

cc MASTER SET



10 DOWNING STREET

From the Private Secretary

5 November 1984

PRIME MINISTER'S MEETING WITH MR. NAKASONE AT THE
BRITISH HIGH COMMISSIONER'S RESIDENCE IN NEW DELHI ON
SUNDAY 4 NOVEMBER 1984

Mr. Nakasone called on the Prime Minister at 0930 hours on 4 November at the High Commissioner's Residence. He was accompanied by a number of officials and by his son. Mr. Butler, Mr. Ingham and I were also present.

In a brief discussion of prospects in India, Mr. Nakasone observed that Rajiv Gandhi had lost weight since they had last met and attributed this to the stresses on him. However, he believed him to be a mature and sophisticated man.

Mr. Nakasone said that Japan's main economic problem was the size of its trade surplus. The strength of the dollar was an important factor in this. The Prime Minister commented that she thought the dollar would remain strong even if interest rates came down. The basic reason for its strength was the security which the United States offered for foreign investors.

At this point Mr. Nakasone asked for all officials to leave. In his subsequent conversation, the Prime Minister reported that he raised Hong Kong, explaining that he would have been prepared to intervene with the Chinese if necessary. His basic point would have been that the various free enterprise zones introduced by the Chinese Government would have no hope of flourishing unless they did well by Hong Kong.

The Prime Minister subsequently asked about Japan's earlier experience of a coal strike. Mr. Nakasone said that employment in coalmining had declined, as a result of the strike, from 300,000 to 40,000.

I am copying this letter to David Peretz (HM Treasury) and Callum McCarthy (Department of Trade and Industry).

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Foreign and Commonwealth Office.