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10 DOWNING STREET

THE PRIME MINISTER

28 March 1985

Dear Richard

I was very grateful to receive your full account of what was clearly a very interesting meeting of the 2000 Group in Tokyo. I was glad to hear that you settled on regular meetings and look forward to being kept in touch with progress.

Yours ever
Margaret

Richard Needham, Esq., M.P.

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RICHARD NEEDHAM, M.P.



HOUSE OF COMMONS
LONDON SW1A 0AA

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Mr

The Rt. Hon. Mrs. Margeret Thatcher, MP,
10 Downing Street,
London, SW1.

25th March, 1985

John Prime Minister

Before we left for Tokyo for the inaugural meeting of the 2000 Group you kindly gave us your views on the major current issues in Anglo-Japanese relations. We are now writing, on our return, to tell you of the successful atmosphere of the conference, which witnessed some very frank and constructive discussions across a wide range of subjects, and to report on some of our main conclusions. We found that there were very few purely bilateral questions to discuss between us; almost all the most urgent questions on our agenda are multilateral, focussing our attention on British and Japanese approaches to regional or global problems.

On economic issues, the British participants stressed that the scale and structure of Japan's external trade surplus presents a challenge to the maintenance of an open trading system which required changes in policy by Japan and her trading partners. We accepted that further measures to increase access to the Japanese domestic market, while useful, would not in themselves be sufficient; a greater emphasis on social expenditure, as well as further increases in overseas development assistance, as well as increases in long-term Japanese overseas investment were also desirable. We were all concerned about the direction of American monetary and fiscal policy; the size of the American budgetary deficit, the accompanying overvaluation of the dollar and undervaluation of the yen is reflected in the US trade deficit and the imbalance in US-Japanese trade. It also has severe consequences on interest rates in the UK.

We were surprised by the concern expressed by several Japanese participants about the long-term prospects of maintaining high levels of employment in Japan over the next ten to fifteen years, and the active policies of education, training and technical research which they are pursuing in the search for new sources of employment. We therefore agreed to promote a joint study of the impact of technical change on industry and employment in the next decade. We were also struck by their active concern about the impact of a rapidly ageing society on their international competitiveness, with rising welfare costs.



On security issues, there was general agreement on the importance of maintaining a stable, open and balanced international economy to the cohesion of the Western world and the stability of the developing countries. Our common dependence on the United States, common concerns over American economic policy and common interests, as allies, in supporting American security policy make these issues a central factor in developing political consultation between Japan and Europe. We spent some time comparing assessments of apparent shifts in the direction of Soviet foreign policy. Japanese participants had much to say about current development in China and their implications for international political and economic relations; it was notable how many of this top-level group of Japanese businessmen and experts had been in China in recent months. They were in their turn anxious to hear from us our views on developments in Eastern Europe.

After this very useful first meeting, we committed ourselves to a continuing dialogue, with annual top-level meetings alternately in Britain and Japan and a number of more detailed joint studies which will provide papers for discussion. We are now planning for a second meeting, in Britain, in January 1986, as well as considering priorities in further detailed work and - of course - raising the funds necessary to support our future activities. We were most grateful for your support and advice for our initial meeting, and hope that you yourself and Her Majesty's Government as a whole will continue to support our efforts.