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*From the Private Secretary*

23 November 1984

ANGLO-JAPANESE FINANCIAL TALKS

The Chancellor minuted the Prime Minister on 19 November about recent efforts to obtain greater freedom for British banks and financial institutions to operate in Japan.

The Prime Minister has noted with satisfaction the outcome of the talks held by Geoffrey Littler.

I am copying this minute to Len Appleyard (Foreign and Commonwealth Office), Dilwyn Griffiths (Mr Fletcher's office, Department of Trade and Industry) and John Bartlett (Bank of England).

(Charles Powell)

David Peretz Esq  
HM Treasury

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PRIME MINISTER

MS

## ANGLO-JAPANESE FINANCIAL TALKS

When he was here for the London Summit, earlier this year, I secured the agreement of Mr Takeshita, the Japanese Minister of Finance, to a round of bilateral talks between officials about how to obtain greater freedom for British banks and financial institutions to operate in Japan. There had already been extensive bilateral discussions between Japan and the United State earlier in the year. I wanted to make sure there was no question of United States institutions getting special privileges in Japan, as well as seeking to open up important Japanese markets to British participation.

As agreed between Takeshita and myself, a team of British officials, led by Geoffrey Littler, accordingly visited Tokyo towards the end of last month. The talks turned out to be constructive, and they produced some immediate results.

The starting point was that Japanese securities houses have for many years been able to trade freely in London, whereas no British firms had been given licences to deal in securities in Japan.

Geoffrey Littler's team managed to achieve a minor but significant breakthrough on this. Two out of the three outstanding cases of application for licences for British firms were granted immediately following the talks, and there are good reasons to hope that the third will also now be dealt with satisfactorily. And the Japanese undertook to process future licences sympathetically and quickly. In a different area, it also now seems that the way may be open for British firms to enter into investment management arrangements with pension funds and the like in Japan. Several British investment management companies are interested in this.

Finally, the team was given an undertaking that controls over British and other foreign banks operating in Japan would shortly be relaxed substantially. It has since been confirmed that important and welcome changes are indeed being made.

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The Japanese had a counter-demand of their own. They wanted us to permit their leading securities houses, who already operate in London, to be given licences to operate in London as banks. On this Littler was able to clarify the conditions that have to be met, and to remove a misunderstanding on the part of the Japanese that we have given more favourable treatment to US than to Japanese companies. The Japanese are now seeking to devise ways of meeting our conditions.

The Japanese financial system, of course, remains highly bureaucratic and subject to detailed control by the Ministry of Finance. We shall want - and I have made this clear in my letter of thanks to the Japanese Minister - to monitor future progress in Tokyo closely. As the securities market in London develops over the next few years Japanese firms operating here will look to the authorities, including the Stock Exchange, for hospitable treatment. We have made it clear that we shall be looking in return for equally hospitable treatment for British firms operating in Tokyo.

I am planning to tell the House about the success of this mission with a Written Answer on the lines of the attached draft.

I am copying this minute to Geoffrey Howe, Alex Fletcher and the Governor, with thanks also for the contributions their representatives made to the success of the mission.

**NIGEL LAWSON**  
19 November 1984

## DRAFT PARLIAMENTARY QUESTION

Q. To ask the Chancellor of the Exchequer what was the outcome of recent bilateral talks between British officials and officials of the Japanese Ministry of Finance.

A. I had suggested these talks to seek to ensure that the freedom with which Japanese banks and securities houses operate in London was matched by freer access for British financial institutions wishing to operate in Japan.

I believe the talks were valuable. Following the talks practical steps were taken promptly in Tokyo to deal with certain outstanding applications by British firms for securities licences, and to liberalise restrictions on British and other foreign banks in Tokyo. I look for further progress in the next year or so by the Japanese authorities in liberalising their financial markets and opening them to overseas competition.