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RECORD OF A CONVERSATION BETWEEN THE PRIME MINISTER AND THE PRIME
MINISTER OF JAPAN AT WILLIAMSBURG AT 1700 HOURS ON SATURDAY 28 MAY 1983

Present:

Prime Minister	Mr. Nakasone
Foreign and Commonwealth Secretary	Mr. Abe
Mr. Coles	Interpreter

Mr. Nakasone recalled that he had first met the Prime Minister when she had visited Japan as Leader of the Opposition. It was very encouraging that she had been able to attend the Economic Summit in the middle of the election campaign. The Japanese Diet would be dissolved within the next year - so he too would soon face an election.

The Prime Minister said that the timing of the Summit was important from the point of view of both economic recovery and current interest in arms control and disarmament. Williamsburg needed to deliver a clear message. In the United Kingdom, a slow recovery was occurring. The Americans were confident that the United States economy was also recovering. She felt that the Summit communique should state that economic recovery was in progress and that the participating countries would pursue policies to sustain it.

Mr. Nakasone said that he agreed completely with this approach. It was very important for the Summit participants to adopt a coordinated stance so that the free world could give help to the world as a whole.

The Prime Minister asked what view Mr. Nakasone took of French ideas about international monetary questions. Her own view was that exchange rate stability was a consequence of sound policies. But perhaps Finance Ministers should be asked to give further detailed consideration to the French ideas.

Mr. Nakasone said that Japan was opposed to any fundamental change in the Bretton Woods system. But there was scope for improving

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the management of the world financial system and Finance Ministers should consider how to achieve this. We should perhaps try, through coordinated policies, to put an end to volatile exchange rates. The Prime Minister commented that she did not believe that speculation could be stopped. This had not been possible even under the Bretton Wood system of fixed exchange rates. It was doubtful whether Governments could do much more than intervene to promote orderly markets. The United Kingdom experience was that we did not have sufficient resources to defend a particular rate. Mr. Nakasone said that the basic aim must be convergence of economic policies. But given the volatility of exchange rates he saw a case for coordinated intervention by governments and central banks. The Prime Minister said that in her view coordinated intervention on a regular basis was not possible. But if there was a serious and persistent movement against a currency, there was scope for the consideration of special arrangements.

The Prime Minister said that we continued to hope that Nissan would make a decision to invest in Britain. They would be very welcome. Japanese companies had been successful in Britain. Mr. Nakasone commented that there was a good tradition of commercial cooperation between Japanese and British firms. His Government was encouraging private firms to invest in Britain but in the final analysis the decisions were for the firms themselves.

The Prime Minister said that she would be interested to hear Mr. Nakasone's views on arms control and disarmament questions. We knew that Japan attached importance to ^{global} limitations on INF weapons.

Mr. Nakasone stated that this was indeed a very important point for Japan and there was much public interest in it. The West must remain solid on this issue in the face of Soviet attempts to divide it. There should be regular consultations among Western countries.

The Prime Minister asked what Japan's principal aims at the Summit were. Mr. Nakasone replied that he wished Williamsburg to demonstrate Western solidarity ^{so} that President Reagan felt that all his allies were behind him in the START and INF negotiations. It was very important that the West adopted a consistent view on these questions

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and pursued a collective peace offensive. He thought a summit between President Reagan and Mr. Andropov would be useful at some point in the future. But a prior requisite was a foundation on which President Reagan could work. The most important point was that the NATO dual track decision should be implemented. If Pershing 2 were deployed in Europe there was a risk that the Soviet Union might decide to suspend the INF negotiations. But it was nevertheless important to proceed with deployment.

The Prime Minister agreed. She thought it would be difficult for President Reagan to meet Mr. Andropov until there had been some movement on arms control and disarmament. Otherwise, expectations aroused by a summit would be disappointed. The West must not get itself into a position where it had to make concessions at a summit simply in order to present it as a success. Agreeing, Mr. Nakasone said that it was also important that the Soviet Union should do something to reduce its expenditure on conventional armaments.

The Prime Minister said that she had been extremely sad to learn of the recent earthquake in Japan and the consequent loss of life and injury. Mr. Nakasone said that he was grateful for this sympathy.

The Prime Minister said that she hoped that Mr. Nakasone would manage to pay a visit to the United Kingdom. Such a visit would be welcomed in itself and would also give an impetus to investment. Mr. Nakasone would be able to see for himself how successful some of the Japanese investments in Britain were. We hoped one day to sell as much to Japan as Japan sold to us.

Mr. Nakasone said that he would like to refer to the plans of Prince Hiro to stay in the United Kingdom. The Prince would be arriving in June. The Emperor had mentioned this to him before he left and had particularly asked that his regards be conveyed to the Prime Minister. The Prime Minister asked that her thanks be conveyed to the Emperor and said that we would of course give a warm welcome to Prince Hiro.

The conversation ended at 1730.

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889

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cc: Sir A. Parsons

10 DOWNING STREET

30 May 1983

From the Private Secretary

Dear Brian,

WILLIAMSBURG: BILATERAL MEETING BETWEEN THE
PRIME MINISTER AND THE PRIME MINISTER OF JAPAN

I enclose a copy of the record of conversation between the Prime Minister and Mr. Nakasone which took place at Williamsburg at 1700 hours on Saturday 28 May.

I am sending copies of this letter and its enclosure to John Kerr (HM Treasury), Richard Mottram (Ministry of Defence), Jonathan Spencer (Department of Industry), John Rhodes (Department of Trade) and Richard Hatfield (Cabinet Office).

Yours ever
John Coler.

Brian Fall, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL

889