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RECORD OF A MEETING BETWEEN THE PRIME MINISTER AND MR. ABE, JAPANESE MINISTER FOR INTERNATIONAL TRADE AND INDUSTRY AT THE AKASAKA PALACE AT 1530 ON MONDAY 20 SEPTEMBER

Present:

Prime Minister

H.E. Sir Hugh Cortazzi

Mr. R.W. Gray

Mr. F.E.R. Butler

Mr. B. Ingham

Mr. Abe, Minister for International Trade and Industry

Mr. Kurihara, Vice Minister

Mr. Natazawa, Director General for Trade Policy Bureau

Mr. Kuroda, Deputy Director General

Mr. Sekino, Director, Europe, African Middle East Directorate

H.E. Mr. Hirahara

Mr. Doi, Private Secretary to Mr. Abe

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Bilateral trade issues

The Prime Minister, welcoming Mr. Abe, said that she had had a full discussion of trade and industrial matters with Prime Minister Suzuki, and would not repeat now what she had said to him. The most urgent detailed matter was that she had proposed that a mission from the United Kingdom machine tool industry should visit Japan early in October for discussions with their opposite numbers in the machine tool industry: Japanese penetration of the United Kingdom market for numerically controlled machining centres had increased from 1% in 1977 to 60% in 1981 and for the numerically controlled lathes from 21% to 44% over the same period, and this situation was not tolerable.

Mr. Abe said that he had received a full report of the Prime Minister's discussions with Prime Minister Suzuki. The Japanese machine tool industry had increased their minimum export price to European community countries and the international recession had caused some falling off of sales: there had been a 24% decrease in sales to the European Community since April and no dramatic increase was expected in the near future. But he understood that Prime Minister Suzuki had welcomed the proposed mission, and he also thought it would be helpful.

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/ On inter-industry

Inter-industry collaboration

On inter-industry collaboration, the Prime Minister said that she was glad that the Japanese had been able to approve five of the eighteen projects put forward by the United Kingdom and were considering others: Mr. Suzuki had said that morning that the Japanese were waiting for a response from the United Kingdom on the three projects which they had put forward, but she was now advised that responses on these three projects had been delivered and were now being considered on the Japanese side.

Mr. Abe said that the Japanese private sector had been studying the proposals received from the British side in a positive spirit and he would encourage them to continue to do so. The Japanese Government wanted to promote such ventures. They would also continue to contribute positively to the exchanges between Governments, of which the next meeting was due to take place in Tokyo in November. Before that meeting there was due to be a seminar on industrial and technical co-operation in London, and a Japanese biotechnology mission would also be visiting London. He welcomed too the scheme for seconding engineers to Japan from the United Kingdom, which he thought very important.

Nissan

The Prime Minister thanked Mr. Abe for his helpful letter to the Secretary of State for Industry over the projected Nissan investment in the United Kingdom. She said that she had seen the Chairman of Nissan on the previous evening. She had emphasised that she did not want to put him in an embarrassing position and knew that the Nissan board had deferred their decision on the project, but she had emphasised that she hoped that when the decision came to be made they would consider the United Kingdom favourably. She mentioned that there could be complications for the United Kingdom if Japanese cars were imported from Australia, and she hoped that this situation would not arise.

Mr. Abe said that he had strongly advised Nissan to go ahead with their proposed investment in the United Kingdom, and would continue to do all that he could as Minister to encourage the project.

/ Mr. Abe

GATT Ministerial Meeting

Mr. Abe said that the Japanese Government would do their best to bring the forthcoming GATT Ministerial meeting to fruition to maintain and protect the free trading system. He referred to the consultations between the European Community and Japan under Article 23 of GATT, in which the Community appeared to be taking issue with the whole social system of Japan: he considered that this was not an appropriate subject for GATT consultations and hoped that it would be possible to find a more constructive way of dealing with the issues. The Prime Minister said that the British Government attached much importance to the GATT Ministerial meeting. All developed nations were suffering from high unemployment and this was exacerbated when measures were taken against exports such as those recently taken by the United States against the United Kingdom (although she emphasised that there was no question of allowing such differences to undermine the Western Alliance). The GATT meeting would be a difficult one and could not be expected to provide a solution to all the problems, but it was essential that it made a positive and constructive contribution. On the consultations under Article 23, the Prime Minister said that she regarded the social system as a matter for Japan: what mattered was the results of that system on the balance of world trade. Imports represented only 3% of Japan's GDP, compared with 5% for the United States and 6% for the European Community countries, and Japan's surplus on current account was growing very fast indeed. It was these figures which needed to be changed. While resolution of current trading issues was essential, it was unlikely that a satisfactory balance could be achieved without purchases by Japan of large capital goods; and here British products like the BAe J46 and the Harrier and other British defence equipment could make a significant impact.

Mr. Abe said that he was conscious of the growing trade imbalance between Japan and the United Kingdom: Japanese exports to the United Kingdom had been recently growing more slowly than in the past, but the situation was deteriorating because Japanese imports from the United Kingdom had declined even more. He referred to the market-opening measures which Japan had taken and Mr. Suzuki's statement in support of these measures, but he accepted that Japan must show its concern by deeds rather than words: they would continue their efforts to find ways of correcting the trade imbalance and promoting industrial co-operation.

Finally, Mr. Abe summarised his impressions of the visit to China which he had just completed. He said that the results of the 12th Congress had been to increase the stability of the Deng faction. Premier Zhao Ziyang had told him that the Chinese Government had set a target of quadrupling overall production by the end of the century and of modernising its industry to achieve that. He had been most impressed by the increasing emphasis being put by the Chinese not only on heavy and chemical industrialisation but also on developing their transport, energy and other industries.

On parting, Mr. Abe said that he was delighted at the close co-operation on industry and trade matters between the Japanese Embassy in London and the British Government.

F.R.B.

20 September 1982