

Mr Derek Thomas) separate  
Mr Braithwaite ) copies

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RECORD OF A MEETING BETWEEN THE FOREIGN SECRETARY AND THE JAPANESE FOREIGN  
MINISTER ON 3 MAY 1985 AT 1830 HRS

Present:

The Foreign and Commonwealth Secretary	Mr Abe
Mr D M D Thomas	Mr Kunihiro
Mr R Braithwaite	Mr Nishiyama
Private Secretary	Other Japanese officials
	Interpreter

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Mr Abe after welcoming the Secretary of State said that he had just had a useful meeting with Mr Tebbit in Tokyo. The 2000 Group had also had a good visit and were well launched. He was looking forward to his own visit to London later this year. Sir Geoffrey Howe said that dates for the visit should now be fixed between officials.

After a brief discussion of the main issues of the Economic Summit, Mr Abe went on to discuss East/West relations in the Asian context. Relations between the two Koreas were developing on economic matters and through the Red Cross dialogue later this month. The Republic of Korea was anxious to hold the Olympic Games in two years time and the North Koreans were anxious to open economic relationships. China, Japan and the United States should encourage this process which would promote stability in the peninsula. Progress between the Chinese and the Russians was being made at working and Ministerial level. This could perhaps lead to a meeting of the two Prime Ministers: Gorbachev was more enthusiastic than his predecessors. But the three basic problems of Afghanistan, Cambodia and the Sino-Soviet border remained. The West must keep close to China. The present regime there was stable, the economy was in good shape, and China's agricultural policy was successful. The Hong Kong Agreement would also contribute to stability. Japan's dialogue with the Soviet Union was also developing. The question was whether Gromyko would now be willing to visit Japan. For ten years there had been regular meetings between the two Foreign Ministers, and Gromyko now said he would make the visit if the prospects were fruitful. The Japanese were setting no preconditions. There would be an cultural agreement if Gorbachev came. But the difficult issues remained: the Soviet build-up, the Northern Territories, SS20s, and Cam Ranh.

Sir Geoffrey Howe said that he agreed on the importance of the West keeping close to the Chinese: the Chinese Prime Minister would visit Britain in June. For all his apparent intelligence and flexibility, Gorbachev was still a Soviet Russian. We needed to be cautious despite the desire of all of us to build better relations with the Soviet Union. We should support the Americans in Geneva. The Prime Minister had said in Washington in February that we also supported American research on the Strategic Defence Initiative, and hoped that British industry could participate. The four points agreed with the President in December remained important.

Mr Abe said that the Japanese had shown understanding for the American position on SDI research, and had been briefed by American experts. But they were still considering whether they should participate.

Sir Geoffrey Howe reminded Mr Abe of the discussions they had had last year on trade and economic matters. He wanted to emphasize the familiar problem about the Japanese trade surplus and the importance of preventing it leading to protectionist pressures elsewhere. The tensions around the table during that day's Summit discussions had demonstrated how real the pressures were in other countries.

Mr Abe said that for Japan it was a matter of life and death to sustain the open trading system. The Japanese authorities were making active efforts to tackle the problem, and intended to formulate an action programme by July. They were engaged in intense negotiation with the Americans over particular sectors such as telecommunications, pharmaceuticals and standards. The success of these negotiations would benefit the rest of the world.

Sir Geoffrey Howe said that the proposed Japanese measures were manifestly important to Europe: the proof of the pudding would be in the eating. One point he had not mentioned to Mr Abe last year was the question of public procurement in the fields of defence and civil aircraft. That would be important in itself, as well as for the Japanese purchaser.

Mr Abe said that the Japanese Prime Minister was making a major effort to promote imports. The privatisation of enterprises such as NTT and the tobacco industry should benefit foreign producers such as BAT. The Japanese already imported a good deal of defence equipment under their security arrangements with the United States. The Japanese were also looking at information about their imports from the United Kingdom, and looked forward to further discussion with the British in due course. As it was, Prime Minister Nakasone had found that Tokyo department stores were already carrying a wide range of European goods.

Sir Geoffrey Howe said that the Japanese Government had made some important moves on the issue of financial markets. The Yen was now a most important currency. But people were not used to thinking in terms of access to Japanese financial markets, and even small obstacles deterred them. The Japanese must ensure that their measures were credible to the public.

Mr. Abe said that it was important that problems and difficulties should be put to the Japanese authorities as concretely as possible. He asked that the British Ambassador should be given precise instructions about difficulties over the new market regulations.

/Sir Geoffrey Howe

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Sir Geoffrey Howe remarked on the dangers of competitive foreign trade credit. It was important for wider reasons that our industries should not use uneconomic credit terms when they competed against one another.

Mr Abe remarked that many countries besides Japan went in for associated financing. The important thing was to find areas where Britain and Japan could join hands.

Sir Geoffrey Howe agreed. Japanese investment was, of course, very welcome in the United Kingdom.

(R Q Braithwaite)

4 May, 1985