

MR. NAKASONE

ALASTAIR BUCHAN MEMORIAL LECTURE

Grateful for advance text.

Interested in your remarks on:

- (a) security questions - Japan's more active role in its own defence
- (b) your stress on Japan as "an international nation" and move from a passive posture to "an active posture of influencing events positively".
- (c) your policy of solidarity among countries of North America, Western Europe and Japan  
- and your emphasis that it is not Atlantic versus Pacific or Europe versus Asia
- (d) "My dream is that of a strong Europe and a developing Asia - Pacific linked together ... and working together."

IDA 7 Supplementary Financing

\$9 billion IDA 7 insufficient to meet needs of poorest countries. Drop from \$12 billion IDA 6 hard to explain. Donors can and should do more.

Agreement in principle to supplementary financing needed now. Details can be settled later.

UK/Japan bilateral relations

Ministerial contact now more regular - good.

Interesting idea - regular bilateral conferences of politicians/businessmen/academics (the 2000 group) (Richard Needham active on this).

✓ Prince Hiro - delighted stay so successful. Links between Royal and Imperial Families.

International Court of Justice (if raised)

We never give advance commitments - but will consider Judge Oda's candidature very carefully.

Internal Situation in Japan

Liberal Democratic Party Presidential election in November - Nakasone likely to be opposed.

Sino/Japanese Relations

Your and our basic view of China similar - but Sino/UK relations dominated at present by Hong Kong.

His visit to China in March?

Growth in Japanese investment in China likely?

Korean Peninsula

No clear prospect of progress.  
Japanese assessment?

Andy

## Financial Liberalisation and Yen Exchange Rate

Welcome liberalisation process. Should encourage more efficient allocation of savings and more appropriate role for yen in world trading and financial systems.

Have seen package of measures in report of joint yen/dollar committee.

Current yen/dollar problem mainly reflects inappropriate US policies.

Prospects for dollar/yen rate ?

Much will depend on how liberalisation measures are implemented.

## EC/Japan Trade

Japanese steps to promote imports and capital inflow welcome. Will be judged by effectiveness in increasing manufactured imports. Trend of figures still going wrong way. How will you get message through to middle managers? Further initiatives would be helpful e.g. greater public purchase from overseas, incentives for importers and early implementation of changes in Japan's financial market.

## Inward Investment

e.g. Nissan - and Hitachi - Maxell factory opened at Telford on 8 June.

More capital purchases in aviation, defence also important if visible deficit to be reduced.

Iran/Iraq

Appreciate Japanese efforts to bring sides together (series of high-level contacts).

Oil market generally calm - should be able to cope with disruption.

Your assessment?