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E(80)45th Meeting.

MINISTERIAL COMMITTEE ON ECONOMIC STRATEGY

17 DECEMBER, 1980

Most Confidential Record

NISSAN

THE SECRETARY OF STATE FOR INDUSTRY said that the Nissan Motor Company of Japan had made proposals for establishing a greenfield plant in a Development Area or Special Development Area to produce 200,000 medium sized Datsun cars a year. If the Government now agreed in principle to welcome this project, Nissan would proceed to a fullscale feasibility study. This would take about three months and Nissan would then take a final decision whether to seek the Government's formal endorsement to their proceeding. If they did so, construction would begin in 1982 with first production in late 1984 building up to full capacity by 1986. The net effects of a Nissan investment were likely to be adverse for BL and for other United Kingdom motor companies. On the assumption that each company would be effected roughly pro rata to their market share in the mid-1980s BL would lose about 1 percentage point market share to Nissan, concentrated in the mid-car sector. This was not however a reason for discouraging Nissan. If they did not come to the UK they were likely to build a similar plant in the European Community and so the competition to UK companies would not be avoided. Moreover, the investment would bring substantial net benefits to the UK economy, particularly the vehicle components industry, and would boost regional and inward investment policy. For those reasons he strongly recommended that he should be authorised to inform Nissan that their project was welcome in principle. This decision would be unpopular with our EC partners and it would be prudent to give the Commission and the French a day or two's prior notice of ^{the} announcement of the decision, which might be made before the end of January.

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THE PRIME MINISTER, summing up the discussion, said that the Committee agreed that the Secretary of State for Industry should inform Nissan that the Government welcomed their proposals in principle. In the course of their further discussions of BL's Corporate Plan, the Committee would need to consider further the implications of this for the future of BL and also the timing of the Government's announcements on its response to the Nissan proposal and to the BL's Corporate Plan. It would no doubt be necessary to give the European Commission and our partners in the Community some swift advance notice of any announcement, but it might not be appropriate to give the French Government preferential treatment in this regard. In the meantime it was essential that Nissan's initiative should remain strictly confidential; and for that reason no record of the Committee's discussion would be circulated.

THE COMMITTEE —

1. Took note with approval of the Prime Minister's summing up of their discussion.
2. Agreed that the Secretary of State for Industry should inform Nissan that the Government welcomed in principle their proposals for investment in a greenfield plant in the United Kingdom.