticated methods whereby only income earned by UK on invisible trade transactions is recorded as part of our invisible earnings.
2. UK exporters do not try hard enough in Japanese markets.
 - A. Not true. Effort being put by UK into Japanese market disproportionately great in relation to the rewards. Japan accounts for just over 1% of total UK exports but receives 5% of British government's official export assistance. Exports to Japan Unit specifically set up to help exporters, backed up by large commercial department in British Embassy in Tokyo as well as the only government financed British Export Market Centre anywhere.
3. Japanese tariffs are low.
 - A. Though Japanese tariffs relatively low in general (3% after implementation of Tokyo round tariff cuts as compared with 4% in US and 5% in EC), such low tariffs would deserve greater credit if they lay in areas where UK goods are competitive instead of in areas where Japanese industry is strong and has little to fear from imports. Import duty on scotch whisky equivalent to about 60% advalorem, compared with tariffs of about 24.5% on bourbon whisky and 28% on rye whisky. Also tariffs ranging between 33.8% and 40% on chocolate and sugar confectionary, cakes and biscuits.
4. There are no Japanese non-tariff barriers.
 - A. European companies encounter not only strong domestic competition but also a deterring and at times impenetrable combination of group-affiliation, exclusive trade financing, interlocking directorships, and the absence of independent
/dealerships.



dealerships. Also a mass of administrative regulations which generally only major exporters employing good Japanese staff can successfully cope with.

5. Japan cannot afford to import more manufactures from Europe and also depends on external sources of oil and raw materials.

A. Japan not alone in depending heavily on imported energy and raw materials. So do Germany and Italy for instance.

Commercial Relations and Exports Division 2
Department of Trade

DEFENCE SALES

Sea Harrier (British Aerospace)

1. Japanese Navy at present have no requirement for V/STOL aircraft but this could change if Navy given a wider role (a delicate question politically in Japan). Sea Harrier would be very suitable aircraft.

Helicopters (Westlands Ltd)

2. Japan's new generation ASW (anti-submarine) helicopter due to come into service from 1982. Interest expressed in Sea King replacement. Potential value some hundreds of millions of pounds.

LAPADS/AQS901 (Marconi Avionics)

3. Helicopter/aircraft mounted systems for detection of submarines. Being promoted for update of current ASW helicopter and, in longer term, new generation ASW. Potential value about £20 million.

SMA (Rolls-Royce)

4. Introduction of this engine into service in UK (in type 22 or 23 Frigates) brought forward by RN to help sales to Japan. Contract expected to be signed this month. Japanese have been reassured as to RN's commitment to the SMA. Value some £50 million plus.

MK 10L Ejection Seats (Martin Baker Ltd)

5. Being promoted for new Japanese jet trainer (MTX). Value upwards of £5 million.

Torpedoes (Marconi Space and Defence Systems) (MSDS)

6. MSDS had been promoting Stingray to meet Japan's short term requirement for a lightweight torpedo and had also been involved in initial technical discussions with longer term aim of incorporating Stingray technology in development of an indigenous torpedo. Japan has decided to purchase the US Mk 46 torpedo in preference to Stingray and MSDS now considering pulling out of the new torpedo development. Subject could be sensitive.

FH 70 (International Military Services)(IMS)

7. FH 70 gun has been provisionally selected by the GSDF (Army) in preference to the US M198. This awaits endorsement

/by the



by the Japanese Defence Agency. Contract will be worth some £60 million.

MAJOR DEFENCE SALES TO DATE

1971	adour aero engines (Rolls-Royce)	£50 million plus
1977	olympus/tyne gas turbines (Rolls-Royce)	£30 million plus
	gas turbine control system (Hawker Siddeley))
)
1978	inertial navigation system (Ferranti)	£7 million

Defence Sales 3
Ministry of Defence

JAPANESE INWARD INVESTMENT

1. The first Japanese direct investment in manufacturing in the UK took place in 1967 (YKK Fasteners) and currently there are some 23 Japanese companies engaged in manufacturing activities in the UK: 12 in England, 7 in Wales and 4 in Scotland providing total direct employment of around 5,000 the bulk of it in Assisted Areas. The total value of the direct investment in manufacturing is believed to approach £100 million.

2. In accordance with the principle of free competition amongst UK manufacturers, in furtherance of efficiency and international competitiveness, HMG does not discriminate against companies of any origin. Foreign companies in the UK are entitled to the same benefits and have the same responsibilities as British companies. Foreign companies now own some 20% of British manufacturing industry. Beside the 1,500 US-owned and 120 German-owned manufacturing establishments Japanese inward investment remains small. It would be inappropriate to consider policy towards Japanese inward investment in isolation from inward investment policy generally.

3. Interest among Japanese companies in investing in manufacturing projects in the UK has been increasing and the Nissan project, if it goes ahead, will be by far the largest Japanese investment in manufacturing in the UK (indeed, in Europe), providing direct employment not far short of the total so far provided by Japanese manufacturing companies already established here.

4. Much of the production of this manufacturing investment by Japanese companies may be considered as additional and since it is often related to the European market it is likely that had it not taken place in the UK, not only would UK imports have been higher but UK exports would have been lower. There have also been benefits, for example in the introduction of new technology and production and management techniques, which are even more difficult to quantify.

5. Desirable Japanese investment in manufacturing is likely to take place in industries in which:

- (a) imported Japanese products are making large in-roads into the UK;
- (b) Japanese companies are more technically advanced than UK companies and the latter show little promise of catching up.
- (c) it appears probable that Japanese investment will go to other Community countries if it does not come to the UK;

/(d)



- (d) Japanese companies are advanced in some aspects and UK are advanced in others and joint ventures could improve competitiveness of both sides.

6. These investments offer the following advantages:

- (a) the introduction of new technology and new production practices to fill gaps in the UK industry and to provide an example from which UK industry can benefit;
- (b) import substitution, an increase in exports and a balance of payments benefit;
- (c) increased employment opportunities, particularly in the Assisted Areas;
- (d) the strengthening of indigenous industries supplying plant and components.

7. To date Japanese investment has been mainly in consumer electronics, but also in a variety of other products, for example zip-fasteners, ballbearing and fishing tackle. In general the performance of these plants has been encouraging and the investment has been 'desirable' according to the criteria set out in paragraph 5.

8. On the other hand, investment in some sectors could bring Japanese competition more effectively to the doorstep of UK industry displacing jobs elsewhere in the UK, could increase component imports and could expand the Japanese market share without significant import substitution benefits. There is also the risk, associated with all inward investment but not yet borne out in Japanese investment in the UK, that the operation of overseas subsidiaries could be cut back and replaced by capacity in Japan at times of slack demand in the Japanese market.

9. It is also necessary to consider the wider aspect of whether Japanese investment would be located elsewhere in the European Community, if not in the UK, which would allow continued imports into the UK without restriction or duty and with none of the benefits associated with investment.

10. This short paper has concentrated on Japanese investment in manufacturing activities but it should not be overlooked that considerable Japanese investment has also taken place in the services sector, notably in banking and insurance but also in distribution and marketing.

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11. It remains essential to monitor the effect of Japanese inward investment and to be discriminating in the type of project encouraged. However the benefits to the economy so far appear to outweigh cost to British industry. No change of policy is therefore recommended.

Department of Industry

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JAPANESE PRIME MINISTER'S VISIT TO UK, 16-18 JUNE 1981

BRIEF NO 4: OTTAWA SUMMIT AND RELATIONS WITH DEVELOPING COUNTRIES

POINTS TO MAKE

1. Look forward to full discussion of macro-economic problems.
2. We support US determination to reduce their inflation and control monetary growth. Essential that the world's main reserve currency should be strong.
3. As Japan has shown, interest rates will come down as inflation does. Lower rates cannot be artificially engineered. But fiscal policy in high inflation countries should be tight enough to support monetary objectives and prevent unnecessarily high interest rates.
4. Macro-economic discussion must also include trade issues (see Brief No 2). Impossible to discuss our common interests without frank examination of current difficulties affecting us.
5. Also hope for full discussion of difficulties facing developing countries. But important not to give any impression of ganging up before Mexico Summit.
6. Welcome Japanese intention to increase aid. Appreciate Japanese response to Zimbabwe.
7. Summit also provides opportunity for political discussions at a particularly difficult time.



JAPANESE PRIME MINISTER'S VISIT TO UK, 16-18 JUNE 1981

BACKGROUND (may be drawn on freely)

1. Agenda for Ottawa Summit (19-21 July) likely to include:
 - world economy
 - trade (including EC-Japan and East-West trade)
 - relations with developing countries
 - political discussions
 - energy
2. Japan concerned about effect of high interest rates, especially those in US which, though volatile, show little sign of coming down. Governor of Bank of Japan recently expressed doubts whether interest rates of 20% or more were needed to combat inflation. At Vancouver Preparatory Group meeting Japanese said too much attention was paid to money supply. However, interest rates in Japan (around 7%) are way below those elsewhere and yen has not been under any great pressure.
3. The issue will almost certainly be a major one at Ottawa. Chancellor Schmidt has said he will raise it. US are taking a firm line. Wiedenbaum has said the Administration welcomes opportunity to discuss the question but US interest rate policy is not a subject for negotiation at an international meeting.
4. Japanese opposed to discussion of EC-Japan trade at Ottawa (see Brief No 2).
5. In recent years Japan's line on relations with developing countries increasingly independent of US and generally favourable towards the third world. At Vancouver Summit Preparatory meeting Japanese favoured a call for substantial increases in aid. Japan does not share our reservations about the Global Negotiations. She will attend Mexico Summit.
6. Japanese aid has increased substantially in recent years. About 60% concentrated on East and South East Asian countries within her commercial sphere of influence. Aid rose from \$1,424 million in 1971 (0.21% of GNP) to \$3,304 million in 1980 (0.32% of GNP). Japanese recently announced

/that

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that aid in 1981-85 is planned to be double total for 1976-80 and that they will aim to raise the GNP percentage.

7. We have been urging Japan to give more to Zimbabwe. Following a recent visit to Tokyo by Mugabe, Japan announced an aid programme of \$27 million for the current year.

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JAPANESE PRIME MINISTER'S VISIT TO UK, 16-18 JUNE 1981

BRIEF NO.4: OTTAWA SUMMIT AND RELATIONS WITH DEVELOPING COUNTRIES
SUPPLEMENTARY BRIEF
POINTS TO MAKE (if raised)

1. Do not agree that pre-Summit meeting of Finance Ministers or Central Bank Governors would serve useful purpose.

BACKGROUND

1. Mr Suzuki suggested to the Italians during visit to Rome on 12 June that there should be pre-Summit meeting of Finance Ministers or Central Bank Governors. Its purpose would be to ensure proper preparations of discussion on economic policy and the damage done to weak western economies by strong dollar and high US interest rates.

2. In past month Finance Ministers of the Seven have been present at the IMF interim committee meeting and, on 17 June, at OECD Ministerial Council. Question also discussed at EC Finance Council on 15 June. Central Bank Governors at present meeting at BIS annual meeting. Finance representatives taking full part in preparations for Summit. Finance Ministers will be present at the Summit. Question of US interest rates and strength of dollar will therefore be fully prepared under present arrangements.

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JAPANESE PRIME MINISTER'S VISIT TO ITALY

1. THE JAPANESE PRIME MINISTER, ACCOMPANIED BY THE FOREIGN MINISTER AND AN ENTOURAGE OF 38 (TO THE DESPAIR OF THE JAPANESE EMBASSY) VISITED ROME FOR TALKS WITH THE CARETAKER ITALIAN GOVERNMENT ON 12 JUNE. MR SUZUKI ALSO CALLED ON PRESIDENT PERTINI WHO ACCEPTED AN INVITATION FROM EMPEROR HIROHITO TO PAY A STATE VISIT TO JAPAN (THE FIRST BY AN ITALIAN HEAD OF STATE), PROBABLY IN THE SPRING OF 1982.
2. THE TALKS STARTED WITH A TETE-A-TETE BETWEEN THE TWO PRIME MINISTERS, ACCOMPANIED ONLY BY THEIR FOREIGN MINISTERS, WHO CONTINUED IN THE AFTERNOON. THE ITALIAN PRIME MINISTER'S OFFICE HAVE TOLD US THAT SINCE FORLANI IS OPERATING IN ONLY A CARETAKER CAPACITY THE VISIT HAD BEEN TREATED BY THE ITALIANS AS LOW KEY AND GENERAL. THEIR AIM HAD BEEN TO VOICE STANDARD PRE-OCCUPATIONS OVER EC/JAPAN TRADE RELATIONS AND TO PROBE THE JAPANESE ON PROSPECTS FOR THE OTTAWA SUMMIT, WHILE ALSO SOUNDING ENTHUSIASTIC ABOUT A CLOSER POLITICAL RELATIONSHIP BETWEEN EUROPE AND JAPAN. THE JAPANESE EMBASSY HAVE GIVEN US A RATHER FULLER ACCOUNT OF THE TALKS, (READ OUT FROM THEIR REPORTING TELEGRAMS TO TOKYO) AS FOLLOWS:
3. FORLANI STARTED THE TETE-A-TETE SESSION BY SAYING THAT WHATEVER GOVERNMENT TOOK OFFICE AFTER THE CURRENT CRISIS, IT WOULD HAVE BROADLY THE SAME EXTERNAL POLICIES AND PREOCCUPATIONS. SUZUKI DESCRIBED THE MAIN POINT HE HAD COME TO EUROPE TO MAKE AS THE NEED TO SET JAPAN'S RELATIONSHIP WITH EUROPE ON THE SAME BASIS OF CLOSENESS AS THAT ENJOYED BY JAPAN WITH THE UNITED STATES AND CALLED FOR A NEW FORMULA ON THE GYMnich MODEL FOR ASSOCIATING JAPAN MORE INTIMATELY WITH THE PROCESS OF EUROPEAN POLITICAL CO-OPERATION. HIS SECONDARY PURPOSE WAS TO EXCHANGE IDEAS IN ADVANCE OF THE OTTAWA SUMMIT. FORLANI AGREED THAT THE POLITICAL RELATIONSHIP BETWEEN EUROPE AND JAPAN NEEDED STRENGTHENING AND SAID THAT ITALY, EVEN IF NO LONGER UNDER HIS LEADERSHIP, WOULD WISH TO PLAY ITS PART IN BRINGING THIS ABOUT. HE REGRETTED THAT OPPORTUNITIES FOR CLOSER CONTACTS BETWEEN JAPAN AND ITALY HAD BEEN BEDEVILLED BY YEARLY POLITICAL CRISES IN ITALY.

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14.

4. ON ECONOMIC MATTERS, FORLANI SAID THAT THE NORTH/SOUTH ITEM WAS, IN ITALY'S VIEW, THE MOST IMPORTANT ITEM ON THE OTTAWA SUMMIT AGENDA. NEXT CAME US ECONOMIC POLICY AND THE DAMAGE DONE TO WEAK WESTERN ECONOMIES BY THE STRONG DOLLAR AND HIGH US INTEREST RATES. SUZUKI SAID THAT HE HAD HEARD THE SAME STORY FROM SCHMIDT IN BONN. JAPAN BELIEVED THAT INFLATION WAS COMING UNDER CONTROL IN THE US AND EXPECTED US INTEREST RATES TO COME DOWN. HE (SUZUKI) PROPOSED THAT THERE SHOULD BE A PRE-SUMMIT MEETING OF FINANCE MINISTERS OR CENTRAL BANK GOVERNORS TO ENSURE PROPER PREPARATION OF DISCUSSION OF THIS ITEM AT OTTAWA. FORLANI AGREED THAT THIS IDEA WOULD BE USEFUL, AND, LATER, (IN THE BILATERAL TALKS BETWEEN COLOMBO AND SONODA) COLOMBO SAID THAT IT WAS SOMETHING PERSONAL REPRESENTATIVES SHOULD DISCUSS. SUZUKI AGREED ABOUT THE IMPORTANCE OF NORTH/SOUTH. IN THE LIGHT OF SOVIET AGGRESSIVE INTENTIONS IN THE THIRD WORLD, ECONOMIC CO-OPERATION BETWEEN DEVELOPED COUNTRIES AND LDCS WAS MORE ESSENTIAL THAN EVER.

5. BOTH FORLANI AND COLOMBO RAISED TRADE ISSUES. ITALY (AND INDEED THE COMMUNITY) STRONGLY SUPPORTED THE PRINCIPLES OF FREE TRADE. BUT WHERE THERE WERE SEVERE IMBALANCES, THE STRESSES SO CREATED RISKED PROVOKING PROTECTIONISM. WHAT WAS NEEDED WERE CORDIAL DISCUSSIONS AND A GENUINE SEARCH FOR SOLUTIONS. SUZUKI SAID THAT ON THE SPECIFIC PROBLEM OF CARS, HE HOPED THAT SATISFACTORY ARRANGEMENTS COULD BE MADE THROUGH "CORDIAL DISCUSSIONS". HE DID NOT WANT THIS TO BECOME A POLITICAL PROBLEM. MEANWHILE THE JAPANESE GOVERNMENT CONTINUED TO REGARD IT AS ESSENTIAL TO LOOK AT TRADE BALANCES IN AN OVERALL, GLOBAL CONTEXT. THEY WOULD CONTINUE TO LOOK FOR OPPORTUNITIES FOR JOINT VENTURES IN EUROPE, FOR EXCHANGES OF INFORMATION AND TECHNOLOGY, AND FOR CO-OPERATION IN THIRD MARKETS. HE WAS GOING TO DESPATCH A SPECIAL JAPANESE GOVERNMENT ECONOMIC MISSION, PROBABLY COMPRISING REPRESENTATIVES OF THE KEIDANREN AND MITI, TO VISIT EUROPE FOR DISCUSSIONS ON TRADE RELATIONS. IN THE TALKS BETWEEN COLOMBO AND SONODA, COLOMBO DEVELOPED FURTHER THE IDEA OF AGREEING ON A "BREATHING SPACE" ON JAPANESE EXPORTS IN CERTAIN SECTORS WHICH WOULD ALLOW FOR JOINT STUDY OF JAPANESE EXPORT STRATEGY AND OF THE OPENNESS OF THE JAPANESE MARKET (THE ITALIAN PRIME MINISTER'S OFFICE CLAIM THAT ALL COMMUNITY MEMBERS OF THE OTTAWA SUMMIT GROUP AGREE ABOUT PUTTING THIS MORE FORMALLY TO THE JAPANESE, EXCEPT THE FRG).

6. THE ITALIANS ALSO RAISED INTEREST RATES ON JAPANESE CREDITS TO CHINA WITHOUT EVOKING A SUBSTANTIVE RESPONSE.

7. THE MFA ARE GIVING A COMMUNITY BRIEFING ON THE VISIT ON 16 JUNE. IF ANYTHING EMERGES WHICH ADDS TO OR AMENDS SUBSTANTIALLY, THE ABOVE ACCOUNT, I WILL TELEGRAPH FURTHER.

FCO PLEASE PASS TO ALL SAVING ADDRESSEES
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JAPANESE PRIME MINISTER'S VISIT TO UK

16 - 18 JUNE 1981

BRIEF NO.5: FAR EAST AND SOUTH EAST ASIA

POINTS TO MAKE

1. Mr Suzuki's assessment of situation in Far East, including Soviet threat, prospects for China?
2. How do Japanese see their contribution to common task of safeguarding Western interests? Details of Japanese defence effort a matter for them. But growing Soviet threat means we must all increase our defences. Aid to key states, e.g. Thailand, Pakistan also vital.
3. We note that Japanese Foreign Minister (Sonoda) to attend Conference on Cambodia. UK will attend, but no decision yet on who will represent us, pending news of ASEAN intentions. Welcome convening of conference. Will serve to highlight Vietnamese and Soviet intransigence.

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BRIEF NO.5: FAR EAST AND SOUTH EAST ASIA

BACKGROUND

1. Suzuki unlikely to have anything significant or new to say on China or South East Asia. But it would be polite to seek his views.

Japan's view of Far East strategic environment

2. USSR now seen as principal threat: both directly to Japanese sea lanes and territory, and more immediately, indirectly through Vietnamese activity in S E Asia. Future possibilities (however remote) of renewed hostilities in Korea; instability or change of direction in China; and USSR/China rapprochement also factors in Japanese perception.

3. Growing Japanese awareness of Soviet naval and military build up - most emotively in the 'northern territories' - and of relative decline of American power and interest in Asia post-Vietnam. Therefore gradual acceptance of need for greater Japanese defence effort. Constant US pressure for Japan to assume greater burden of own defence. This year growth in defence spending for first time marginally higher than for welfare; in 1982 may rise as much as 7.5% (higher than overall budget framework of 6.5%)

4. But rate of increase in defence spending held back by pacifist undercurrent, lack of public consensus on need for increased defence, and other budget priorities (Suzuki government's commitment to reducing public borrowing; pressure for more

/welfare

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welfare spending because of ageing population etc). Constitution a constraint on deployment overseas and on 'collective defence' with other countries.

5. Suzuki a dove on defence. Recent resignation of Foreign Minister Ito over meaning of the 'alliance' with US and former US Ambassador's revelations about American nuclear weapons in Japan in contravention of Japan's 'non nuclear principles' have temporarily reinforced sensitivities about defence issues, but may in long term help to create more realistic attitudes.

6. US/Japan Security Treaty provides for American 'nuclear umbrella' and US bases in Japan (40,000 US troops). Japanese Self Defence Forces (240,000 men) only designed to repel small scale invasion or conduct holding operation until US assistance. Defence budget in 1981/2 some \$12 billion; already world's 8th largest, but only 0.9% of GNP (slightly more if on NATO basis); successive governments have publicly endorsed 1% limit.

Cambodia

7. After much delay Waldheim has agreed to convene UN Conference on Cambodia as required by UNGA Resolution 35/6 (Provisionally 13-17 July in New York). Vietnam and its friends, including USSR, have rejected this resolution and have said they will boycott conference.

8. In absence of Vietnamese or their puppet regime in Cambodia (where they still maintain up to 200,000 troops) there can be no real negotiations towards settlement. Forcing Vietnam to boycott a conference called for by large UNGA majority (97 - 23 - 22) nevertheless a major coup for ASEAN. Conference should increase

/international



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international pressure for withdrawal of Vietnamese troops; establish continuing UN forum for discussion of political aspects of Cambodian problem; further isolate Vietnam; and provide opportunities to draw attention to Soviet role in support of Vietnamese economy and military effort (around \$2 billion in 1980).

9. Japanese Foreign Minister Sonoda said on 6 June he will attend conference. Illustrates importance Japan attaches to ASEAN. Suzuki visited all 5 ASEAN countries in January, his first foreign trip. Japan has large aid programmes in the area, particularly in Thailand; but also contributes to Cambodian/Vietnamese refugee relief. Firm supporter of and lobbyist for ASEAN over Cambodian issue.

China

10. Resolution of internal political problems (judgement on role of Mao; and replacement of Hua Guofeng as Party Chairman) likely at Central Committee meeting later in June. Deng Xiaoping has not had everything his way, but still firmly in charge. Economic problems serious. Drastic cutback announced in capital construction and expenditure, to reduce budget deficit and eliminate bottlenecks. Foreign contracts affected, especially from Japan and FRG.

11. Japanese attitudes to China ambivalent. They wish to help consolidate position of present Chinese leadership and exploit commercial opportunities, but are concerned that a modernized China could change course. Political links growing (though Japanese reluctant to be cast as anti-Soviet allies). Late Prime Minister

/Ohira


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Ohira went to China in December 1979, and Chairman Hua Guofeng visited Japan in May 1980. Regular Ministerial talks initiated in Peking in December 1980; six Japanese Cabinet Ministers took part. Economic relationship also increasingly close. In 1980 Japanese exports to China rose by 37 per cent and imports by 46 per cent. But recently £800 million of contracts with Japanese companies cancelled.

12. Chinese wary of President Reagan's administration, especially over extent of US support for Taiwan. Haig's visit to China from 14 - 16 June may reassure them. Inter alia US may now be ready to relax arms sales restrictions to China, after discussion with allies, including Japan. Carter Administration was prepared to supply only dual use items (Military/civil). Japanese likely to be unhappy about US sales of advanced military equipment.

13. UK relations with China good: Lord Carrington's visit 1 - 5 April; possible visit by Mrs Thatcher next year. UK Exports 1980 £169 million; imports £153 million. Slight fall over 1979. UK less affected by project cancellations than Japan. (Defensive) Defence sales only part of overall trade. Chinese readjustment means large contracts unlikely. Sales in 1980 were worth about £50 million.

Korea

14. Chun Doo Hwan now President of Korea for next seven years. Stability and economic growth his paramount concerns. No sign of movement on Korean unification. Chun has proposed talks but Kim Il Sung not interested. South Korean economic progress may eventually increase pressure on North to talk (eg if its Communist bloc friends improve ties with the South).

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15. Japanese relations with Korea close and highly sensitive. Koreans fear Japanese economic domination and some hostility still present as a result of former colonial relationship. Japanese regard security and stability of Korea as critical for their security. Relations strained over trial in 1980 of opposition politician Kim Dae Jung (kidnapped from Tokyo in 1973) but improved following commutation this year of death sentence. Former Japanese Foreign Minister Ito alarmed Koreans by suggesting North Korea no real threat and advocating initiatives which might have brought North into closer relations with Japan (Japan like UK does not recognise the North). Neither Suzuki nor Sonoda have shown inclination to pursue this.

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JAPANESE PRIME MINISTER'S VISIT TO UK, 16-18 JUNE 1981

BRIEF NO 6: EAST-WEST RELATIONS: POLAND AND AFGHANISTAN

POINTS TO MAKE

Poland

1. Critical period for Poland. Importance of Poland for Europe and for West as a whole.
2. If intervention occurs the West, including Japan, must react swiftly and with complete unity. Japan kept informed of contingency planning done in NATO. Fully understand wish to be consulted on measures to adopt following intervention.

Afghanistan: conference initiative

3. International pressure must be maintained. We have ideas for an initiative by the Ten on Afghanistan later this month. Full details will be given to Japanese through our Embassy in Tokyo. Knowledge must be kept tightly restricted and no mention made to press.
4. Main objective is to maintain pressure on Soviet Union and revive international interest. We have in mind an international conference in two stages. First stage would discuss external factors and make proposals to the second stage which would try to reach agreement on comprehensive settlement. Representatives of Afghan opinion would be present at second stage.
5. Once announced, very much welcome Japanese public support.



JAPANESE PRIME MINISTER'S VISIT TO UK, 16-18 JUNE 1981

BACKGROUND

EAST-WEST RELATIONS: JAPANESE POSITION

1. Japanese have always had reservations about detente reflecting underlying coolness in bilateral relations with Soviet Union, notably over Soviet occupation of the 'Northern Territories', islands to north-east of Japan seized by the Russians at the end of World War II (no clear British position on rival Japanese and Soviet claims: complex legal questions involving wartime and post-war international agreements to which HMG a party). 1978 Peace and Amity Treaty with China; Soviet military build-up in Far East; and Vietnamese activities have also affected bilateral relations. Suzuki Administration has adopted aggressive attitude on Northern Territories, instituting a 'Northern Territories Day'. Russians very critical of this and of increases in Japanese defence spending; but Soviet policy towards Japan sometimes conciliatory in attempt to weaken Japanese resolve to keep in line with West. Some pressure from businessmen for efforts to improve bilateral relations (Japanese involved in gas, coal and timber projects in Siberia).
2. Japanese followed West in taking economic measures against Soviet Union after invasion of Afghanistan. They boycotted Olympics and suspended government supported credits for Soviet Union at beginning of 1980 but have since taken more flexible case-by-case approach. Tempted to relax further by the lifting of US grain embargo and suspicions that Japanese firms losing out to European competitors through stricter application by Japan of economic measures against USSR.
3. In Japanese view Western response to invasion of Afghanistan marred by inadequate consultation and co-ordination. Japanese think their firm support for Western line now entitles them to voice in management of East-West relations. They see their role primarily as providing economic support to strategically important countries eg Pakistan, Turkey, Zimbabwe. But slowly building up Self Defence Forces as Japanese public opinion becomes more relaxed about defence. (See Brief No 5).



POLAND

4. Japanese lack experience in Eastern Europe; and find difficulty in understanding strength of European and American concern about prospect of Soviet intervention. Suzuki nevertheless told Lord Carrington in April that Japan would react very severely to intervention in co-operation with US and Europe. Publicly Japanese have taken line that Poland must be left to solve own problems.

5. Japanese kept informed of NATO contingency planning, mainly via their Ambassador in Washington. Keen to be consulted in event of intervention but reluctant to be associated with NATO meeting; prefer to deal with Ten.

6. Polish debt to Japan about \$800 million. Japanese in close touch with other Western creditors.

AFGHANISTAN

Conference initiative

7. Main element is two stage approach:

STAGE ONE: to deal with external factors.

Permanent members of Security Council plus Pakistan, Iran, India, Secretary-General of Islamic Conference and perhaps a UN representative

STAGE TWO: to reach agreement on proposals from Stage One and all other matters relevant to a settlement. Afghan opinion to be represented.

Situation within Afghanistan

8. Resistance seem to be doing better now than for many months past. Recently they have been active in the cities, particularly Kandahar, Herat and Jalalabad. They have maintained notably high levels of activity in south-east (particularly Pakhtia) and north-west provinces. Much of central Afghanistan is in hands of Resistance. No sign that Russians are making military progress.

Afghan refugees in Pakistan

9. Now more than 2 million Afghan refugees in Pakistan,

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with number increasing by over 100,000 a month. UK has given over £2.9 million to the UNHCR (bilaterally and through the EC) to support these refugees. Are now considering aid level for refugees in this financial year.

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JAPANESE PRIME MINISTER'S VISIT TO UK

16 - 18 JUNE 1981

BRIEF NO. 7: MIDDLE EAST

POINTS TO MAKE

Arab/Israel

1. Glad Europeans and Japanese views so close. Must work together to influence US thinking and encourage Arab moderation. Arafat visit to Tokyo useful opportunity to press PLO.

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BRIEF NO. 7: MIDDLE EAST

BACKGROUND

Arab/Israel

1. Japan has expressed warm public support for Venice Declaration and European peace efforts. Japanese views in general close to ours though oil considerations have led them to move a little further than us in Arab direction. For them, as for us, Middle East an area of potential disagreement with United States.

2. Americans have been pressing Japanese Government not to receive Arafat if he accepts a Japanese parliamentary group's invitation to visit Japan (parliamentarians are working closely with Japanese government). Japanese have bowed to US pressure to extent of postponing proposed visit from June to October, but intend to go ahead if Arafat accepts. Arafat has not yet confirmed that he will go in October. If he does, he will be received by both Prime Minister and Foreign Minister.


Lebanon

3. Japanese made representations to Syrians and Israelis in early May urging restraint. Japanese held Presidency of Security Council in May. Their view then was that there was no useful action Security Council could take. We agree, so long as Habib mission is in progress and Arabs remain opposed to 'internationalisation' of Lebanese problem.

4. We are in touch with members of Arab Follow-up Committee about what UK might do to help bolster Lebanese Government's authority. Most promising area is provision of supplies and training for Lebanese Army. We are considering what we might be able to offer.

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/Iran/Iraq War



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Iran/Iraq War

5. War now in ninth month. Fighting could continue at present low level for many more months. Scorching summer heats militate against major armoured offensives. Both sides, but especially Iraq, ready to end fighting but need face-saving formula to allow them to enter into negotiations.

6. Non Aligned Movement and Islamic Conference continue their efforts at mediation. Neither belligerent has rejected proposals made but gap between them principally over key issue of sovereignty of Shatt Al Arab, still wide. Olaf Palme returns to area on 19 June.

7. Japan heavily involved in major projects in Iraq and Iran (particularly expensive liability of nearly completed Bandar Khomeini petrochemical plant). Withdrew labour when hostilities broke out but came under pressure to resume work. Will be concerned to see war end to reduce damage to trade relations with belligerents.

8. Mr Sonoda issued statement strongly criticising Israeli attack on Iraqi nuclear reactor.

Gulf Security

9. Japanese quietly welcome others' efforts to protect Western interests in Gulf. No question of Japanese naval deployment in Gulf; and Suzuki has said publicly that financial contribution to RDF probably impossible politically even if not unconstitutional. But aid to Oman strategically motivated.

10. Foreign Minister Sonoda may visit Saudi Arabia, Kuwait and UAE in August.


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JAPANESE PRIME MINISTER'S VISIT TO UK

16 - 18 JUNE 1981

BRIEF NO.8: BACKGROUND BRIEF

(a) ANGLO-JAPANESE RELATIONS

1. Tend to be overshadowed by trade problems (see briefs nos.2 and 3). Otherwise good, with high level of contacts. Recent Ministerial visitors to Japan include Sir I Gilmour (July 1980), Mr Younger (September 1980), Mr Edwards (February 1981), Lord Carrington (early April) and Mr Baker (late April). Prospect of visits later this year by Sir K Joseph with Mr Butler; and Mr Ridley.
2. Other Japanese visitors this month: Mr Nikaido (Chairman, Liberal Democratic Party Executive Council); Mr Tanaka (Minister of International Trade and Industry) for talks with Mr Biffen and Sir K Joseph, 18 - 20 June); and Mr Komoto (Director General, Economic Planning Agency) at invitation of Sir G Howe, 18-19 June.
3. Likely that Crown Prince and Princess will attend Royal Wedding in July. But not yet approved by Japanese Cabinet and Japanese anxious that there should be no leak.
4. Member(s) of Imperial Family (not Crown Prince and Princess) also invited as guests of HMG in late October for opening of Royal Academy's Great Japan Exhibition. This is a major exhibition, matching Tutankhamen and Chinese exhibition and including treasures never previously seen outside Japan. Prime Minister's and Mr Suzuki's agreement to join Committee of Honour might be announced during latter's visit.

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(b) POLITICS IN JAPAN

5. Liberal Democratic Party scored comfortable majorities in elections for both Houses of Diet (House of Representatives and House of Councillors) in June 1980. Reasons included sympathy vote following Ohira's death during campaign, and failure of opposition parties to present convincing coalition alternative. Main opposition party, Japan Socialist Party, continues to be uneasy grouping of Marxist and moderate elements.

6. Mr Suzuki was compromise to replace Ohira. Did well at first but now under criticism in Japan for inept handling of controversy over joint communiqué issued during visit to Washington in May. Communiqué for first time referred to 'alliance' with the United States. Suzuki contradicted Foreign Ministry by claiming that this had no military connotations (which it clearly did as he later had to recognise). He also publicly criticised Foreign Ministry for not including in the communiqué more disclaimers about Japan's determination not to become a military power. This led to resignation of Mr Ito as Foreign Minister.

7. Recent statement by a former US Ambassador that American nuclear weapons have been taken into Japan in contravention of Japan's 'non nuclear principles' has caused further controversy. Most of opposition parties have focussed their criticism of government on these issues. But comfortable LDP majorities helped government to get through more business than usual in Diet session just ended.

8. Mr Suzuki's domestic standing dented by recent events, but there is no obvious candidate to replace him at present. In longer term his future may be determined by his success in carrying out his commitment to 'administrative reform' (the reduction of the heavy level of public borrowing). His next tests will be debate on this in September, and expected Cabinet reshuffle in November.

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(c) JAPANESE ECONOMY

Output and Prices

9. GNP grew 4.2 per cent in 1980. Sluggish domestic demand for most of year meant that 3/4 of GNP growth came from external sector. In 1980 export volume grew 17 per cent - well above rate of increase in world trade volume. This trend has continued into 1981, with volume of exports growing more rapidly than volume of imports (seasonally adjusted) in first two months of year. Slowdown in growth occurred in second half of year. Some signs that domestic demand might be picking up now. Moderate growth can be expected this year.

10. Oil prices rises caused consumer price inflation to accelerate in 1980. The rate followed an erratic pattern in second half of year but year-on-year rate down from nearly 9 per cent in September 1980 to 6.2 per cent in April. Rate of wholesale price increases peaked in April 1980 at 23 per cent but fell a half per cent in year to April 1981. Earnings growth of about $7\frac{1}{2}$ per cent year-on-year is moderate considering Japanese productivity growth. Rate of unemployment likely to remain around present level of 2.2 per cent during 1981.

Balance of Payments and Exchange-rate

11. Current account moved into deficit in 1979 following second rise in oil prices. Deficit for 1980 was about \$11 billion but a rapid turnaround was seen in second half of year. In Q4 1980 current account was in approximate balance. A small deficit still expected in 1981. Deficit in Q' was about \$1 billion but has improved since.

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12. The Yen was hit by concern over effect of oil price rises on economy and depreciated to about Y260/\$ in April 1980. The speedy turnaround in current account restored confidence and by December rate was Y204/\$. Since then widening interest rate differentials have caused a depreciation, to about Y220, but Yen has not been as severely hit as European currencies.

Policies

13. Monetary and fiscal policy were kept tight during first half of 1980 in order to limit impact of oil price rises on domestic prices. Following slowdown in activity in second half of year, emphasis shifted to stimulating domestic demand. This continued in 1981 and in March Government announced a package of measures to support activity, including a 1 per cent cut in discount rate to $6\frac{1}{4}$ per cent and acceleration of planned public works projects. But Government still determined to cut budget deficit for 1981. It is planned to reduce central Government's general account deficit by Y2 trillion to Y12 trillion or 4.5 per cent of GNP. Budget includes smallest percentage increase in Government expenditure and largest increase in taxation for over 20 years. Any stimulus to the economy will therefore have to come from monetary policy. 'Window guidance' ceiling on the allowable increase in lending by major banks increased about 12 per cent (seasonally adjusted) in Q1 1981.

14. FACT SHEET ON JAPAN is annexed.

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JAPANESE PRIME MINISTER'S VISIT TO UK

16 - 18 JUNE 1981

BRIEF NO.9: PERSONALITY NOTES

(a) MR ZENKO SUZUKI

Prime Minister (since July 1980).

1. Born 1911. Graduate of Fisheries Training Centre. Elected to House of Representatives first as Socialist (1947) and later as Liberal Democrat. Former Minister of Posts and Telecommunications, Chief Cabinet Secretary, Minister of Health and Welfare, and Minister of Agriculture, Forestry and Fisheries. Several times Deputy Secretary General of LDP; Chairman of LDP Executive Council for an unprecedented ten times.
2. Suzuki claims to have no personal political ideology. His change of party in 1949 said to have been because he thought it would benefit his constituents if he belonged to the majority. Became Mr Ohira's right hand man in the LDP and succeeded to leadership of his faction when Ohira died in May 1980.
3. Unlike many of his predecessors Mr Suzuki did not serve as a senior official in the Ministry of Finance before entering politics. He draws much of his political influence from his background in the fishing industry. Nickname is Japan's 'Mr Fish'.

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4. Political reputation derives largely from his skill as a mediator in party affairs. He was a compromise choice to succeed Ohira, largely because he was thought to be the man most likely to maintain party unity. His ideal is the 'politics of harmony', a concept which aims at consensus within cabinet rather than leadership from front. Although originally considered an interim Prime Minister, Suzuki quickly established his position. In December 1980 he was elected unopposed as LDP President for a further two years. His skill in foreign affairs and in managing his government has been seriously questioned following Mr Ito's resignation as Foreign Minister and other recent events. Although his political stature has fallen, he is likely to remain Prime Minister until the end of 1982 and possibly beyond.

5. Before becoming Prime Minister, his experience of international negotiations was limited to his time as Minister for Agriculture, Forestry and Fisheries, when he concluded a difficult fisheries agreement with the Soviet Union in 1977. His first overseas trip (to the ASEAN countries in January 1981) was successful. His visit to the US (4-10 May) also went well but its defence aspects caused domestic controversy.

6. Mr Suzuki's public manner is unimpressive but he comes over better in private discussion. Popular among rank and file members of party because of unassuming style and good humour. A Kendo 5th Dan and keen on golf. Does not speak English.

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(b) MR SUNAO SONODA

Foreign Minister (since May 1981)

1. Born 1913. Sonoda left school at 15 and joined the Army where he became an officer in a parachute regiment. First elected to House of Representatives in 1947. His own small faction in LDP broke up in 1972 and he led majority of it into the Fukuda faction, from which he was expelled in 1979 for supporting Mr Ohira for Prime Minister. Minister of Health (1967/68); Chief Cabinet Secretary (1976/77); Foreign Minister (1977/79); and Minister of Health and Welfare (July 1980 to May 1981). His political standing has grown in recent years although he has made enemies and as Chief Cabinet Secretary had a reputation for indiscretion with the press.

2. During his first period as Foreign Minister Sonoda was an advocate of a more active role in international affairs for Japan. His greatest achievement was signature of the Treaty of Peace and Friendship with China, and his performance as Foreign Minister was highly rated in Japan. He travelled more extensively than any of his predecessors, including visits to the UK (talks with Lord Carrington in May 1980).

3. In his recent period as Minister for Health and Welfare he had to cope with a number of financial scandals centred on Japanese hospitals and medical colleges. He fought hard to maintain reasonable growth in welfare expenditure in the 1981 budget. This put him in the apparent position of opposing greater defence expenditure, a rival for available resources.

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4. Sonoda owes his return to the Foreign Ministry to the early departure of his predecessor Ito, who felt obliged to resign following a public dispute with the Prime Minister Suzuki over the defence aspects of the visit to Washington in May 1981 in which both took part.

5. Though Sonoda speaks only Japanese, he has a good understanding of international issues and a pleasant and forthright personal style.

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(c) MR TSUTOMU KAWARA

Deputy Chief Cabinet Secretary (since July 1980)

(= Minister of State)

1. Age 44. Professional politician. Only previous Ministerial experience was as Parliamentary Vice Minister for Labour. Regarded as one of the leaders of younger members of Suzuki faction of LDP, and considered to have bright prospects in party and government.
2. Hardworking, confident but friendly.
3. Judo 3rd Dan.
4. No English.



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(d) MR MASUO TAKASHIMA

Administrative Vice-Minister, Ministry of Foreign Affairs
(= Permanent Under Secretary)

1. Born 1920. After the war spent 2¹/₂ years in Soviet detention camp.
2. His first overseas post was London in 1948. His positions since have included Director-General of the Asian Affairs Bureau and of the Treaties Bureau, Consul-General in Sydney and Ambassador in the Netherlands. He is said to have a high reputation in China.
3. Generally regarded as easy-going and accessible. The Embassy have always found him helpful.
4. Married. His hobby is listening to classical music. Jogs three kilometres every morning.



10 DOWNING STREET

From the Private Secretary

15 June 1981

Visit by the Japanese Prime Minister: 16-18 June

We have discussed on the telephone your letter to me of 3 June on this subject. For the record we agreed:-

- (a) that participation on each side at the talks would be limited to eight people, exclusive of interpreters;
 - (b) there will be short speeches of 3-4 minutes preceded by toasts from both sides;
 - (c) there will be an exchange of gifts in the shape of books.
- MA

R.M.J. Lyne, Esq.,
Foreign and Commonwealth Office.

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GRS 700

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INFO PRIORITY TOKYO, UKREP BRUSSELS

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JAPANESE PRIME MINISTER'S VISIT TO ITALY

1. THE JAPANESE PRIME MINISTER, ACCOMPANIED BY THE FOREIGN MINISTER AND AN ENTOURAGE OF 38 (TO THE DESPAIR OF THE JAPANESE EMBASSY) VISITED ROME FOR TALKS WITH THE CARETAKER ITALIAN GOVERNMENT ON 12 JUNE. MR SUZUKI ALSO CALLED ON PRESIDENT PERTINI WHO ACCEPTED AN INVITATION FROM EMPEROR HIROHITO TO PAY A STATE VISIT TO JAPAN (THE FIRST BY AN ITALIAN HEAD OF STATE), PROBABLY IN THE SPRING OF 1982.
2. THE TALKS STARTED WITH A TETE-A-TETE BETWEEN THE TWO PRIME MINISTERS, ACCOMPANIED ONLY BY THEIR FOREIGN MINISTERS, WHO CONTINUED IN THE AFTERNOON. THE ITALIAN PRIME MINISTER'S OFFICE HAVE TOLD US THAT SINCE FORLANI IS OPERATING IN ONLY A CARETAKER CAPACITY THE VISIT HAD BEEN TREATED BY THE ITALIANS AS LOW KEY AND GENERAL. THEIR AIM HAD BEEN TO VOICE STANDARD PRE-OCCUPATIONS OVER EC/JAPAN TRADE RELATIONS AND TO PROBE THE JAPANESE ON PROSPECTS FOR THE OTTAWA SUMMIT, WHILE ALSO SOUNDING ENTHUSIASTIC ABOUT A CLOSER POLITICAL RELATIONSHIP BETWEEN EUROPE AND JAPAN. THE JAPANESE EMBASSY HAVE GIVEN US A RATHER FULLER ACCOUNT OF THE TALKS, (READ OUT FROM THEIR REPORTING TELEGRAMS TO TOKYO) AS FOLLOWS:
3. FORLANI STARTED THE TETE-A-TETE SESSION BY SAYING THAT WHATEVER GOVERNMENT TOOK OFFICE AFTER THE CURRENT CRISIS, IT WOULD HAVE BROADLY THE SAME EXTERNAL POLICIES AND PREOCCUPATIONS. SUZUKI DESCRIBED THE MAIN POINT HE HAD COME TO EUROPE TO MAKE AS THE NEED TO SET JAPAN'S RELATIONSHIP WITH EUROPE ON THE SAME BASIS OF CLOSENESS AS THAT ENJOYED BY JAPAN WITH THE UNITED STATES AND CALLED FOR A NEW FORMULA ON THE GYMnich MODEL FOR ASSOCIATING JAPAN MORE INTIMATELY WITH THE PROCESS OF EUROPEAN POLITICAL CO-OPERATION. HIS SECONDARY PURPOSE WAS TO EXCHANGE IDEAS IN ADVANCE OF THE OTTAWA SUMMIT. FORLANI AGREED THAT THE POLITICAL RELATIONSHIP BETWEEN EUROPE AND JAPAN NEEDED STRENGTHENING AND SAID THAT ITALY, EVEN IF NO LONGER UNDER HIS LEADERSHIP, WOULD WISH TO PLAY ITS PART IN BRINGING THIS ABOUT. HE REGRETTED THAT OPPORTUNITIES FOR CLOSER CONTACTS BETWEEN JAPAN AND ITALY HAD BEEN BEDEVILLED BY YEARLY POLITICAL CRISES IN ITALY.

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4. ON ECONOMIC MATTERS, FORLANI SAID THAT THE NORTH/SOUTH ITEM WAS, IN ITALY'S VIEW, THE MOST IMPORTANT ITEM ON THE OTTAWA SUMMIT AGENDA. NEXT CAME US ECONOMIC POLICY AND THE DAMAGE DONE TO WEAK WESTERN ECONOMIES BY THE STRONG DOLLAR AND HIGH US INTEREST RATES. SUZUKI SAID THAT HE HAD HEARD THE SAME STORY FROM SCHMIDT IN BONN. JAPAN BELIEVED THAT INFLATION WAS COMING UNDER CONTROL IN THE US AND EXPECTED US INTEREST RATES TO COME DOWN. HE (SUZUKI) PROPOSED THAT THERE SHOULD BE A PRE-SUMMIT MEETING OF FINANCE MINISTERS OR CENTRAL BANK GOVERNORS TO ENSURE PROPER PREPARATION OF DISCUSSION OF THIS ITEM AT OTTAWA. FORLANI AGREED THAT THIS IDEA WOULD BE USEFUL, AND, LATER, (IN THE BILATERAL TALKS BETWEEN COLOMBO AND SONODA) COLOMBO SAID THAT IT WAS SOMETHING PERSONAL REPRESENTATIVES SHOULD DISCUSS. SUZUKI AGREED ABOUT THE IMPORTANCE OF NORTH/SOUTH. IN THE LIGHT OF SOVIET AGGRESSIVE INTENTIONS IN THE THIRD WORLD, ECONOMIC CO-OPERATION BETWEEN DEVELOPED COUNTRIES AND LDCS WAS MORE ESSENTIAL THAN EVER.

5. BOTH FORLANI AND COLOMBO RAISED TRADE ISSUES. ITALY (AND INDEED THE COMMUNITY) STRONGLY SUPPORTED THE PRINCIPLES OF FREE TRADE. BUT WHERE THERE WERE SEVERE IMBALANCES, THE STRESSES SO CREATED RISKED PROVOKING PROTECTIONISM. WHAT WAS NEEDED WERE CORDIAL DISCUSSIONS AND A GENUINE SEARCH FOR SOLUTIONS. SUZUKI SAID THAT ON THE SPECIFIC PROBLEM OF CARS, HE HOPED THAT SATISFACTORY ARRANGEMENTS COULD BE MADE THROUGH "CORDIAL DISCUSSIONS". HE DID NOT WANT THIS TO BECOME A POLITICAL PROBLEM. MEANWHILE THE JAPANESE GOVERNMENT CONTINUED TO REGARD IT AS ESSENTIAL TO LOOK AT TRADE BALANCES IN AN OVERALL, GLOBAL CONTEXT. THEY WOULD CONTINUE TO LOOK FOR OPPORTUNITIES FOR JOINT VENTURES IN EUROPE, FOR EXCHANGES OF INFORMATION AND TECHNOLOGY, AND FOR CO-OPERATION IN THIRD MARKETS. HE WAS GOING TO DESPATCH A SPECIAL JAPANESE GOVERNMENT ECONOMIC MISSION, PROBABLY COMPRISING REPRESENTATIVES OF THE KEIDANREN AND MITI, TO VISIT EUROPE FOR DISCUSSIONS ON TRADE RELATIONS. IN THE TALKS BETWEEN COLOMBO AND SONODA, COLOMBO DEVELOPED FURTHER THE IDEA OF AGREEING ON A "BREATHING SPACE" ON JAPANESE EXPORTS IN CERTAIN SECTORS WHICH WOULD ALLOW FOR JOINT STUDY OF JAPANESE EXPORT STRATEGY AND OF THE OPENNESS OF THE JAPANESE MARKET (THE ITALIAN PRIME MINISTER'S OFFICE CLAIM THAT ALL COMMUNITY MEMBERS OF THE OTTAWA SUMMIT GROUP AGREE ABOUT PUTTING THIS MORE FORMALLY TO THE JAPANESE, EXCEPT THE FRG).

6. THE ITALIANS ALSO RAISED INTEREST RATES ON JAPANESE CREDITS TO CHINA WITHOUT EVOKING A SUBSTANTIVE RESPONSE.

7. THE MFA ARE GIVING A COMMUNITY BRIEFING ON THE VISIT ON 16 JUNE. IF ANYTHING EMERGES WHICH ADDS TO OR AMENDS SUBSTANTIALLY, THE ABOVE ACCOUNT, I WILL TELEGRAPH FURTHER.

FCO PLEASE PASS TO ALL SAVING ADDRESSEES
ARCULUS

(REPEATED AS REQUESTED)

STANDARD
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FEJ
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CABINET OFFICE

THIS TELEGRAM WAS NOT
2 ADVANCED
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FM TOKYO 130145Z JUN 81

TO IMMEDIATE FCO

TELEGRAM NUMBER 391 OF 13 JUNE

JAPANESE PRIME MINISTER'S VISIT TO LONDON

1. I HAD A TWO HOUR TALK TODAY WITH HATAKEYAMA, MR SUZUKI'S PRIVATE SECRETARY FOR ECONOMIC AFFAIRS (A MITI MAN). AT THE END HE SAID THAT RELATIONS BETWEEN THE PRIME MINISTER'S OFFICE AND THE MEA WERE STILL SOMEWHAT DELICATE AND HE HOPED THEREFORE THAT WE WOULD PROTECT NOT ONLY REMARKS ATTRIBUTABLE TO HIM BUT MORE ESPECIALLY THE POINT THAT WE WERE USING HATAKEYAMA AS A CHANNEL.

2. IN IDMMARY THE MAIN POINTS MADE BY HATAKEYAMA WERE:

(A) A RECENT POLL (UNIDENTIFIED) HAD INDICATED TO MR SUZUKI THAT THE SINGLE MOST IMPORTANT ASPECT N THE EUROPEAN VISIT FOR THE JAPANESE WAS THAT THE PRIME MINISTER SHOULD SPEAK UP STRONGLY FOR JAPAN'S POSITION ON A VARIETY OF ISSUES, PARTICULARLY IF HE WERE ATTACKED ON TRADE MATTERS. THKIPRIME MINISTER WILL THEREFORE BE ANXIOUS TO ENSURE THAT JAPANESE PRESS REPORTS SHOW THAT HE GAVE AS GOOD AS HE GOT, ALTHOUGH HE IS NOT IN ANY WAY LOOKING FOR A ROW AND HOPES THAT ONE CAN BE AVOIDED (THIS REINFORCES OUR POINT ABOUT HIS SENSITIVE FRAME OF MIND - SEE OUR TELNO 377).

(B) MR SUZUKI WOULD BE BOUND TO REACT ADVERSELY TO A LINE OF ARGUMENT WHICH SEEMED TO SUGGEST THAGFTHE JAPANESE MARKET WAS NOT IN GENERAL TERMS AN OPEN ONE. THIS WOULD LEAD TO A STERILE DEBATE ABOUT THE RELATIVE AVERAGE TARIFF LEVELS OF EUROPE AND JAPAN, THE NUMBER OF QUOTAS RETAINED ETC, AND WOULD GET NOWHERE. ON THE OTHER HAND HE SHOULD BE MUCH MORE RESPONSIVE TO SPECIFIC IDEAS OF WAYS IN WHICH JAPAN MIGHT TRY TO HELP THE EUROPEANS TO INCREASE THEIR EXPORTS TO JAPAN.

3. I TOLD HATAKEYAMA THAT

(A) SUZUKI'S RECEPTION IN LONDON WOULD DEPEND HEAVILY ON WHAT HE HAD TO SAY AND THE ORDER IN WHICH HE SAID IT.

(B) IT WAS UNLIKELY THAT THERE WOULD BE ANY DIFFICULTIES ABOUT THE POLITICAL OR GENERAL PARTS OF THE CONVERSATIONS, ALTHOUGH WE WOULD BE INTERESTED TO LEARN MORE ABOUT JAPANESE VIEWS ON EAST-WEST RELATIONS ON WHICH THERE HAD BEEN HINTS OF A SLIGHTLY DOVISH TENDENCY IN ONE OR TWO RECENT MINISTERIAL STATEMENTS.

(C) THE UK WAS SUFFERING FROM THE TWIN PROBLEMS OF A VERY SEVERE RECESSION AND THE NEED TO RESTRUCTURE MUCH OF HER INDUSTRY. IT WOULD BE IMPORTANT FOR MR SUZUKI TO ACKNOWLEDGE THESE PROBLEMS AND PERHAPS TO STATE, IN PRIVATE AND IN PUBLIC, THAT JAPAN WAS PREPARED TO PLAY HER PART.

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/ (D)

(D) APART FROM REITERATING JAPAN'S UNDERTAKING NOT TO EXPORT "TORRENTIALLY" IN ANY SECTOR AND REFERRING TO THE RESTRAINT AGREEMENTS FOR CARS AND CONSUMER ELECTRONICS WHICH HAD BEEN IN EXISTENCE FOR SOME YEARS, IT WOULD BE HELPFUL IF SOME PUBLIC STATEMENT COULD BE MADE TO INDICATE THAT JAPANESE GOVERNMENT OFFICIALS FROM TOP TO BOTTOM SHOULD ENSURE THAT WHEREVER POSSIBLE THEY WOULD FACILITATE IMPORTS. A GESTURE ON CONFECTIONERY TARIFF AND WHISKY TAX WOULD ALSO GO DOWN WELL, BUT WE WERE GENERALLY LOOKING FOR MUCH BIGGER ITEMS THAN THIS.

(E) NONE OF OUR POINTS WOULD INVOLVE ANY DRAMATIC CHANGE ON JAPAN'S PART NOR ANY RADICAL RESTRUCTURING OF JAPANESE INDUSTRIAL SECTORS OR POLICIES. WE WERE SIMPLY LOOKING FOR A RESPONSIVENESS WHICH HAD HITHERTO BEEN GENERALLY LACKING AND INDICATIONS OF A GENUINE WILLINGNESS TO TRY TO ENSURE THAT THE PRESENT INCREASINGLY UNSATISFACTORY TRADING POSITION DID NOT GET WORSE.

(F) ALL OF THIS WOULD BE DONE IN THE INTERESTS OF PRESERVING THE FREE TRADING SYSTEM, A POINT WITH WHICH MR SUZUKI WOULD DOUBTLESS WISH TO MAKE SOME SUBSEQUENT PLAY, PARTICULARLY WITH THE JAPANESE PRESS.

4. HATAKEYAMA GENERALLY REACTED WELL AND UNDERTOOK TO PUT THESE POINTS TO THE PRIME MINISTER. HE HAD THREE MAIN CONCERNS:

(A) JAPAN HAD BEEN WARY OF ACKNOWLEDGING THE EUROPEAN (AND UK) PROBLEMS BECAUSE OF THE FEAR THAT THIS MIGHT LEAD TO DEMANDS THAT JAPAN SHOULD PLAY THE PRINCIPAL ROLE IN TRYING TO DEAL WITH THEM.

(B) A WILLINGNESS ON THE PART OF JAPAN SERIOUSLY TO DISCUSS WAYS OF ASSISTING WITH EUROPEANS' PROBLEMS WOULD HAVE TO BE CAREFULLY CIRCUMSCRIBED, OTHERWISE THE EUROPEANS MIGHT THINK THAT JAPAN WAS PREPARED TO DO MORE THAN SHE COULD IN FACT DELIVER AND THE FINAL RESULT WOULD BE EVEN MORE FRUSTRATING THAN THE PRESENT SITUATION.

(C) THE IDEA OF AN ADMINISTRATIVE ORDER TO OFFICIALS TO EXPEDITE IMPORTS WAS PROBABLY A STARTER BUT IT WOULD HAVE TO BE CAREFULLY PHRASED IF THE IMPRESSION WERE NOT TO BE GIVEN THAT JAPANESE OFFICIALS WOULD HITHERTO SOUGHT TO ACT AS A BRAKE ON IMPORTS.

5. WHILE THERE IS NOTHING STARTLINGLY NEW IN THIS, THE CONVERSATION REINFORCES THE VIEW THAT MR SUZUKI IS AT LEAST HALF BRACED FOR A HARD DISCUSSION ON ECONOMIC MATTERS BUT COULD REACT REASONABLY POSITIVELY IF THE POINTS ARE PUT TO HIM ON THE BASIS OF A COOPERATIVE EFFORT RATHER THAN CONFRONTATION.

WHITEHEAD

Fco WHITEHALL

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MR. ALEXANDER

Japan

Lunch for the Prime Minister of Japan
Wednesday, 17 June

I attach a draft guest list together with a list of reserves for the Prime Minister's lunch for the Prime Minister of Japan.

David Wolfson has seen this list but does not have comments. Ian Gow has not yet seen the list.

Sue Goodchild

5 June 1981



Prime Minister

Foreign and Commonwealth Office

London SW1A 2AH

3 June 1981

(I assume that in the light of
'A' below you will be unlikely to
give a larger lunch for Mr Suzuki'.
I attach (Flag A) a possible list.

Dear Michael,

Agree a short speech?

Agree to exchange small gifts?

Rud. 5/6

Visit by Japanese Prime Minister: 16-18 June

I enclose a copy of the programme for Mr Suzuki's visit as it stands at present together with a list of the official party which the Japanese have provided (Annexes 1 and 2). Mr Suzuki will also be bringing some 30 journalists with him. There are a number of detailed points which we need to settle fairly soon.

Participation in the Talks

The Japanese have indicated that they would like a minimum of 7 people to be present at the talks on the morning of 17 June. I attach a suggested list of participants (Annex 3). You may wish to invite the Departments of Trade and Industry to nominate senior officials to attend. I should be grateful if you would let me know whether this is acceptable. The Japanese will provide an interpreter who will translate in both directions. The official they are planning to use was until recently First Secretary at the Embassy in London; he is first class.

Lunch

The Japanese have throughout stressed that this is to be regarded as a 'working' visit and until recently we had understood that they would prefer a working lunch attended only by Ministers and officials. However, the Japanese Embassy have now informed us that Mr Suzuki would be grateful if the 4 Liberal Democratic Party MPs (number 32-35 on the list) could also be included. It is customary for Japanese Prime Ministers to take members of the Diet with them when they travel abroad and the Embassy have explained that Mr Suzuki would be put in a somewhat embarrassing position if the 4 Japanese MPs had no opportunity to meet the Prime Minister while in London. They say that social functions are being arranged in the other European capitals which Mr Suzuki will be visiting. While the inclusion of the MPs and others will reduce the time available for official discussion we think it would be best to meet Japanese wishes. I therefore enclose (Annex 4) a suggested guest list for a lunch for 30 which would also include senior businessmen interested in Japan. The list has been drawn up in consultation with the Departments of Trade and Industry. Should the Prime Minister nevertheless prefer a working lunch, I attach an alternative guest list limited to Ministers and officials (Annex 5).

/When



When the number of members of the Japanese party that can be accommodated is known, we will need in either case to confirm the names suggested with the Japanese. We will also arrange for additional interpreters as necessary.

Speeches

It might be appropriate for the Prime Minister to make a very short speech at the lunch, say 3-4 minutes; Mr Suzuki would respond at similar length. If you agree, we will provide a draft. It is not essential to have an exchange of formal toasts but the Japanese would be grateful to know the Prime Minister's practice.

Gifts

We understand from the Japanese that Mr Suzuki will bring a book on the Japanese arts for the Prime Minister and also a copy for Lord Carrington. Unless you prefer otherwise Mr Suzuki is likely to hand these over personally at No. 10. It is not essential for the Prime Minister to reciprocate but if she wished to do so, we would suggest an illustrated book about Britain. There is no need for anything more elaborate. It would also be much appreciated if a small gift could be provided for the principal interpreter.

yours ever

Roaric Lyne

(R M J Lyne)
Private Secretary

M O'D B Alexander Esq
10 Downing Street

cf Mr Anson

JAPANESE PRIME MINISTER'S VISIT TO LONDON: 16-18 JUNE 1981

Provisional Programme (as at 3.6.81)Tuesday 16 June

- 1600 Arrival at Heathrow by JAL Special Flight
- 1800 - 1930 Reception by the Japan Society, Japanese Chamber of Commerce in London and the Japan Association at the Savoy Hotel (Mr Suzuki to arrive about 1815 and leave about 1845)
- [1800 - 1830 Foreign Minister to call on Lord Carrington]
- 2000 - Informal dinner at the Japanese Ambassador's official residence*
- Stay at Claridges

Wednesday 17 June

- 1130 - Meeting with the Prime Minister at No 10 Downing Street
- 1315 - Luncheon given by the Prime Minister
- 1700 - Drinks at Chatham House (Mr Suzuki to arrive about 1710)
- 1730 - 1830 Speech at Chatham House
- 1915 - Meeting with the Press
- 2015 - Informal dinner at the Dorchester Hotel*
- [2000 Mr Sonoda leaves by BA 382 from Gatwick]

Thursday 18 June

- 0740 Departure from Heathrow

[*we understand that only Japanese are being invited]

List of the Prime Minister's Party
(as of May 28 1981)

- | | |
|---------------------------------------|--|
| 1. Zenko Suzuki | Prime Minister |
| 2. Sunao Sonoda | Minister for Foreign Affairs |
| 3. Tsutomu Kawara | Deputy Chief Cabinet Secretary |
| (Prime Minister's Official Residence) | |
| 4. Shogo Zaitso | Private Secretary to the Prime Minister |
| 5. Sakutarō Tanino | Private Secretary to the Prime Minister |
| 6. Mamoru Ozaki | Private Secretary to the Prime Minister |
| 7. Yoshiharu Inoue | Secretary to the Deputy Chief Cabinet Secretary |
| 8. Shigenori Mizumachi | Doctor |
| 9. Tomihiro Kubota | Official Cameraman |
| 10. Seisaku Taniguchi | Superintendent, Officer in charge of Protection Operations, the Second Public Security Division, Security Bureau, National Police Agency |
| 11. Tsunehiko Iwasaki | Superintendent, Administrator, the Physical Protection Section, the Security Division, Metropolitan Police Department |
| 12. Shigeru Matsui | Inspector (Appointed Security Officer of the Prime Minister), Metropolitan Police Department |
| 13. Kuniyasu Tsuwatari | Inspector (Appointed Security Officer of the Prime Minister), Metropolitan Police Department |
| (Ministry of Foreign Affairs) | |
| 14. Masuo Takashima | Vice-Minister for Foreign Affairs |
| 15. Toshiaki Muto | Director-General of the European and Oceanic Affairs Bureau |
| 16. Hiromu Fukada | Director-General of the Economic Affairs Bureau |
| 17. Ryojiro Watanabe | Private Secretary to the Minister for Foreign Affairs |
| 18. Yasuo Noguchi | Director of the First International Economic Affairs Division |

19. Terusuke Terada Director of the Press Division
20. Tsuyoshi Kurokawa Director of the First West Europe Division
21. Koichi Haraguchi Private Secretary to the Minister for Foreign Affairs
22. Hisao Hashimoto Inspector (Appointed Security Officer of the Minister for Foreign Affairs), Metropolitan Police Department
23. Takashi Mayuzumi Assistant Director of the Press Division (in charge of Press)
24. Toru Watanabe Official of the Protocol Office Minister's Secretariat (in charge of CIQ and Luggage)
25. Hiroyuki Yoriyasu Official of the First West European Division (in charge of Accounting and Luggage)
26. Koichi Ogasawara Official of the Press Division (in charge of Press)
27. Toshiaki Igarashi Official of the Press Division (in charge of Press)
- (Ministry of Finance)
28. Takashi Kato Director-General of the International Finance Bureau
- (Ministry of Agriculture, Forestry and Fisheries)
29. Akira Matsuura Director-General of the Economic Affairs Bureau
- (Ministry of International Trade and Industry)
30. Ichiro Fujiwara Director-General of the International Trade Policy Bureau
- (Economic Planning Agency)
31. Seiichiro Tanaka Director-General of the Research Bureau
- (Liberal Democratic Party)
32. Ichiro Ozawa Member of the House of Representatives
33. Juro Matsumoto Member of the House of Representatives
34. Shozo Harada Member of the House of Representatives
35. Tai Morishita Member of the House of Councillors
36. Tomomitsu Iwakura Councillor of Liberal Democratic Party Headquarters

THE PRIME MINISTER'S MEETING WITH THE JAPANESE PRIME MINISTER:
11.30 AM ON 17 JUNE 1981

Suggested list of participants

Japanese : 7-9 plus interpreter

British : Prime Minister

Lord Carrington

PS/Prime Minister

Sir Michael Palliser

Permanent Under-Secretary
FCO

Sir Hugh Cortazzi

HM Ambassador, Tokyo

Senior official, DOT

Senior official, DOI

Mr Donald

Assistant Under-Secretary
FCO

Mr McLaren

Head of Far Eastern Dept,
FCO (Note taker)

Japan

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es



10 DOWNING STREET

From the Private Secretary

1 June 1981

Japanese Prime Minister's Visit to London

The Prime Minister has seen your letter to me of 28 May on this subject. She is content for the FCO to co-ordinate the briefing. Of the briefs listed in your letter, the Prime Minister regards briefs i,ii,iii and vi as the most important. Briefs iv and v should be treated essentially as background briefs and kept very short.

I am sending copies of this letter to Peter Jenkins (HM Treasury), John Rhodes (Department of Trade), Ian Ellison (Department of Industry) and David Wright (Cabinet Office).

M. O'D. B. ALEXANDER

es

Roderic Lyne, Esq.,
Foreign and Commonwealth Office.

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① Foreign and Commonwealth Office

London SW1A 2AH

Prime Minister
Briefs i, ii & iii and (vi)
ones that matter. I will ensure that
the others are kept ~~very~~ very short.
Work with list (overleaf)

28 May 1981

Yes not
Phub 28/5

Dear Michael,

Japanese Prime Minister's Visit to London

The Japanese Prime Minister will be visiting London from the afternoon of 16 June to early on 18 June as part of his forthcoming European tour. He will be accompanied by the new Foreign Minister, Mr Sonoda. The Prime Minister has agreed to have talks with Mr Suzuki at 11.30 on 17 June and to give a lunch afterwards.

You will have seen the telegrams from Tokyo about the row caused by the use of the word 'alliance' in the joint communique issued at the end of Mr Suzuki's recent visit to Washington. Mr Suzuki's inept handling of this situation provoked the resignation of the then Foreign Secretary, Mr Ito, and has been widely criticised in Japan. His political stock has fallen sharply, but it is unlikely that he will be displaced as Prime Minister in the near future and there has so far been no suggestion that his plan to visit Europe will be affected. He will, however, be even more anxious to ensure that the trip is seen in Japan as a success.

It is clear from Sir H Cortazzi's reporting, and from what Ambassador Kitahara told Mr Blaker during his preparatory visit here last week, that Mr Suzuki's main purposes in coming to Europe will be to get to know European leaders in advance of the Ottawa summit, and to emphasise the political dimension to Japan's relations with Europe. He will want to avoid controversy over trade issues.

He can't!

Our own objectives will be rather different. While welcoming the more positive role which the Japanese are now playing in support of Western political interests, the Prime Minister will no doubt wish to place great stress on the need for Japanese action to put our economic relations on a healthier footing.

✓

As the Japanese took the initiative in proposing the visit it is for them to say what specific questions Mr Suzuki wishes to discuss. They have promised to let us have their suggestions as soon as possible; present indications are that the Japanese will prefer to concentrate on a few important topics rather than have a tour d'horizon.

/The

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The visit will be short and the limited time available for formal discussion will be effectively reduced by the need for interpretation. In these circumstances it might be simplest if the FCO were to co-ordinate the briefing, consulting other departments as necessary. I should be grateful if you would confirm that this is acceptable; I understand that the Cabinet Office have no objection.

Subject to anything which the Japanese may propose, we suggest that briefs will be needed on the following:-

- i ✓ EC/Japan relations
- ii ✓ Bilateral Economic Relations
- iii ✓ Ottawa Summit
- iv East-West Relations (including Poland and Afghanistan)
- v Middle East
- vi ✓ Far East and South East Asia

We would also provide a steering brief and the usual background briefs and personality notes. Perhaps you would let us know if you would be content for us to work on these lines.

I am sending a copy of this letter to Peter Jenkins (Chancellor of the Exchequer's Office), John Rhodes (DOT), Ian Ellison (Dept of Industry) and David Wright (Cabinet Office).

yours ever
Roderic Lyne

(R M J Lyne)
Private Secretary

M O D'B Alexander Esq
10 Downing Street
LONDON
SW1

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E. R.

please file.
C.S. 1815

CAROLINE

Visit of Japanese Prime Minister

A call from the FCO to say that the Japanese Prime Minister is looking at possible gifts for his visit here in June.

Sue

15 May 1981

Japan

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Vind

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OO TOKYO

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FM FCO 071800Z MAY 81
TO IMMEDIATE TOKYO
TELEGRAM NUMBER 267 OF 7 MAY.

FROM FED

MIPT: VISIT OF JAPANESE PRIME MINISTER

1. OUR LATEST INFORMATION IS THAT MR SUZUKI IS PROPOSING TO ARRIVE AT ABOUT 1330 ON 16 JUNE AND DEPART AT ABOUT 0830 ON 18 JUNE.
2. THE TALKS WITH THE PRIME MINISTER ARE FIXED FOR 1200 ON 17 JUNE FOLLOWED BY LUNCH. WE ARE EXPLORING THE POSSIBILITY OF EXTENDING THE TALKS BUT MRS THATCHER HAS A NUMBER OF OTHER IMPORTANT COMMITMENTS THAT DAY AND IT IS LIKELY TO BE DIFFICULT.
3. THE JAPANESE EMBASSY HAVE ASKED WHETHER AN AUDIENCE WITH THE QUEEN COULD BE ARRANGED. UNFORTUNATELY THE WEEK IN QUESTION IS ASCOT WEEK WHEN THE QUEEN DOES NOT GIVE FORMAL AUDIENCES. HOWEVER IT WOULD PROBABLY BE POSSIBLE TO ARRANGE FOR SUZUKI TO VISIT ASCOT AND HAVE TEA WITH THE QUEEN. A NUMBER OF OTHER GUESTS WOULD BE PRESENT AND THE QUEEN MIGHT NOT BE ABLE TO DEVOTE A GREAT DEAL OF PERSONAL ATTENTION TO HIM. DESPITE THIS, FUJIYAMA'S INFORMAL VIEW IS THAT A VISIT OF THIS KIND MIGHT WELL APPEAL TO SUZUKI.
4. WE UNDERSTAND THAT SUZUKI PLANS TO MAKE A MAJOR SPEECH ON EUROPEAN/JAPANESE RELATIONS DURING HIS VISIT TO LONDON. WE HAVE ESTABLISHED THAT CHATHAM HOUSE (WHICH THE EMBASSY FAVOUR) WOULD BE HAPPY TO MAKE ARRANGEMENTS FOR A SPEECH ON THE LATE AFTERNOON OF 17 JUNE.
5. THE EMBASSY'S UNDERSTANDING IS THAT SUZUKI WISHES TO HAVE NO (NO) ENGAGEMENTS IN THE EVENINGS EXCEPT POSSIBLY A RECEPTION.

/OTHER

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OTHER ARRANGEMENTS DEPEND PARTLY ON THE STATUS OF THE VISIT. THE EMBASSY ARE PLANNING ON THE BASIS THAT THE VISIT WILL BE A 'WORKING' ONE AND THAT THEY WILL BE RESPONSIBLE FOR MOST OF THE ADMINISTRATIVE ARRANGEMENTS, INCLUDING ACCOMMODATION AND TRANSPORT. IT WOULD BE OPEN TO US TO OFFER TO MAKE SUZUKI AND SOME OF THE SENIOR MEMBERS OF HIS PARTY (EXPECTED TO NUMBER ABOUT 30 ALL TOLD) THE GUESTS OF HMG. GHF WILL HOWEVER BE EXTREMELY BUSY OVER THE NEXT 2 MONTHS. WE SHOULD BE GRATEFUL FOR YOUR VIEWS ON HOW MUCH IMPORTANCE THE JAPANESE ARE LIKELY TO ATTACH TO THIS.

6. ASSUMING THAT SUZUKI IS NOT FORMALLY THE GUEST OF HMG WE HAVE DRAWN UP THE FOLLOWING TENTATIVE PROGRAMME, WHICH HAS NOT (NOT) YET BEEN DISCUSSED WITH ALL CONCERNED:

16 JUNE - 1330 APPROX - ARRIVE HEATHROW. MET BY AN FCO MINISTER.

- CALL AT HOTEL BY SECRETARY OF STATE (IF TIME ALLOWS)

- AFTERNOON - VISIT ASCOT, INCLUDING TEA WITH THE QUEEN

- EARLY EVENING - RECEPTION AT JAPANESE EMBASSY (OR ON FOLLOWING DAY)

17 JUNE - 1200 - TALKS AT NO 10

- LUNCH - GIVEN BY PRIME MINISTER

- 1730 - SPEECH AT CHATHAM HOUSE

18 JUNE - 0830 APPROX - DEPART HEATHROW. SEEN OFF BY SECRETARY OF STATE'S SPECIAL REPRESENTATIVE.

7. GRATEFUL FOR YOUR EARLY COMMENTS.

CARRINGTON

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TO IMMEDIATE BOMBAY

TELEGRAM NUMBER 86 OF 18 APRIL

INFO PRIORITY TOKYO AND RIYADH ROUTINE EC POSTS.

FOR ALEXANDER FROM RESIDENT CLERK.

1. THE PRIVATE SECRETARY CONSULTED YOU EARLIER ABOUT POSSIBLE DATES FOR A ONE DAY VISIT BY THE JAPANESE PRIME MINISTER IN JUNE. AS A RESULT, THE JAPANESE EMBASSY WERE TOLD THAT THE PRIME MINISTER WOULD BE FREE, IN PRINCIPLE, TO HAVE TALKS WITH MR SUZUKI ON WEDNESDAY 17 JUNE. THE DATE IS ALSO PENCILLED IN TO LORD CARRINGTON'S DIARY.
2. THE EMBASSY HAVE NOW CONFIRMED ON INSTRUCTIONS, THAT MR SUZUKI WOULD LIKE TO COME TO LONDON ON 17 JUNE AS PART OF A EUROPEAN TOUR, WHICH WOULD ALSO INCLUDE FRANCE, GERMANY, ITALY, BELGIUM AND THE NETHERLANDS.
3. THE JAPANESE PROPOSE TO MAKE AN ANNOUNCEMENT ABOUT THE TOUR ON FRIDAY 24 APRIL, PROVIDED THIS IS ACCEPTABLE TO THE GOVERNMENTS CONCERNED. GRATEFUL FOR CONFIRMATION THAT THE PRIME MINISTER HAS NO OBJECTIONS.

CARRINGTON

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Carrotine for info.
Noted - please file
cf. 24/4 Ann Jll.
22/4

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PP TOKYO

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FM FCO 061700Z APRIL 81

TO PRIORITY TOKYO

TELEGRAM NUMBER 189 OF 6 APRIL

MYTEL NO 138: POSSIBLE VISIT BY JAPANESE PRIME MINISTER TO EUROPE

1. COUNSELLOR AT JAPANESE EMBASSY TODAY REFERRED TO EARLIER ENQUIRIES ABOUT THE PRIME MINISTER'S COMMITMENTS IN LATE JUNE/EARLY JULY AND SAID THAT TOKYO WERE NOW RECONSIDERING THE TIMING OF A POSSIBLE EUROPEAN TRIP BY MR SUZUKI. HE EMPHASISED THAT THEIR THINKING WAS STILL VERY TENTATIVE BUT THE PERIOD THEY NOW HAD IN MIND WAS THE TWO WEEKS STARTING ON 8 JUNE.

2. AFTER MAKING ENQUIRIES ASSISTANT IN FED TOLD HANABUSA THAT THE PERIOD IN QUESTION WAS, LIKE LATE JUNE/EARLY JULY, A BUSY ONE FOR THE PRIME MINISTER.

HOWEVER, IN PRINCIPLE SHE WOULD BE FREE TO OFFER TALKS FOLLOWED BY LUNCH TO MR SUZUKI ON WEDNESDAY 17 JUNE. NO OTHER DAY DURING THAT PERIOD LOOKED AT ALL PROMISING. LORD CARRINGTON'S DIARY ALSO LOOKED REASONABLY FREE ON 17 JUNE.

3. DAVIES SAID THAT THE EARLIER A DECISION ON DATES COULD BE MADE THE BETTER. HANABUSA TOOK THE POINT BUT AGAIN REITERATED THAT HIS ENQUIRY WAS ONLY EXPLORATORY.

CARRINGTON

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