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FM TOKYO 130145Z JUN 81

TO IMMEDIATE FCO

TELEGRAM NUMBER 391 OF 13 JUNE

JAPANESE PRIME MINISTER'S VISIT TO LONDON

1. I HAD A TWO HOUR TALK TODAY WITH HATAKEYAMA, MR SUZUKI'S PRIVATE SECRETARY FOR ECONOMIC AFFAIRS (A MITI MAN). AT THE END HE SAID THAT RELATIONS BETWEEN THE PRIME MINISTER'S OFFICE AND THE MFA WERE STILL SOMEWHAT DELICATE AND HE HOPED THEREFORE THAT WE WOULD PROTECT NOT ONLY REMARKS ATTRIBUTABLE TO HIM BUT MORE ESPECIALLY THE POINT THAT WE WERE USING HATAKEYAMA AS A CHANNEL.

2. IN SUMMARY THE MAIN POINTS MADE BY HATAKEYAMA WERE:

(A) A RECENT POLL (UNIDENTIFIED) HAD INDICATED TO MR SUZUKI THAT THE SINGLE MOST IMPORTANT ASPECT IN THE EUROPEAN VISIT FOR THE JAPANESE WAS THAT THE PRIME MINISTER SHOULD SPEAK UP STRONGLY FOR JAPAN'S POSITION ON A VARIETY OF ISSUES, PARTICULARLY IF HE WERE ATTACKED ON TRADE MATTERS. THE PRIME MINISTER WILL THEREFORE BE ANXIOUS TO ENSURE THAT JAPANESE PRESS REPORTS SHOW THAT HE GAVE AS GOOD AS HE GOT, ALTHOUGH HE IS NOT IN ANY WAY LOOKING FOR A ROW AND HOPES THAT ONE CAN BE AVOIDED (THIS REINFORCES OUR POINT ABOUT HIS SENSITIVE FRAME OF MIND - SEE OUR TELNO 377).

(B) MR SUZUKI WOULD BE BOUND TO REACT ADVERSELY TO A LINE OF ARGUMENT WHICH SEEMED TO SUGGEST THAT THE JAPANESE MARKET WAS NOT IN GENERAL TERMS AN OPEN ONE. THIS WOULD LEAD TO A STERILE DEBATE ABOUT THE RELATIVE AVERAGE TARIFF LEVELS OF EUROPE AND JAPAN, THE NUMBER OF QUOTAS RETAINED ETC, AND WOULD GET NOWHERE. ON THE OTHER HAND HE SHOULD BE MUCH MORE RESPONSIVE TO SPECIFIC IDEAS OF WAYS IN WHICH JAPAN MIGHT TRY TO HELP THE EUROPEANS TO INCREASE THEIR EXPORTS TO JAPAN.

3. I TOLD HATAKEYAMA THAT

(A) SUZUKI'S RECEPTION IN LONDON WOULD DEPEND HEAVILY ON WHAT HE HAD TO SAY AND THE ORDER IN WHICH HE SAID IT.

(B) IT WAS UNLIKELY THAT THERE WOULD BE ANY DIFFICULTIES ABOUT THE POLITICAL OR GENERAL PARTS OF THE CONVERSATIONS, ALTHOUGH WE WOULD BE INTERESTED TO LEARN MORE ABOUT JAPANESE VIEWS ON EAST-WEST RELATIONS ON WHICH THERE HAD BEEN HINTS OF A SLIGHTLY DOVISH TENDENCY IN ONE OR TWO RECENT MINISTERIAL STATEMENTS.

(C) THE UK WAS SUFFERING FROM THE TWIN PROBLEMS OF A VERY SEVERE RECESSION AND THE NEED TO RESTRUCTURE MUCH OF HER INDUSTRY. IT WOULD BE IMPORTANT FOR MR SUZUKI TO ACKNOWLEDGE THESE PROBLEMS AND PERHAPS TO STATE, IN PRIVATE AND IN PUBLIC, THAT JAPAN WAS PREPARED TO PLAY HER PART.

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(D) APART FROM REITERATING JAPAN'S UNDERTAKING NOT TO EXPORT "TORRENTIALLY" IN ANY SECTOR AND REFERRING TO THE RESTRAINT AGREEMENTS FOR CARS AND CONSUMER ELECTRONICS WHICH HAD BEEN IN EXISTENCE FOR SOME YEARS, IT WOULD BE HELPFUL IF SOME PUBLIC STATEMENT COULD BE MADE TO INDICATE THAT JAPANESE GOVERNMENT OFFICIALS FROM TOP TO BOTTOM SHOULD ENSURE THAT WHEREVER POSSIBLE THEY WOULD FACILITATE IMPORTS. A GESTURE ON CONFECTIONERY TARIFF AND WHISKY TAX WOULD ALSO GO DOWN WELL, BUT WE WERE GENERALLY LOOKING FOR MUCH BIGGER ITEMS THAN THIS.

(E) NONE OF OUR POINTS WOULD INVOLVE ANY DRAMATIC CHANGE ON JAPAN'S PART NOR ANY RADICAL RESTRUCTURING OF JAPANESE INDUSTRIAL SECTORS OR POLICIES. WE WERE SIMPLY LOOKING FOR A RESPONSIVENESS WHICH HAD HITHERTO BEEN GENERALLY LACKING AND INDICATIONS OF A GENUINE WILLINGNESS TO TRY TO ENSURE THAT THE PRESENT INCREASINGLY UNSATISFACTORY TRADING POSITION DID NOT GET WORSE.

(F) ALL OF THIS WOULD BE DONE IN THE INTERESTS OF PRESERVING THE FREE TRADING SYSTEM, A POINT WITH WHICH MR SUZUKI WOULD DOUBTLESS WISH TO MAKE SOME SUBSEQUENT PLAY, PARTICULARLY WITH THE JAPANESE PRESS.

4. HATAKEYAMA GENERALLY REACTED WELL AND UNDERTOOK TO PUT THESE POINTS TO THE PRIME MINISTER. HE HAD THREE MAIN CONCERNS:

(A) JAPAN HAD BEEN WARY OF ACKNOWLEDGING THE EUROPEAN (AND UK) PROBLEMS BECAUSE OF THE FEAR THAT THIS MIGHT LEAD TO DEMANDS THAT JAPAN SHOULD PLAY THE PRINCIPAL ROLE IN TRYING TO DEAL WITH THEM.

(B) A WILLINGNESS ON THE PART OF JAPAN SERIOUSLY TO DISCUSS WAYS OF ASSISTING WITH EUROPEANS' PROBLEMS WOULD HAVE TO BE CAREFULLY CIRCUMSCRIBED, OTHERWISE THE EUROPEANS MIGHT THINK THAT JAPAN WAS PREPARED TO DO MORE THAN SHE COULD IN FACT DELIVER AND THE FINAL RESULT WOULD BE EVEN MORE FRUSTRATING THAN THE PRESENT SITUATION.

(C) THE IDEA OF AN ADMINISTRATIVE ORDER TO OFFICIALS TO EXPEDITE IMPORTS WAS PROBABLY A STARTER BUT IT WOULD HAVE TO BE CAREFULLY PHRASED IF THE IMPRESSION WERE NOT TO BE GIVEN THAT JAPANESE OFFICIALS WOULD HITHERTO SOUGHT TO ACT AS A BRAKE ON IMPORTS.

5. WHILE THERE IS NOTHING STARTLINGLY NEW IN THIS, THE CONVERSATION REINFORCES THE VIEW THAT MR SUZUKI IS AT LEAST HALF BRACED FOR A HARD DISCUSSION ON ECONOMIC MATTERS BUT COULD REACT REASONABLY POSITIVELY IF THE POINTS ARE PUT TO HIM ON THE BASIS OF A COOPERATIVE EFFORT RATHER THAN CONFRONTATION.

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