

EMBASSY OF JAPAN
UNITED KINGDOM

London : 20th March 1980

Dear Prime Minister,

Mr. Masayoshi Ohira, Prime
Minister of Japan, has instructed me to hand
to you the text of a further message.

I am attaching this message
to this note.

Yours sincerely
Naraichi Fujiyama

Naraichi Fujiyama
Ambassador

The Rt.Hon. Margaret Thatcher, MP,
Prime Minister and First Lord of the Treasury,
10, Downing Street,
London, S.W.1.

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Subject on Japan Nov. 1979
Internal Situation.

Tokyo,

March 19, 1980

PRIME MINISTER'S

PERSONAL MESSAGE

SERIAL No. TEA/80

Dear Prime Minister,

In view of the fact that inflation is our growing common concern in the present world economy, I am writing to inform you that my Government has decided today to introduce new composite price policies designed to check inflation.

In order to control inflation, we had already raised the official discount rate several times over since April last year, and instituted the composite price policies in November, 1979.

However, the recent price trends show that the conspicuous increase in wholesale prices, caused by higher costs of oil and other imported commodities as well as weakened exchange rate of the Yen, is gradually sliding in consumer prices, and the public utility charges for such items as electricity and gas must be upwardly revised with the impact of the oil price rise. With these trends underway, the prospect of the price movements in Japan requires more careful attention.

Under these circumstances, the Government of Japan considered it imperative to make every effort for the stabilization of prices by way of appropriate management of aggregate demand and various measures for curbing price increases, for the time being, so that the increase in oil prices will not be channelled into home-made inflation through upsurge of inflationary expectations. We also expect all the industries

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concerned to strengthen efforts for further improvement of the productivity. With these in mind, the Government of Japan has decided upon the composite price policies whose tenor is as follows.

I wish to add that the Government of Japan took these measures in the hope that the stabilization of prices will ensure the sustained economic growth of Japan and also contribute towards a more stable exchange market and thus towards a more stable international economy. The Government of Japan is determined to keep utmost vigilance upon the phase of the business cycle and to continue its efforts to sustain economic conjuncture through timely application of appropriate economic policies.

1. Fiscal and Financial Policies

(1) In implementing public works and other Government projects, most careful attention will be paid to price trends. Implementation programmes are to be soon drawn up after passage of the Budget for Fiscal 1980 to implement projects with restraint for the time being.

(2) With regard to financial policies, tight-money policy should be steadfastly maintained, and also money supply should be monitored for the purpose of pursuing appropriate financial management.

In line with this policy, the Bank of Japan raised the official discount rate on March 18.

2. Measures for Individual Commodities

Considering the recent commodity market situation,

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the Government will closely monitor supply-demand situation and price trends of individual commodities, and as for the commodities registering large price increase, the Government will take such measures as release of reserved stocks to secure necessary supply.

3. Measures relating to the Revision of Public Utility Charges

The Government of Japan will urge the industries concerned to make every effort to rationalize production process and to absorb increased production cost resulting from the revision of the public utility charges for such items as electricity and gas and thus to avoid any unwarranted price raise. The Government will also closely monitor supply-demand situations and price movements of the products involved.

4. Promotion of Energy and Resource Conservation

With a view to curbing inflation, the Government of Japan will further encourage the public campaign to conserve energy and resources and seek broader public understanding on the importance of the policies to reduce the consumption of oil and to save resources.

Yours sincerely,

MASAYOSHI OHIRA
Prime Minister of Japan

The Rt.Hon. Margaret Thatcher, MP,
Prime Minister and First Lord of the Treasury,
London.