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FILE TITLE: <i>relations</i>		SERIES <i>Japan</i>
(Amex: Prime Minister's Visit to Tokyo and Hakone, 18-20th July 2003: Briefing)		PART: <i>4</i>
PART BEGINS: <i>16th Mar 2003.</i>	PART ENDS: <i>5 MAY 05</i>	CAB ONE:

Labour Administration

~~PREM 49/4203/1~~

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PART

CLOSED

DATE CLOSED	5 MAY 2005
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Series : JAPAN

Title : RELATIONS

Part : 4

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04/02/2005	Japan/PM	PM	(H) welcome subjects of Africa and climate change for G8	C	
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Japan.

File



10 DOWNING STREET
LONDON SW1A 2AA

Foreign Policy Adviser to the Prime Minister,
and Head of the Defence and Overseas Secretariat

5 May 2005

Dear Laura,

UK/JAPAN

Thank you very much for the briefing for my lunch yesterday with the Japanese Ambassador.

You predicted with uncanny accuracy not only the subjects we covered, but also what each of us said. So, for the record, let me confirm that we discussed: the UK elections; China/Japan and the EU/China arms embargo; handling Russia; Middle East Peace Process; and Iran and North Korea nuclear.

On the G8 Gleneagles Summit, I welcomed the fact that Japan and the UK were on the same line on climate change. On the general policy framework for Africa we seemed fine too, but I hoped that Japan had something in its pocket for Gleneagles in terms of financing for Africa. Nogami said that they were well aware of the need to find something more. I pressed him on what it might be, but he was non-committal and rather dismissed the idea of an intermediate target percentage of GNP on the way to the proclaimed target of 0.7%. But at least they seemed to realise that they need to stump up more. Nogami was also relatively optimistic about a deal on debt. But he was clear that Japan would not participate in IFF. Interestingly Nogami said that Condi Rice had pressed Koizumi to increase Japanese spending on Africa. This had influenced the announcement made in Indonesia.

On UNSC reform, Nogami set out where things stood, acknowledging that there were a number of important tactical and other decisions still to be made and differences between the G4. He asked for UK help with this after our election, and specifically that the Prime Minister should make clear to President Bush that the US position (that they supported only Japanese UNSC membership) was actually the kiss of death for the project as a whole. There needed to be a

more forward American line. He thought that Machimura's talks with Condi Rice had moved her forward on this at least to some degree.

I am copying this letter to Sir Michael Jay and Denis Keefe (FCO), Giles Lever (Tokyo) and Margaret Aldred (Cabinet Office).

*Yours,
Nigel*

NIGEL SHEINWALD

Laura Johannsen
Japan Desk Officer
FCO

25 April 2005



Foreign &
Commonwealth
Office

London SW1A 2AH

Dear Grace,

Train Crash in West Japan

CC ~~DQ~~
NS
AP
Press

... A train derailed and hit a building in West Japan earlier today. It is the worst train accident in Japan for the past 40 years. At present, around fifty are dead and three hundred injured. The crash has received blanket coverage in the Japanese media. In light of our close relationship with Japan, a condolence message from the UK Government may be appropriate. I understand Her Majesty the Queen may send a separate message to the Imperial Family. I enclose a draft condolence message from the Prime Minister to Prime Minister Koizumi. If the Prime Minister agrees, this message will be conveyed to our Embassy in Tokyo for delivery on 26 April. There will be no signed original.

An alternative to a Prime Ministerial message would be one from the Foreign Secretary to his counterpart Nobutaka Machimura. Please let us know if you would like us to pursue.

Yours,

(Caroline Wilson)
Private Secretary

Grace Cassy
10 Downing Street

DRAFT CONDOLENCE MESSAGE FROM PM TO JAPANESE PM
JUNICHIRO KOIZUMI

Prime Minister Koizumi

I was very sorry to hear of the terrible loss of life incurred by the train crash that took place in West Japan. I would like to extend my sincere condolences to the families and friends of those who died, and hope for a quick recovery for all those injured.

Tony Blair

**SUBJECT
MASTER
Filed:**

1. Nexa
2. My
3. LSL

(provisional translation)

February 4, 2005

Dear Tony,

I have acknowledged your letter dated February 1.

I would like to welcome that you have timely set out Africa and climate change as the main themes of the Gleneagles Summit.

As you rightly pointed out, Africa is indeed an important issue. Japan has hosted the Tokyo International Conference on African Development (TICAD) since the 1990's with the participation of African leaders and has directed its effort for assistance to Africa while respecting the ownership of Africa and in the spirit of partnership. It is entirely appropriate for the G8 leaders to discuss and take concrete actions on what is effective to promote development of Africa. As regards climate change, I agree with you on the importance of tackling this issue globally, including engaging developing countries in which emission of greenhouse gas is rapidly increasing.

With regard to the issues you raised as immediate ones, which are the International Financing Facility and debt relief of international financial institutions, I recognize that there are some difficulties. I have directed the ministers concerned to fully discuss with their counterparts the issue of development as a whole including assistance to Africa.

I am looking forward to seeing you in Gleneagles in July.

With best wishes,

Junichiro Koizumi
Prime Minister of Japan

The Rt Hon Tony Blair MP
Prime Minister of the United Kingdom of Great Britain and Northern Ireland

拝啓

二月一日付の貴首相の書簡を拝見いたしました。

貴首相が本年のグレンイーグルズ・サミットの主要議題としてアフリカと気候変動を取り上げられることは、誠に時宜を得たものであり、歓迎いたします。

貴首相ご指摘のとおり、アフリカの問題は非常に重要であり、我が国も、九十年代より、アフリカ首脳に参加も得てアフリカ開発会議（TICAD）を主催し、アフリカの自助努力を尊重しつつパートナーシップの精神でアフリカ支援に力を注いできています。本年、G8首脳の間で、アフリカの開発を進めるために何が効果的か議論し、具体的に取り組んでいくことは大変望ましいことです。また、気候変動問題についても、急速に温室効果ガスの排出が増えている途上国を含めた全世界的な取り組みを行っていくことが重要との貴首相の指摘に同意します。

貴首相が緊急の課題として挙げられた、国際金融ファシリテイと国際金融機関における債務救済の問題については、種々難しい問題があるものと認識しています。アフリカ支援をはじめとする開発問題全般について、今後、両国の関係大臣の間でよく相談させたいと思います。

七月にグレンイーグルズでお会いするのを楽しみにしております。

敬具

平成十七年二月四日

日本国内閣総理大臣

小泉純一郎

グレートブリテン及び北アイルランド連合王国首相

トニー・ブレア 閣下

1	Update Nexus	✓
2	MTX Copy	✓
3	Lead PS	LJL
4	Action PS Request	
5	Update Nexus	
6	Place Orig/Copy on BF	
7	Chase reply/reply recd - update Nexus & MTX	
8	Forward +pps to Lead PS	
9	GR to Despatch/ DCO fax to FCO if required	

BU Date -

no reply
required.

LJL
8/2



10 DOWNING STREET

LONDON SW1A 2AA

Date:

To:

From: Duty Clerks Office

Dept:

Cc:

GTN 3580 Ext. 3025

REMEMBER IF YOU ARE RESPONSIBLE FOR A REPLY TO CO-ORDINATE WITH OTHER DEPARTMENTS.

Please deal with the enclosed correspondence as:-

- ☐ PM reply
- ☐ No. 10 PS reply

PLEASE ENSURE YOU CHECK THE BACKGROUND, IS IT APPROPRIATE FOR THE PM, ONE OF HIS PSs OR EVEN YOUR OWN MINISTER TO REPLY?

- ☐ Return draft by fax to 020 7839 9044 or e-mail to Privateoffice@no10.x.gsi.gov.uk
- Before :

Thank you



10 DOWNING STREET
LONDON SW1A 2AA

SUBJECT
MASTER
Filed:

THE PRIME MINISTER

3 February 2005

Dear Junichiro,

I wanted to write to you about the forthcoming decision by Japan Airlines to replace its short and medium range aircraft. I understand that Airbus's A320 corresponds particularly well to Japan Airlines requirements. It is an exceptional aircraft as can be seen by the fact that 150 airlines around the world currently operate nearly two and half thousand A320s. Naturally Airbus have made a strong commercial case to JAL on this basis. But I wanted to let you know that I have no hesitation in saying that should Japan Airlines choose the A320 they will not be disappointed with the product. I think Jacques Chirac and Gerhard Schroeder will have been in touch on similar lines.

I look forward to continuing cooperation between the United Kingdom and Japan in the aerospace field.

Best wishes,
Yours ever,
Tony

His Excellency Mr Junichiro Koizumi

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10 DOWNING STREET
LONDON SW1A 2AA

bcc: JPs
WS
AP
LJL.

From the Assistant Private Secretary

3 February 2005

Dear Kara,

NIGEL SHEINWALD'S MEETING WITH YORIKO KAWAGUCHI

Nigel Sheinwald met Yoriko Kawaguchi, adviser to PM Koizumi, at No.10 on 1 February. Kawaguchi was accompanied by Jun Nanazawa, Jun Hasebe and Masafumi Ishii.

Iraq

Kawaguchi expressed condolences for the C-130 crash, and thanks for UK commitment to backfill the Dutch. Nigel paid tribute to the work of Japanese troops. He outlined the Prime Minister's thinking on expanding the role of the international community, and the UN, after the elections. We needed to move into a new phase.

G8

Nigel said that we knew that progress on climate change would not be easy. We needed to work with emerging economies, especially India and China. We should aim for an agreed forward framework, but recognise that the US would not move into a new process of multilateral negotiation in one go. Finally, there was much scope for work on science and technology. Kawaguchi said that she had noted a sense of a changing tide in US public opinion: we should not give up on them. Nigel agreed. The US business community was not monolithic on this, and there was some interest in emissions trading at state level. But in the near term there was unlikely to be a sudden surge in national level support for a multi-national agreement.

On Africa, Kawaguchi said that Japan would do what it could to help. But the IFF remained difficult for them. Nigel said that we needed to achieve a financial package for Africa by the end of the year: the IFF would be a crucial part of this.

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- 2 -

US

Kawaguchi asked for our sense of the Bush II agenda. Nigel thought US policy was evolving. We could expect more consultation, and more emphasis on resolving conflicts, especially Israel-Palestine. The UK had invested considerable effort in convincing the US of the centrality of the MEPP. Nigel expected Condi Rice to devote significant personal energy to it. On Iran, the US were not considering military action. But they were still focussed on objectives of freedom and reform. Kawaguchi said Japan supported the E3 process. But she was concerned that time was not on our side. She wondered how long US patience would last. Nigel said that we should continue to keep in close touch with Japan.

DPRK

Nigel asked for Kawaguchi's assessment. She commented that DPRK-Japan bilateral relations were "stuck" after the North Koreans had badly mishandled the abductee issue. The Japanese were encouraging the Chinese to engage the DPRK, and get them back into the Six Party Talks. But the DPRK looked like they were upping their price. Internally, there had been recent interesting signs in Pyongyang (missing portraits etc), but the truth was that no-one really knew how to interpret these. Nigel agreed. He thought it would be useful to share more information on the DPRK. The Prime Minister was certainly keen to listen to regional partners so that he could understand the situation better. Nigel also noted the Prime Minister's frustration at the low media profile of DPRK human rights abuses.

MEPP

Nigel outlined plans for the 1 March meeting, and our hope for practical outcomes. He strongly encouraged the attendance of the Japanese Foreign Minister. Kawaguchi said that she would pass this message back. The only obstacle would be the Diet schedule. Nigel also encouraged the Japanese to attend the officials pre-meeting.

Finally, Nigel noted that he hoped to visit Tokyo later in the Spring.

I am copying this letter to William Ehrman and Margaret Aldred (Cabinet Office), James Bowler (HMT), Juliette John (DFID), Mike Naworynsky (MOD),

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- 3 -

PS/C, Graham Fry (Tokyo), David Slinn (Pyongyang) Sir Christopher Hum (Beijing) and Sir David Manning (Washington).

Yours,

Grace Cassy

GRACE CASSY

Kara Owen
FCO

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File

20 December 2004

Foreign &
Commonwealth
Office

London SW1A 2AH

Dear Grace,

cc: AP
NS
UK

**Public Diplomacy in Japan: Request for Message from the Prime Minister
In Support of UK Participation at Aichi Expo 2005**

The next World Exposition, Aichi Expo 2005, with its environmental theme of 'Nature's Wisdom', is due to open on 25 March 2005. The UK is one of 125 participating countries. It is estimated that 15 million (mostly Japanese) visitors will visit Aichi Expo, of which a substantial proportion are expected to visit the UK pavilion. As such, it will be HMG's largest public diplomacy campaign in 2005. It is a key opportunity to promote images of a modern vibrant UK.

In order to help the UK achieve a higher profile at Aichi, we hope that the Prime Minister will agree to provide a short message in support of the UK's participation for use in a souvenir bilingual publication on the UK Pavilion. We would also like to use the message elsewhere i.e the pavilion website and more widely in Japan. In addition, if possible, we would ask that the Prime Minister might consider personally signing 15 copies of the publication to give to VVIP visitors to the Pavilion which will include chairman of UK sponsoring companies and major Japanese investors in the UK.

... I enclose a draft message, together with a background note about the UK's participation at Aichi Expo.

If the Prime Minister agrees to the message, we should like to have the text agreed and ready for use by 23 December 2004.

(Kara Owen)
Private Secretary

Ms Grace Cassy
10 Downing Street

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MESSAGE FROM THE PRIME MINISTER

I would like to welcome you to the UK pavilion. It is a marvellous example of the sheer creativity of British scientists, inventors and artists, some of whose work, inspired by the natural world, you will see here.

Our Japanese hosts have chosen 'The Wisdom of Nature' as the theme for this Expo. This is a timely reminder to of the enormous responsibility we share in looking after the Earth. It should also be an inspiration to preserve its riches for future generations. Our changing climate, in particular, is one of the major challenges facing the world. It will be at the top of the agenda when the UK assumes the presidency of the G8 group of nations later this year.

I hope you find the UK pavilion, and the garden you passed through to get here, both enjoyable and thought-provoking. It is just a small taste of the natural ingenuity of our people and the beauty of our country. I hope you will come to the UK and see for yourself.

*[Danuta Wurm, PDT
7008 6704]*

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AICHI EXPO 2005: UK PARTICIPATION: BACKGROUND NOTE

1. The 2005 World Exposition (EXPO 2005) will take place in Aichi Prefecture, Japan under the theme of 'Nature's Wisdom' from 25 March to 25 September 2005. The UK is one of 125 participating countries.
2. The decision to participate was announced by the Prime Minister during his visit to Japan in July 2003. It was made in recognition of the strength and depth of the bilateral relationship and strong support from the UK private sector. Aichi Expo's strong environmental theme, an area where the UK and Japan already share many high profile collaborative links, was also a key influencing factor. The UK Pavilion is funded equally by the private sector: Shell, HSBC, Inchcape, BNFL, GKN, Toyota (GB) and 12 SME sponsors and government: FCO, UKTI and DTI. The total project budget is £4 million.
3. It is estimated that 15 million (mostly Japanese) visitors will visit Aichi Expo2005, of which a substantial proportion are expected to visit the UK pavilion. As such, Aichi Expo will be HMG's largest overseas public diplomacy strategy campaign in 2005. It is a key opportunity to promote images of a modern, vibrant UK. Supporting events will include a UK National Day (22 April 2005) at which the Duke of York will be Guest of Honour. Also planned are friendship celebrations with Toyota City (with which, for the purposes of Aichi, the UK is officially twinned), a specific series of seminars focussing on environmental themes, as well as cultural and lifestyle events. There is also a dedicated UK pavilion website www.my-earth.org.uk which is aimed at both Pavilion visitors and those who are not able to visit.
4. The UK Pavilion is being produced by a design-led consortium (which includes Land Design Studio and the Natural History Museum), under the management of the public events company Ten Alps Events, whose non-executive Director is Sir Bob Geldof. It will provide an imaginative and highly interactive showcase for the UK highlighting UK capabilities in the fields of environment, sustainable development, innovative technology, art and design. Uniquely, it also includes a garden containing a series of artworks made by well-known contemporary UK artists, on the theme of current environmental issues.
5. The associated bilingual publication will be a quality souvenir of a visit to the UK pavilion. Its content will reinforce the key messages of our participation.

Public Diplomacy Team

7 December 2004

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10 DOWNING STREET
LONDON SW1A 2AA

cc: JPo
KO
AP
DQ

*Faxen to
MOD +
HMAT Tokyo.*

From the Assistant Private Secretary

22 November 2004

Dear Kara,

JAPANESE AMBASSADOR'S CALL ON SIR NIGEL SHEINWALD

Japanese Ambassador Yoshiji Nogami made an introductory call on Sir Nigel Sheinwald on 22 November.

Nogami opened with comments on the Dutch deployment in Iraq. Nigel assured him that we were continuing to press the Dutch at all levels, but the signs were not good. It might come down to the UK providing back fill, but we were not giving up on the Dutch yet.

Nogami registered Japanese concerns on the EU China Arms Embargo. Nigel said that it was unlikely to be raised immediately. We were looking at the first half of 2005.

Other subjects touched on, in familiar terms, included MEPP, DPRK/Six Party talks and UNSC reform.

I am copying this letter to Mike Naworynsky (MOD) and Graham Fry (Tokyo).

Yours,

Grace Cassy

GRACE CASSY

Kara Owen, FCO

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10 DOWNING STREET
LONDON SW1A 2AA

From the Assistant Private Secretary

12 October 2004

Dear Kara,

JAPAN/IRAQ

Japanese Ambassador Masaki Orita made a farewell call on Sir Nigel Sheinwald on 11 October.

Orita made one operational point, on the position of Japanese troops in Iraq. He referred to the Cabinet decision in mid-December, which would come at an awkward time. If the Dutch decided to withdraw, it might affect Japan's calculations.

Nigel said that earliest date for a Dutch withdrawal would be Spring 2005. But we were actively discouraging them. We did not expect a decision from them by December. But we did expect the security situation to have improved. Our own intention was to stay in place at least through 2005. We would review our stance in 2006 when Iraqi capability had developed.

I am copying this letter to Desmond Bowen (Cabinet Office), Mike Naworynsky (MOD), Moazzam Malik (DFID), PS/C, Graham Fry (Tokyo), Edward Chaplin (Baghdad) and Simon Collis (Basra).

Yours,

A handwritten signature in cursive script, reading "Grace Cassy".

GRACE CASSY

Ms Kara Owen
FCO

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Foreign &
Commonwealth
Office

11 October 2004

London SW1A 2AH

Dear Grace,

**Draft Letter from Prime Minister to UK Chairman of
UK-Japan 21ST Century Group**

✓ CC NS
AP

Following Peter Mandelson's appointment to Brussels we need to find a suitable successor as Chairman of the UK/Japan 21st Century Group. Under Mr Mandelson's chairmanship the Group continued to thrive and it remains an important part of our senior-level engagement with Japan. The Prime Minister met the Group in No 10 on 5 February and the Group is scheduled to meet Koizumi in March 2005.

... Mr Mandelson has suggested Lord Robertson as a suitable UK chairman, a proposal which has met with unanimous support here, including the Foreign Secretary. The likelihood of his agreeing to take on the role would probably be highest if the Prime Minister were to make the first approach. (It was the Prime Minister who approached Mr Mandelson back in 2001.) I enclose a draft letter for the Prime Minister which could double as a speaking note if the Prime Minister decided to make the approach on the telephone or in person.

Although the position is not technically in the Prime Minister's gift, we understand from informal soundings of the Group that Lord Robertson would be elected unopposed should he decide to stand.

Mr Mandelson has asked to be kept informed of any developments.

Kara Owen

(Kara Owen)
Private Secretary

Ms Grace Cassy
10 Downing Street

**DRAFT LETTER FROM PRIME MINISTER TO LORD ROBERTSON OF PORT
ELLEN**

As you know, Peter Mandelson will shortly be taking up his position with the EU Commission in Brussels. As a consequence of this appointment he will resign as UK Chairman of the UK/Japan 21st Century Group on 31 October, and I am writing to suggest you allow your name to be put forward as a possible successor.

The 21st Century Group (formerly the UK/Japan 2000 Group) is made up of senior businessmen, politicians, academics, officials and others from the UK and Japan. Although it has no explicit links to the UK and Japanese Governments it has enjoyed a close relationship with them since its launch by the respective Prime Ministers in 1984. It holds an annual conference, alternating between Japan and the UK, to exchange views and advise both Governments on key issues. It is normal for the Group to hold a meeting with the respective Prime Minister and other ministers. The Group has taken forward some useful initiatives such as pressing for the introduction of a new visa category for young people to do voluntary work in Japan and also arguing for a reconsideration of UK policy towards tertiary level provision of minority languages such as Japanese.

The commitment as Chairman is fairly light: attendance at the annual conference and associated visits, and a minimum of participation in Board meetings and the AGM. (Prior in-depth knowledge of Japan is not a prerequisite.) But the impact and influence which the position brings with it are, as Peter will confirm, substantial, and the Group as a whole is an important plank of an important bilateral relationship. The position is not within my gift but soundings from the Group strongly indicate that you would be elected unopposed if you agreed to stand. I hope you can agree to take it on.

[Jonathan Dart, FEH, 7008 2956]

Background Note

1. The UK/Japan 21st Century Group is made up of senior businessmen, politicians, academics, officials and others from the UK and Japan. It has been chaired since 2001 on the UK side by Peter Mandelson MP and on the Japanese side by former Vice Minister of Finance, Yasuhisa Shiozaki MP. It holds an annual conference, alternating between Japan and the UK, to exchange views and advise both Governments on key issues. The Group has taken forward some useful initiatives such as pressing for the introduction of a new visa category for young people to do voluntary work in Japan and also arguing for a reconsideration of policy towards tertiary level provision of minority languages such as Japanese.
2. 2004 marked the 20th anniversary of the founding of the Group. In addition to a meeting with the Prime Minister and Deputy Prime Minister on 5 February the delegation called on Hilary Benn. Sir Howard Davies, Lord Bristan and Sir Crispin Tickell were among those involved in the weekend conference at Broomfield Hall. The 2005 conference will be held in March in Japan.

Key Japanese Figures

3. The Japan Chairman of the Group is Yasuhisa Shiozaki, an MP and former Vice Minister of Finance and potential future political heavyweight. Shiozaki was at the Bank of Japan before his election in 1993.
4. The other figure of note is Seiji Maehara, a progressive MP from the opposition DPJ.

Our new address from 14th October 2004



Masaki & Masako Orita
4-6-6-301 Minami-cho
Nishi Tokyo City
Japan, 188-0012

〒188-0012 西東京市南町 4-6-6-301
折田正樹・昌子

Tel & Fax 0424-64-5270

EMBASSY OF JAPAN

101-104 PICCADILLY

LONDON

W1V 9FN

10th October 2004

Dear Roger,

This letter is to let you know that I shall be leaving the UK and going back to Japan in the middle of October after completing my three years' tenure as the Japanese Ambassador to the UK. In so doing, I shall bring to a close my diplomatic career spanning almost 40 years. I should like to express my sincerest gratitude to you for the understanding, support, cooperation and above all friendship that you have afforded my wife Masako and me during our stay in the UK. As this is the country where I started my diplomatic career – and, indeed, my married life – in the 1960s, it has been a pleasure and an honour to be the Ambassador here.

Allow me to reflect here on the Japan-UK relationship, which I have done my best to steer in a healthy direction.

Our bilateral ties are already broad and deeply-rooted, as is borne out by various facts and statistics. More than 50,000 Japanese citizens live in the UK, which makes this country home to the fourth-largest Japanese community in the world after the US, China and Brazil. Japan is the second-largest non-EU trading partner of the UK, with annual trade amounting to £12 billion. The UK is the biggest investment destination in Europe for Japanese businesses, more than 1,000 of which have established operations here. Moreover, under the Japan Exchange and Teaching (JET) Programme, more than 7,000 British graduates have spent at least one year in Japan, most of them assisting with English language teaching in schools. Furthermore, cultural exchange is flourishing, while co-operation in science and technology is continuing apace. But that is far from the whole story.

The importance of strengthening our collaboration in the international arena is increasing steadily. I recall that I was formally appointed as the Ambassador to the UK just one day after the 9/11 atrocity had occurred in 2001. That event ensured that the way international relationships were viewed around the world would never be the same again. Since 9/11, the collaboration between Japan and the UK has expanded in scope and depth. For instance, we have worked very closely in the fight against international terrorism through naval cooperation in the Indian Ocean. In Iraq, Japanese Self Defence Force personnel have been working on reconstruction and humanitarian efforts close to where the British forces are deployed. Moreover, we have coordinated the provision of international development aid to many countries.

Japan-UK collaboration is especially vital when we consider both countries' alliances with the United States. As the closest allies of the US in Asia and Europe respectively, we have to take our strategic dialogue to a new level. It is my conviction that, in a world filled with uncertainty, the Japan-UK relationship constitutes a strong factor for peace, stability and development in the world. We should cherish this important relationship.

As for the subject of Iraq, there is one matter which I want to – and absolutely must – mention. I will never forget the shock I experienced when I first heard the news that Mr Katsuhiko Oku, an important member of our Embassy staff, had sacrificed his life in a most tragic and untimely fashion while in the course of identifying humanitarian and reconstruction projects for the Iraqi people. He had been sent to Iraq on a temporary basis to help our people stationed there. It was a difficult time for the Japanese Government and for me, personally, but it made us all the more convinced of the need for the international community, including the Japanese Government, to play an active role in helping Iraq. I would like to express my gratitude here for the outpouring of heartfelt sympathy from so many British friends at that time.

It is my strong belief that the Ambassador and the Embassy here should become ever more closely involved in enhancing the profile of Japan in this country. In my case, I have been constantly seeking ways to make the distribution of accurate and honest information about Japan more effective and to make the Embassy more proactive in strengthening mutual understanding between the peoples of our two countries. These days diplomats, rather than negotiating secretly with their counterparts behind closed doors, should be much more accessible and approachable, with the ability to promote their countries convincingly and honestly to the people of the nations where they are posted.

Interest in Japan among British people is clearly on the rise. Whereas everything needs to be done to nurture and sustain this interest, in this regard there have been a few disappointing developments. For instance, a certain university in this country decided to close its East Asian Studies Department last year. I expressed my serious concern to the university on this issue, as did many British friends and advocates of deeper mutual understanding between our two peoples. On a happier note, the British Museum, which had previously closed its Japanese Gallery due to financial constraints, reopened it on 28th June this year. While one must recognise that most organisations of this type face financial challenges, it is nonetheless crucial for us that British people maintain their interest in various aspects of Japan and gain an informed picture of the Far East.

My enthusiasm also extends to promoting inward investment through the *Invest Japan* campaign and tourism through the *Visit Japan (Yokoso Japan)* initiative. However, no matter whether we think of investment or tourism, it is the overall attractiveness or "charm" of Japan that matters most. In this regard, I devoted considerable time and energy last year to enlisting the agreement of the British Government to participate in Aichi Expo 2005.

I think it is extremely important that, in promoting the Japan-UK relationship, we tackle outstanding issues in a forthright manner. This applies, for example, in the cases of a number of former PoWs. Some of them undoubtedly had painful experiences which hinder them from feeling friendship towards Japanese people. In view of the emotional

nature of the issue, the only solution is to enhance the chances of them having encounters with Japanese people in a modern setting. Last year, one former PoW in his later 80s, who had seriously negative feelings towards Japan and the Japanese, finally visited Japan after more than 50 years. After talking with a number of people in Japan and visiting the Hiroshima Atomic Bomb Memorial Museum, he reached this conclusion: "I suffered much as a PoW, but the Japanese people also suffered in the war. Although I have hated Japan and the Japanese people for such a long time, it is not the Japanese people but wars which I should hate. I renounce my anti-Japanese feeling. I may not have long left, but I want to dedicate my life to the promotion of friendship between the peoples of the two countries." Unfortunately he passed away early this year, but he had taken the invaluable step of conveying his feelings to the next generation.

This moving outcome was testimony to the dedication of the many people who have worked tirelessly in the cause of reconciliation between our two peoples. The lesson is that, if you avoid awkward issues, you will never solve them. As I was born in 1942 when the painful suffering of a large number of former British PoWs started, the issue of reconciliation resonates particularly strongly with me. Indeed, I have directed considerable efforts, both officially and privately, to the pursuit and promotion of reconciliation.

I am convinced that the Japan-UK relationship has never been better. However, in order for us to strengthen our collaboration in the international arena, to deepen mutual understanding between us and to resolve outstanding problematic issues, there are many things that we can and should do. In such a relationship as that between Japan and the UK, the Embassy is just one part of the vast network of exchange between our peoples, and our role is to help, promote and encourage those individuals and organisations supporting the Japan-UK relationship.

It has been a privilege to work with you on all these and other matters. After I go back to Japan, I will do my best in my private capacity to continue promoting good relations between Japan and the United Kingdom.

yours sincerely,

Masaki

Masaki Orita
Ambassador

Roger Liddle, Esq.
Policy Advisor on Education, Public Services and Constitutional Reform
Policy Directorate
Prime Minister's Office
10 Downing Street
London SW1A 2AA



10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

2 August 2004

Dear Ambassador,

I wanted to write to you personally following the publication of the UK Government's strategy paper *Human Rights – Protecting People From Animal Rights Extremism*.

The paper underlines the UK Government's determination to tackle animal rights extremists who intimidate and harass legitimate businesses and individuals. The paper states that we will continue to tighten up the law, we will devote more resources to tackling the problem and we will continue to work with the industry to ensure we deal effectively with extremists.

A lot has been done already. During the passing of the Terrorism Act in 2001 it was made clear that the powers in the Act would cover all forms of terrorism, including serious violent acts carried out by animal rights extremists. In addition we have already closed several loopholes in the law. We are seeing the results. In the first six months of this year there were 140 animal rights extremists arrests. Over the past few months 21 people have been convicted. Other cases are awaiting trial.

As well as yourself I am writing to Japanese and other companies who have been actively targeted by extremists to ensure that we continue to work together so that we give people working in the bioscience sector the protection they deserve.

Yours sincerely,
Tony Blair

His Excellency Masaki Orita

Embassy of Japan

NEXUS Correspondence Record

Correspondent: His Excellency the Ambassador of Japan
Embassy of Japan
101-104 Piccadilly London
W1J 7JT

-----:-----
Subject: No incoming letter PM letter to Japanese Ambassador re Government's
strategy paper 'Human Rights - Protecting People From Animal Rights
Extremism'

Type: Ministerial

Comments:

Medium: L

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Date of Letter: 02/08/2004

Date of Receipt: 02/08/2004

Date of Reply: 02/08/2004

Date Note Sent To Dept:

Expected Reply Date from

Dept:

Date Note Sent From Dept:

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Referral Dept:

Dept Secretary:

Active: False

Stock Reply Code: 99 - Ministerial

Letter of Reply Text:

Action: pm

Pending:

File: >dco files 7/8

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Petition Desc:

Petition Cause:

Petition Signatory:

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Enclosure Attached: False

Enclosure Desc:

Status:

Logged By: CHarrington

Date Logged: 07/08/2004 17:01:36

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Attachments: NONE

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NEXUS Search IDs: CONTACT: 32698 // POSTCODE: W1J 7JT // CORRESPONDENCE:
1062753

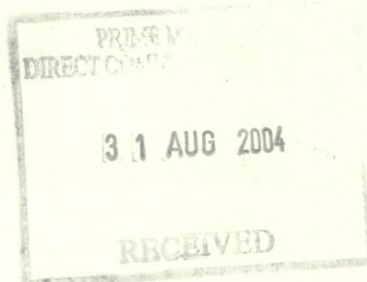
020-7465 6500

EMBASSY OF JAPAN

101-104 PICCADILLY

LONDON

W1J 7JT



27th August 2004

Dear Prime Minister,

Thank you very much for your letter dated 2nd August. I would like to express my gratitude for your leadership and the firm stance you have shown over the issue of animal rights extremism.

I am sure that those working in the Japanese Pharmaceutical Industry and other industries related to it, as well as their family members, who have been suffering from the harassment and intimidation by animal rights extremists will appreciate the announcement of the U.K. government's stringent strategies over the issues including the proposal of the new legislation and the tightened operations by the Police and Crown Prosecution Services. I am sure they will now feel more confident in keeping on with their legitimate business and have the prospect of leading their life peacefully in the community.

It appears that the measures taken by the U.K. government are reducing the incidents caused by the animal rights extremism. However, animal extremists are

still quite active in some areas, especially in their reported attempt to stop the construction of an experimental facility in Oxford. We still can not rest on what we have achieved so far and it is important that we keep a close eye on the issues.

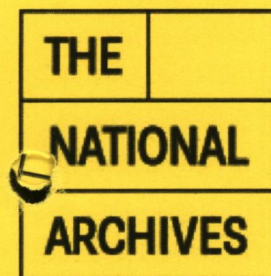
In closing, I would like to express my great appreciation to the U.K. government once again and I really do hope that the U.K. government keeps showing its serious commitment over the issues.

yours sincerely,

Masaki Orita

Masaki Orita
Ambassador

The Rt Hon Tony Blair MP
Prime Minister
10 Downing Street
London
SW1A 2AA



DEPARTMENT/SERIESPREM49..... PIECE/ITEM4203..... (one piece/item number)	Date and sign
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(Handwritten initials 'JG' circled)

From: Grace Cassy
Date: 7 June 2004

PRIME MINISTER

cc: Nigel Sheinwald
Jonathan Powell
Matthew Rycroft
Ivan Rogers
David Quarrey
Laurie Lee
David Hill
Ian Gleeson

SEA ISLAND: BILATERAL WITH KOIZUMI

You are seeing Junichiro Koizumi for a 45 minute bilateral on 8 June. You last met in Tokyo in July 2003.

Domestically, Koizumi is comfortable, despite a tricky few months with Japanese hostages in Iraq and a minor scandal over pension payments. His ratings rose to over 50% again in the wake of his second visit to DPRK in late May. If, as expected, he successfully negotiates the Upper House elections in July, he will have a further two years in office to complete his reform programme. I attach a useful scene-setter from Tokyo.

On bilateral relations, you should reassure Koizumi of our wish to continue developing a key strategic partnership, as set out by you in Tokyo. He may be feeling squeezed by the growing closeness of UK-China relations, and some reassurance of our shared goals would be welcome. There has been good progress on the S&T and ICT initiatives you announced in Tokyo. David King is in touch with a senior Japanese interlocutor identifying priority scientific fields for co-operation.

On economic/commercial, you can welcome progress on his economic reforms, with particular improvement in banking sector debt. The UK is well-placed in supporting Koizumi's goal of doubling inward investment by 2008. Vodafone is Japan's largest foreign investor and will announce a new £2.5 billion investment on 8 June. GKN and Tesco are also significant players. You might express confidence Airbus and Rolls Royce, both of which are working on new sales. On inward investment, the UK is the top EU recipient of Japanese FDI (£17.4 billion). Sharp, Toyota and Honda have recently expanded production in the UK

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- 2 -

(see attached note). But we need to work hard to maintain this position against competition from lower cost accession state economies.

On Iraq, the key Japanese goal on the SCR has been satisfied with inclusion of humanitarian and reconstruction objectives for the MNF. They are now considering integrating their Self Defence Forces into the MNF. This would be pushing the Self Defence envelope even further and would require Diet approval.

DPRK dominates the international scenery in Japan. You should ask Koizumi for his take on dealing with Kim Jong Il, particularly after his recent visit to Pyongyang which resulted in the return of further abductees. On DPRK nuclear, does he see any hope of tempting Kim into a Libya-like solution? Does he agree with Wen's line to you in May, that "talks are better than no talks" or is his patience with the Six Party process finite?

Other foreign issues:

- UN. Koizumi will raise Japan's hopes for a permanent Security Council seat. You can be supportive, but also encourage more active Japanese engagement with the wider UN membership on the benefits of SC expansion. They have been slow to engage with countries that do not already support them.
- Burma. We have not seen the progress we would like. ASSK remains under house arrest and the National Convention has been deeply flawed and unrepresentative. Without significant progress, the EU cannot support Burmese membership at the Hanoi Summit in October. Japan is committed to the Asian position that Burmese membership is not negotiable; but bilaterally they are more helpful to the UK/EU position. Koizumi has delivered hard messages in the past.

Grace Cassy

GRACE CASSY

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NOSEC: G8 SUMMIT: PRIME MINISTER'S BILATERAL WITH KOIZUMI:
From: TOKYO

TO IMMEDIATE FCO

TELNO 109

OF 031008Z JUNE 04

INFO PRIORITY ACTOR, BEIJING, BERLIN, CABINET OFFICE, CANBERRA

INFO PRIORITY DFID, DUBLIN, MOSCOW, OTTAWA, PARIS, ROME, SEOUL

INFO PRIORITY UKMIS NEW YORK, UKREP BRUSSELS, WASHINGTON

INFO PRIORITY WELLINGTON, WHIRL

No 10 for Sheinwald, Cassy

SCENESETTER

SUMMARY

1. Koizumi in good shape. Still robust on Iraq and on North Korea's nuclear programme. He will probably want to talk about relations with the US and China, and also Japan's wish for Security Council membership. We should trail our ideas for G8 action next year on Africa and the environment. Economic recovery continuing; worth encouraging Koizumi on WTO. Japan remains our biggest trade market outside EU and US, and there is still a lot to play for in exports, especially aerospace, and inward investment.

DETAIL

2. Koizumi had a testing spring. The kidnapping of five Japanese in Iraq (later freed unharmed) was followed by a domestic row over politicians' pensions payments. Cabinet Secretary Fukuda, his biggest supporter on foreign policy, resigned. But Koizumi retains a shrewd touch. He continues to best the disorganised opposition. His second visit to North Korea on 22 May again raised his public ratings to over 50%. The Prime Minister should find him on relaxed form.

3. The Upper House elections in July therefore look like less of a hurdle. After that Koizumi should have another two years to complete his programme - he must step down as LDP leader in late 2006. There is still no plausible challenger.

International

4. Koizumi has not wavered on Iraq, though the Self Defence Forces are hard pressed to show results for their relatively large exposure. Broadly opinion remains supportive of the Coalition's goals, and a new SCR will help Koizumi's position. Japan is considering integrating the SDF contingent in Iraq into the MNF and adding rear-echelon MNF support to its present reconstruction mandate; this would be another big push of the self-defence envelope.

5. Normalisation of relations with the DPRK is a personal mission. But he remains firm on the principle that Japanese aid will only come after CVID. In the meantime he has partially defused the abductees issue, with the latest return of five family members.

6. Other issues on Koizumi's mind include:

- relations with the US. Koizumi faces the familiar charge of offering too much loyalty in return for too little influence. But Ballistic Missile Defence and US force reorganisation in the Pacific look set to strengthen the security alliance.

- how to meet the Chinese challenge, a long-term headache for Japan. Koizumi personally is not hostile to China, but his

insistence on paying his respects to Japanese war dead has caused three years of drift in high-level relations (though economic links are booming).

- a more effective Japanese contribution to conflict-solving.

This is linked to Japan's wish for a permanent Security Council seat, which Koizumi will raise with the Prime Minister. Koizumi is pushing ahead with measures to make it easier for the Self-Defence Forces to deploy overseas, though he will leave the final obstacle of constitutional revision to his successor. Koizumi attaches importance to better use of Japanese ODA and other "soft power" in peace-building.

Economy/domestic

7. The export-led recovery is increasingly spreading to the domestic economy. Growth in FY 2003 was 3.2 per cent. Unemployment has fallen slightly (just under 5 per cent), and business investment is strong. Deflation continues but is stable. High oil prices have some impact, but not huge. Encouragingly wages are now starting to rise.

8. Recovery remains vulnerable to a slowdown in China or the US. The challenge for Koizumi is to entrench further structural reform, market opening and sound macro-economic management. He has created a more vigorous climate, but some big targets remain outstanding, in particular privatisation of the Post Office (the largest bank and insurer in the world). Corporate restructuring still lags among SMEs and sectors such as construction.

Bilateral

9. Our broad messages are:

- our wish to keep working with Japan as a global partner. The Prime Minister's meeting with Koizumi last July confirmed a shared understanding of strategic challenges, and mandated a closer dialogue. This has gone well, particularly on information sharing (including with regard to terrorism) and on ODA. Future priorities should include Africa - a key test of Japan's willingness to play a role outside of Asia - and peacekeeping. Climate change remains a key area. Japan is slipping further from its Kyoto targets; Japanese ministries know new policies are needed, but can't agree what they should be. We should keep encouraging them on this and on longer-term targets.

- support for a more open Japanese economy: Koizumi's aim of increasing Japan's extremely low stock of foreign investment (1% of GDP; the UK's is 38%) will be helped by further deregulation and encouragement for foreign acquisitions. Continuing sensitivities on agriculture have led to a disappointing lack of Japanese leadership on the Doha Development Agenda. We should support the EU call for a push for results in July.

- we have many other shared policy challenges, including demographic squeeze, and openings for academic and commercial collaboration in IT, bio-tech and energy/environmental technology; building on the joint statements agreed with Koizumi last year. Re-setting a date for the policy advisers' talks would be an excellent step.

10. We are working hard to increase the UK's already strong business presence in Japan. Following the success of the Westland EH101 sale to the SDF last year, Airbus and Rolls Royce are now trying hard with the A380 to JAL and Trent Engines for ANA's 7E7s. Without making a political pitch, an expression of confidence in these two companies would be helpful.

11. Japanese investment in the UK remains an important target.

The spotlight for Japanese companies is increasingly on China, and within Europe on the accession countries. We need to work hard to ensure the UK's real attractions for high-value added manufacturing and service projects are appreciated. Japan will remain the leading Asian source of innovative technologies for the foreseeable future. Toyota have just announced an increase in UK production and a new decision on Nissan's next model is pending. As a whole, Japanese manufacturers and operators in the City want the UK in the euro, as the Prime Minister heard last year.

GOMERSALL

Sent by TOKYO on 03-06-2004 10:08

Received by No10 on 03-06-2004 12:43

Annex 3

Foreign Direct Investment

To Japan

The following are major UK investments in Japan. This supports Koizumi's goal of doubling inward FDI by 2008.

- Vodafone – will announce a £2.5billion investment in Japan on 8 June, consolidating their position as the largest foreign investor in Japan
- GKN - plans 100% takeover of Japanese driveshaft manufacturer Tochigi Fuji Sangyo in a deal worth around £500m
- Tesco - acquiring a second Tokyo supermarket chain

Aerospace

UK aerospace companies continue to make efforts to win business in Japan and secure industrial collaboration between Europe and Japan on aerospace. It would be helpful if the Prime Minister could encourage the Japanese to consideration of Airbus (A380) and Rolls Royce (Trent 1000 for 7E7) favourably.

To the UK

The UK was the top European recipient of new Japanese FDI in 2002-3. According to Bank of Japan figures, the value of Japanese direct investment in the UK is ¥3,139 billion (£17.4 billion), 36.0% of the total invested in the EU 15.

Despite the competition from lower cost economies of Central and Eastern Europe, there are still opportunities for us in manufacturing, particularly with expansions. Recent successes include Sharp's investment in solar panel assembly in Wrexham (opening 2 July) and Toyota's announcement in May that it is increasing capacity at its Burnaston plant by one third.

On automotive, Honda are also increasing production in the UK, but a decision is still awaited on Nissan's next model. This has significant implications for the supplier base in the north east who are feeling the pinch. There are good prospects for further Japanese investment in automotive R&D.

Japan will remain the leading Asian source of innovative technologies in most sectors of advanced engineering and electronics for the foreseeable future. Environmental technologies and bio-pharma are particularly promising. The Japanese pharmaceutical industry has appreciated the Government's stance on animal rights activists, but attacks by activists are damaging to the UK's image across the board. We still need to demonstrate that we can effectively prevent law-breaking and intimidation.

Annex 4

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FM TOKYO

TELNO 102 OF 240832Z MAY 04

SUBJECT: JAPAN-DPRK: KOIZUMI'S VISIT TO PYONGYANG

SUMMARY

1. Koizumi presses Kim Jong-Il (KJI) on nuclear, without any clear response; secures further investigation into deceased abductees; and agrees to resume food and medical aid. Children of two abductee couples join their parents in Japan, but the US defector husband of the fifth abductee declines.

2. Mixed political and media reaction, with some questioning whether Koizumi gave too much away. But violent criticism of the visit from those hoping for more news on deceased abductees has not resonated with the general public, around two-thirds of whom are pleased. As seen from here, a not unhelpful initiative in the context of international efforts to deal with the DPRK.

DETAIL

3. The official output from Koizumi's visit to Pyongyang and 90 minute meeting with KJI on 22 May was limited to Koizumi's own statement and press conference. The main points of this were:

- Koizumi and KJI had reconfirmed the 2002 Pyongyang Declaration as the basis for bilateral relations. Japan would not impose sanctions "so long as both countries comply with the Declaration".

- nuclear: Koizumi had emphasised the importance of complete, internationally verified disarmament. He had urged KJI to reflect on the difference between the "benefits" to the DPRK of a nuclear capability, and what it would gain from the international community in terms of aid and other cooperation if it disarmed.

- KJI had said he was aiming for denuclearisation of the Korean peninsula and wanted to use the 6PT process to achieve a peaceful settlement, but remained concerned about the impact of CVID on DPRK's security. He had also noted that a freeze of DPRK nuclear programmes would be subject to monitoring. Koizumi had welcomed this but said that, since KJI had acknowledged denuclearisation to be the ultimate goal, he should send a clear signal to this effect in the 6PT. Nuclear disarmament would enhance the DPRK's security, which could be discussed alongside disarmament in the 6PT. KJI should not waste the opportunity represented by the 6PT.

- missiles: KJI had reconfirmed the moratorium on DPRK tests.
- abductees: the five North Korean-born children of two abductee couples, the Chimuras and Hasuikes, could travel to Japan the same day (which they duly did)
- KJI had said that the US defector Jenkins, husband of the fifth abductee Hitomi Soga, could decide himself whether he and his two daughters would travel to Japan. Koizumi had then spent an hour with Jenkins, who had declined to go to Japan as he feared that he would be handed over to the US authorities [comment: although it appears Koizumi assured him he would not be]. All parties had agreed instead to a meeting between Jenkins, Soga and their daughters in a neutral venue, probably Beijing.
- there would be a further investigation by DPRK, in which Japan would take part, into the fate of the 8 abductees claimed by DPRK to have died in North Korea, and the 2 Japanese citizens claimed by Japan, but not confirmed by the DPRK, to have been abducted.
- aid: Japan would provide 250,000 tonnes of food aid and USD10 million of medical supplies through international organisations.

Japanese reactions

4. **Political reaction has split predictably.** Senior government and LDP figures such as Chief Cabinet Secretary Hosoda and LDP Secretary General Abe have been talking up the visit as meeting or surpassing expectations. Some LDP hawks argued that the visit had not closed the door on sanctions, since the DPRK's nuclear programmes showed it was not abiding by the Pyongyang Declaration. Opposition leader Okada called the visit "a serious failure".

5. Both the (LDP) chairman of the Diet abductee support group, and the Abductees' Families Association (AFA), were extremely critical of the lack of progress on deceased/unconfirmed abductees. The leader of the AFA said the outcome of the visit was "the worst possible result", and called on Koizumi to resign.

6. **Public reaction on the other hand seems broadly positive,** albeit with various nuances. Three separate opinion polls carried out on Sunday put approval of the outcome of the Koizumi/ KJI meeting at between 62 and 67%. Two of these polls also show "support for the Koizumi cabinet" (a key political indicator) rising by around 10%, to the mid-50s. But the same polls also show a grudging or in some cases hostile reaction to some of the key outcomes of the visit. For example, the Asahi poll has only 56% agreeing that the visit delivered real results on abductees, and a majority opposed to the provision of food aid. Media comment has been similarly nuanced. Most editorials combine

approval for Koizumi's firm line on nuclear with disappointment at the lack of tangible progress on CVID; relief at the abductee family reunions with grumbling that Koizumi played the food aid card too soon.

COMMENT

7. On the face of it, a visit to Pyongyang, resumption of humanitarian aid and an undertaking (of a sort) on sanctions seems like a high price to pay for two family reunions and a weekend in Beijing for Jenkins and his daughters. But as seen from here this was a useful initiative by Koizumi in the wider context of the international community's dealings with the DPRK. He sold no passes on nuclear or on normalisation of DPRK-Japan relations, but instead put the case for CVID firmly and directly to KJI. The prospect of the abduction issue acting as a drag on the 6PT has also receded somewhat. Resumption of humanitarian aid will presumably help to show the DPRK that Japan under Koizumi can be a serious and sincere negotiating partner.

8. Koizumi did not repeat the overwhelming success of his first visit, which garnered approval ratings of over 80%. But a 10% boost in the polls six weeks before the Upper House elections is not a bad result, and the public may yet warm further as more pictures of the reunited Chimura and Hasuike families appear in the media. The initial polls suggest that the harsh verdict of the abductee lobby did not find much sympathy with the wider public.

9. The American Ambassador told me at the weekend (please protect) that in present circumstances it was difficult for the Army, and probably for the President as well, to contemplate a pardon for Jenkins.

Contact for this telegram: Giles Lever, FTN 8460-1229

GOMERSALL

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SUBJECT
MASTER
Filed:

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

8 June 2004

See para 1, 2, 3

**PRIME MINISTER'S MEETING WITH THE JAPANESE PRIME
MINISTER, 8 JUNE 2004**

The Prime Minister met the Japanese Prime Minister at Sea Island on 8 June. Also present were Seiken Sugiura (Deputy Chief Cabinet Secretary), Ichiro Fujisaki (Deputy Minister for Foreign Affairs, Sherpa), Ichiro Komatsu (Director General of the European Affairs Bureau) and Koro Bessho (Secretary to the Prime Minister). Nigel Sheinwald, Ivan Rogers, Tom Kelly and I accompanied the Prime Minister.

On Iraq, Koizumi welcomed the unanimous adoption of the SCR. He paid tribute to the Prime Minister's role on this and on Iraq more generally. Likewise, the Prime Minister commended Koizumi's courage over Japan's role in Iraq, particularly while Japanese hostages were being taken. He expressed his condolences for the assassination of the Japanese diplomat. The Japanese role was greatly appreciated. Koizumi reported that Iraqi political and religious leaders had recently visited Japan and welcomed the continued presence of Japanese Self Defence Forces in Iraq for as long as possible. Japan wanted to continue its humanitarian assistance in Iraq, in co-operation with the UK. The Prime Minister welcomed this.

The Prime Minister briefed Koizumi on the plan to give increasing responsibility for security to the Iraqis. He wanted the MNF and IIG to agree and publish a plan on Iraqiisation. In retrospect, the policy of de-Baathification had been implemented too indiscriminately. Allawi would now build up Iraqi forces, including former Ba'ath party members who had not been close to Saddam. Koizumi welcomed this.

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- 2 -

On UK/Japan relations, Koizumi and the Prime Minister agreed that these were in very good shape. Koizumi welcomed the intelligence co-operation since their meeting last July, and hoped that this would continue. The Prime Minister agreed. Koizumi welcomed the extensive UK investment in Japan, including from Vodaphone. The Prime Minister welcomed the good progress on science and technology and ICT. Koizumi agreed.

Koizumi noted that the UK had the strongest relationship with the US, but the Japan/US alliance was also strong. He hoped the UK and Japan could co-operate with each other to influence the US. There was a difference between power and authority. The US must make the most of its authority from the UN in using its power. The Prime Minister agreed; it was good that the UK and Japan were giving the US the same message from different perspectives. Koizumi's stance on international issues had brought him much credit with both the Administration and Congress in the US.

The Prime Minister asked about North Korea. Koizumi briefed on his recent meeting with Kim Jong Il. Kim was now thirsty for dialogue with the US. He had said that denuclearisation of the Korean peninsula was his final goal; that the freezing of the nuclear programme would naturally accompany verification; that the identified Japanese abductees would all return to Japan; and that he would investigate again the cases of the unidentified abductees. Koizumi had told him that he had to compare what he would receive in food aid and international co-operation if he gave up his nuclear weapons with the security gain he would have if he kept them. Kim wanted two things: a US security guarantee, and Japanese economic aid. He understood that without normalisation there would not be full Japanese economic aid. Nuclear dismantlement and resolution of the abductees issue were preconditions for normalisation.

The Prime Minister asked whether Kim Jong Il had any concept of political reform. Without reform, the current situation was extremely unstable. Koizumi was pessimistic about democratic reform under Kim, who wanted to maintain the dictatorship. The Prime Minister commented that the Chinese had shown that it was possible to open up an economy and a society without moving directly to full democracy. Koizumi implied that even this would be too much for Kim. The first step had to be to reduce poverty in North Korea. There would be chaos - including many refugees - when the North Korean system collapsed. The disparity in standards of living between the North and South was greater than the disparity between East and West Germany. Koizumi replied that with the US security guarantee and economic aid the situation would improve.

CONFIDENTIAL

- 3 -

The North Koreans needed to think about their international role after that. Some in the US and Japan wanted their regime to collapse, but he doubted whether this would bring stability.

Koizumi said that we must strengthen our efforts to urge North Korea to make its position on nuclear dismantlement clear in the Six Party Talks. Bush doubted that this route would work, but we must keep trying. The Prime Minister said that Japan, and Koizumi personally, had a large role to play in encouraging North Korea to open up.

Koizumi said that the North Koreans had watched Afghanistan, Libya and Iran closely. Events in all three had increased North Korean flexibility. Koizumi had pressed Kim to disarm like Libya. Kim had replied that Libya and North Korea were different: Libya had no nuclear weapons, "which means we do have them".

I am copying this letter to Chris Baker (MOD), Mark Bowman (HMT), Matthew Hilton (DTI), Desmond Bowen and John Scarlett (CO), 'C', Sir David Manning (Washington), Sir Stephen Gomersall (Tokyo), Dominic Asquith (IraqRep), Sir Roderic Lyne (Moscow), Sir John Holmes (Paris), Sir Emyr Jones Parry (UKMis New York) and Sir Peter Torry (Berlin)

Kerry.
Matthew

MATTHEW RYCROFT

Kara Owen
FCO

RESTRICTED

file

From: Grace Cassy

Date: 7 June 2004

PRIME MINISTER

cc: Nigel Sheinwald
Jonathan Powell
Matthew Rycroft
Ivan Rogers
David Quarrey
Laurie Lee
David Hill
Ian Gleeson

SEA ISLAND: BILATERAL WITH KOIZUMI

You are seeing Junichiro Koizumi for a 45 minute bilateral on 8 June. You last met in Tokyo in July 2003.

Domestically, Koizumi is comfortable, despite a tricky few months with Japanese hostages in Iraq and a minor scandal over pension payments. His ratings rose to over 50% again in the wake of his second visit to DPRK in late May. If, as expected, he successfully negotiates the Upper House elections in July, he will have a further two years in office to complete his reform programme. I attach a useful scene-setter from Tokyo.

On bilateral relations, you should reassure Koizumi of our wish to continue developing a key strategic partnership, as set out by you in Tokyo. He may be feeling squeezed by the growing closeness of UK-China relations, and some reassurance of our shared goals would be welcome. There has been good progress on the S&T and ICT initiatives you announced in Tokyo. David King is in touch with a senior Japanese interlocutor identifying priority scientific fields for co-operation.

On economic/commercial, you can welcome progress on his economic reforms, with particular improvement in banking sector debt. The UK is well-placed in supporting Koizumi's goal of doubling inward investment by 2008. Vodafone is Japan's largest foreign investor and will announce a new £2.5 billion investment on 8 June. GKN and Tesco are also significant players. You might express confidence Airbus and Rolls Royce, both of which are working on new sales. On inward investment, the UK is the top EU recipient of Japanese FDI (£17.4 billion). Sharp, Toyota and Honda have recently expanded production in the UK

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- 2 -

(see attached note). But we need to work hard to maintain this position against competition from lower cost accession state economies.

On Iraq, the key Japanese goal on the SCR has been satisfied with inclusion of humanitarian and reconstruction objectives for the MNF. They are now considering integrating their Self Defence Forces into the MNF. This would be pushing the Self Defence envelope even further and would require Diet approval.

DPRK dominates the international scenery in Japan. You should ask Koizumi for his take on dealing with Kim Jong Il, particularly after his recent visit to Pyongyang which resulted in the return of further abductees. On DPRK nuclear, does he see any hope of tempting Kim into a Libya-like solution? Does he agree with Wen's line to you in May, that "talks are better than no talks" or is his patience with the Six Party process finite?

Other foreign issues:

- UN. Koizumi will raise Japan's hopes for a permanent Security Council seat. You can be supportive, but also encourage more active Japanese engagement with the wider UN membership on the benefits of SC expansion. They have been slow to engage with countries that do not already support them.
- Burma. We have not seen the progress we would like. ASSK remains under house arrest and the National Convention has been deeply flawed and unrepresentative. Without significant progress, the EU cannot support Burmese membership at the Hanoi Summit in October. Japan is committed to the Asian position that Burmese membership is not negotiable; but bilaterally they are more helpful to the UK/EU position. Koizumi has delivered hard messages in the past.

Grace Cassy

GRACE CASSY

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NOSEC: G8 SUMMIT: PRIME MINISTER'S BILATERAL WITH KOIZUMI:
From: TOKYO

TO IMMEDIATE FCO

TELNO 109

OF 031008Z JUNE 04

INFO PRIORITY ACTOR, BEIJING, BERLIN, CABINET OFFICE, CANBERRA

INFO PRIORITY DFID, DUBLIN, MOSCOW, OTTAWA, PARIS, ROME, SEOUL

INFO PRIORITY UKMIS NEW YORK, UKREP BRUSSELS, WASHINGTON

INFO PRIORITY WELLINGTON, WHIRL

No 10 for Sheinwald, Cassy

SCENESETTER

SUMMARY

1. Koizumi in good shape. Still robust on Iraq and on North Korea's nuclear programme. He will probably want to talk about relations with the US and China, and also Japan's wish for Security Council membership. We should trail our ideas for G8 action next year on Africa and the environment. Economic recovery continuing; worth encouraging Koizumi on WTO. Japan remains our biggest trade market outside EU and US, and there is still a lot to play for in exports, especially aerospace, and inward investment.

DETAIL

2. Koizumi had a testing spring. The kidnapping of five Japanese in Iraq (later freed unharmed) was followed by a domestic row over politicians' pensions payments. Cabinet Secretary Fukuda, his biggest supporter on foreign policy, resigned. But Koizumi retains a shrewd touch. He continues to best the disorganised opposition. His second visit to North Korea on 22 May again raised his public ratings to over 50%. The Prime Minister should find him on relaxed form.

3. The Upper House elections in July therefore look like less of a hurdle. After that Koizumi should have another two years to complete his programme - he must step down as LDP leader in late 2006. There is still no plausible challenger.

International

4. Koizumi has not wavered on Iraq, though the Self Defence Forces are hard pressed to show results for their relatively large exposure. Broadly opinion remains supportive of the Coalition's goals, and a new SCR will help Koizumi's position. Japan is considering integrating the SDF contingent in Iraq into the MNF and adding rear-echelon MNF support to its present reconstruction mandate; this would be another big push of the self-defence envelope.

5. Normalisation of relations with the DPRK is a personal mission. But he remains firm on the principle that Japanese aid will only come after CVID. In the meantime he has partially defused the abductees issue, with the latest return of five family members.

6. Other issues on Koizumi's mind include:

- relations with the US. Koizumi faces the familiar charge of offering too much loyalty in return for too little influence. But Ballistic Missile Defence and US force reorganisation in the Pacific look set to strengthen the security alliance.

- how to meet the Chinese challenge, a long-term headache for Japan. Koizumi personally is not hostile to China, but his

insistence on paying his respects to Japanese war dead has caused three years of drift in high-level relations (though economic links are booming).

- a more effective Japanese contribution to conflict-solving. This is linked to Japan's wish for a permanent Security Council seat, which Koizumi will raise with the Prime Minister. Koizumi is pushing ahead with measures to make it easier for the Self-Defence Forces to deploy overseas, though he will leave the final obstacle of constitutional revision to his successor. Koizumi attaches importance to better use of Japanese ODA and other "soft power" in peace-building.

Economy/domestic

7. The export-led recovery is increasingly spreading to the domestic economy. Growth in FY 2003 was 3.2 per cent. Unemployment has fallen slightly (just under 5 per cent), and business investment is strong. Deflation continues but is stable. High oil prices have some impact, but not huge. Encouragingly wages are now starting to rise.

8. Recovery remains vulnerable to a slowdown in China or the US. The challenge for Koizumi is to entrench further structural reform, market opening and sound macro-economic management. He has created a more vigorous climate, but some big targets remain outstanding, in particular privatisation of the Post Office (the largest bank and insurer in the world). Corporate restructuring still lags among SMEs and sectors such as construction.

Bilateral

9. Our broad messages are:

- our wish to keep working with Japan as a global partner. The Prime Minister's meeting with Koizumi last July confirmed a shared understanding of strategic challenges, and mandated a closer dialogue. This has gone well, particularly on information sharing (including with regard to terrorism) and on ODA. Future priorities should include Africa - a key test of Japan's willingness to play a role outside of Asia - and peacekeeping. Climate change remains a key area. Japan is slipping further from its Kyoto targets; Japanese ministries know new policies are needed, but can't agree what they should be. We should keep encouraging them on this and on longer-term targets.

- support for a more open Japanese economy: Koizumi's aim of increasing Japan's extremely low stock of foreign investment (1% of GDP; the UK's is 38%) will be helped by further deregulation and encouragement for foreign acquisitions. Continuing sensitivities on agriculture have led to a disappointing lack of Japanese leadership on the Doha Development Agenda. We should support the EU call for a push for results in July.

- we have many other shared policy challenges, including demographic squeeze, and openings for academic and commercial collaboration in IT, bio-tech and energy/environmental technology; building on the joint statements agreed with Koizumi last year. Re-setting a date for the policy advisers' talks would be an excellent step.

10. We are working hard to increase the UK's already strong business presence in Japan. Following the success of the Westland EH101 sale to the SDF last year, Airbus and Rolls Royce are now trying hard with the A380 to JAL and Trent Engines for ANA's 7E7s. Without making a political pitch, an expression of confidence in these two companies would be helpful.

11. Japanese investment in the UK remains an important target. The spotlight for Japanese companies is increasingly on China, and within Europe on the accession countries. We need to work hard to ensure the UK's real attractions for high-value added manufacturing and service projects are appreciated. Japan will remain the leading Asian source of innovative technologies for the foreseeable future. Toyota have just announced an increase in UK production and a new decision on Nissan's next model is pending. As a whole, Japanese manufacturers and operators in the City want the UK in the euro, as the Prime Minister heard last year.

GOMERSALL

Sent by TOKYO on 03-06-2004 10:08
Received by No10 on 03-06-2004 12:43

Annex 3

Foreign Direct Investment

To Japan

The following are major UK investments in Japan. This supports Koizumi's goal of doubling inward FDI by 2008.

- Vodafone – will announce a £2.5 billion investment in Japan on 8 June, consolidating their position as the largest foreign investor in Japan
- GKN - plans 100% takeover of Japanese driveshaft manufacturer Tochigi Fuji Sangyo in a deal worth around £500m
- Tesco - acquiring a second Tokyo supermarket chain

Aerospace

UK aerospace companies continue to make efforts to win business in Japan and secure industrial collaboration between Europe and Japan on aerospace. It would be helpful if the Prime Minister could encourage the Japanese to consideration of Airbus (A380) and Rolls Royce (Trent 1000 for 7E7) favourably.

To the UK

The UK was the top European recipient of new Japanese FDI in 2002-3. According to Bank of Japan figures, the value of Japanese direct investment in the UK is ¥3,139 billion (£17.4 billion), 36.0% of the total invested in the EU 15.

Despite the competition from lower cost economies of Central and Eastern Europe, there are still opportunities for us in manufacturing, particularly with expansions. Recent successes include Sharp's investment in solar panel assembly in Wrexham (opening 2 July) and Toyota's announcement in May that it is increasing capacity at its Burnaston plant by one third.

On automotive, Honda are also increasing production in the UK, but a decision is still awaited on Nissan's next model. This has significant implications for the supplier base in the north east who are feeling the pinch. There are good prospects for further Japanese investment in automotive R&D.

Japan will remain the leading Asian source of innovative technologies in most sectors of advanced engineering and electronics for the foreseeable future. Environmental technologies and bio-pharma are particularly promising. The Japanese pharmaceutical industry has appreciated the Government's stance on animal rights activists, but attacks by activists are damaging to the UK's image across the board. We still need to demonstrate that we can effectively prevent law-breaking and intimidation.

Annex 4

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FM TOKYO
TELNO 102 OF 240832Z MAY 04

SUBJECT: JAPAN-DPRK: KOIZUMI'S VISIT TO PYONGYANG

SUMMARY

1. Koizumi presses Kim Jong-Il (KJI) on nuclear, without any clear response; secures further investigation into deceased abductees; and agrees to resume food and medical aid. Children of two abductee couples join their parents in Japan, but the US defector husband of the fifth abductee declines.

2. Mixed political and media reaction, with some questioning whether Koizumi gave too much away. But violent criticism of the visit from those hoping for more news on deceased abductees has not resonated with the general public, around two-thirds of whom are pleased. As seen from here, a not unhelpful initiative in the context of international efforts to deal with the DPRK.

DETAIL

3. The official output from Koizumi's visit to Pyongyang and 90 minute meeting with KJI on 22 May was limited to Koizumi's own statement and press conference. The main points of this were:

- Koizumi and KJI had reconfirmed the 2002 Pyongyang Declaration as the basis for bilateral relations. Japan would not impose sanctions "so long as both countries comply with the Declaration".

- nuclear: Koizumi had emphasised the importance of complete, internationally verified disarmament. He had urged KJI to reflect on the difference between the "benefits" to the DPRK of a nuclear capability, and what it would gain from the international community in terms of aid and other cooperation if it disarmed.

- KJI had said he was aiming for denuclearisation of the Korean peninsula and wanted to use the 6PT process to achieve a peaceful settlement, but remained concerned about the impact of CVID on DPRK's security. He had also noted that a freeze of DPRK nuclear programmes would be subject to monitoring. Koizumi had welcomed this but said that, since KJI had acknowledged denuclearisation to be the ultimate goal, he should send a clear signal to this effect in the 6PT. Nuclear disarmament would enhance the DPRK's security, which could be discussed alongside disarmament in the 6PT. KJI should not waste the opportunity represented by the 6PT.

- missiles: KJI had reconfirmed the moratorium on DPRK tests.

- abductees: the five North Korean-born children of two abductee couples, the Chimuras and Hasuikes, could travel to Japan the same day (which they duly did)

- KJI had said that the US defector Jenkins, husband of the fifth abductee Hitomi Soga, could decide himself whether he and his two daughters would travel to Japan. Koizumi had then spent an hour with Jenkins, who had declined to go to Japan as he feared that he would be handed over to the US authorities [comment: although it appears Koizumi assured him he would not be]. All parties had agreed instead to a meeting between Jenkins, Soga and their daughters in a neutral venue, probably Beijing.

- there would be a further investigation by DPRK, in which Japan would take part, into the fate of the 8 abductees claimed by DPRK to have died in North Korea, and the 2 Japanese citizens claimed by Japan, but not confirmed by the DPRK, to have been abducted.

- aid: Japan would provide 250,000 tonnes of food aid and USD10 million of medical supplies through international organisations.

Japanese reactions

4. Political reaction has split predictably. Senior government and LDP figures such as Chief Cabinet Secretary Hosoda and LDP Secretary General Abe have been talking up the visit as meeting or surpassing expectations. Some LDP hawks argued that the visit had not closed the door on sanctions, since the DPRK's nuclear programmes showed it was not abiding by the Pyongyang Declaration. Opposition leader Okada called the visit "a serious failure".

5. Both the (LDP) chairman of the Diet abductee support group, and the Abductees' Families Association (AFA), were extremely critical of the lack of progress on deceased/unconfirmed abductees. The leader of the AFA said the outcome of the visit was "the worst possible result", and called on Koizumi to resign.

6. Public reaction on the other hand seems broadly positive, albeit with various nuances. Three separate opinion polls carried out on Sunday put approval of the outcome of the Koizumi/ KJI meeting at between 62 and 67%. Two of these polls also show "support for the Koizumi cabinet" (a key political indicator) rising by around 10%, to the mid-50s. But the same polls also show a grudging or in some cases hostile reaction to some of the key outcomes of the visit. For example, the Asahi poll has only 56% agreeing that the visit delivered real results on abductees, and a majority opposed to the provision of food aid. Media comment has been similarly nuanced. Most editorials combine

approval for Koizumi's firm line on nuclear with disappointment at the lack of tangible progress on CVID; relief at the abductee family reunions with grumbling that Koizumi played the food aid card too soon.

COMMENT

7. On the face of it, a visit to Pyongyang, resumption of humanitarian aid and an undertaking (of a sort) on sanctions seems like a high price to pay for two family reunions and a weekend in Beijing for Jenkins and his daughters. But as seen from here this was a useful initiative by Koizumi in the wider context of the international community's dealings with the DPRK. He sold no passes on nuclear or on normalisation of DPRK-Japan relations, but instead put the case for CVID firmly and directly to KJI. The prospect of the abduction issue acting as a drag on the 6PT has also receded somewhat. Resumption of humanitarian aid will presumably help to show the DPRK that Japan under Koizumi can be a serious and sincere negotiating partner.

8. Koizumi did not repeat the overwhelming success of his first visit, which garnered approval ratings of over 80%. But a 10% boost in the polls six weeks before the Upper House elections is not a bad result, and the public may yet warm further as more pictures of the reunited Chimura and Hasuike families appear in the media. The initial polls suggest that the harsh verdict of the abductee lobby did not find much sympathy with the wider public.

9. The American Ambassador told me at the weekend (please protect) that in present circumstances it was difficult for the Army, and probably for the President as well, to contemplate a pardon for Jenkins.

Contact for this telegram: Giles Lever, FTN 8460-1229

GOMERSALL

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Foreign &
Commonwealth
Office

GC & me
NS
JPO
IK cc
BUP

3 June 2004

London SW1A 2AH

Dear Grace,

**Japan: Prime Minister's meeting with the
Japanese Prime Minister Junichiro Koizumi, Sea Island**

The Prime Minister will meet the Japanese Prime Minister, Junichiro Koizumi, for 45 minutes in the margins of the Sea Island summit on 8 June. We expect this to be a broad ranging discussion, but the key deliverables for us are:

- **Bilateral:** agreement to enhance further high level bilateral dialogue, extending its scope to cover, eg, conflict prevention, Africa and shared social and economic challenges;
- **North Korea:** gain insights into Koizumi's experience of dealing with Kim Jong Il and his views on the prospects for CVID (complete, verifiable and irreversible dismantlement);
- **Iraq:** agreement on joint approaches to exerting influence on US policy;
- **WTO/DDA:** encourage greater Japanese engagement in the Doha Trade Round;
- **Burma:** move forward Japanese position on Burma's membership of ASEM.

The draft agenda which has been agreed with the Japanese is: Japan-UK Relations (including the follow-up of the Prime Minister's visit to Japan, Japan's economic structural reform, deregulation, and promotion of UK investment in Japan etc.), North Korea (Japan lead), Iraq (UK Lead), UN reform (Japan lead), WTO (UK lead), Burma (UK lead), China (UK lead), Climate Change (UK lead), Aid co-operation (especially in Africa) (UK lead).

The Prime Minister last met Koizumi in Tokyo in July 2003. They issued joint statements on S&T, ICT and Environment. All action committed to under these agreements has either taken place or is ongoing.

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(Please see attached for more detail.) There is no particular need to go into any detail on these agreements at the bilateral. The Foreign Secretary and Mrs Kawaguchi, the Japanese Foreign Minister have regular telephone calls and last met at the G8 Foreign Ministerial on 14 May.

Domestically, Koizumi is in a relatively comfortable position. The economy appears to be emerging strongly from the stagnation of the 1990s, his poll ratings are high and the opposition has been weakened by the recent resignation of their leader over a minor pensions scandal. The prospect of the LDP failing to clear the relatively low hurdle they have set themselves for the July Upper House elections seems remote. After that Koizumi faces a two-year "election-free" period in which to tackle the still daunting tasks of structural and economic reform. Koizumi's second term in office as leader of the ruling LDP ends in September 2006. Current party rules prevent him from seeking another term.

Koizumi has accepted the offer of an honorary fellowship from University College London, where he studied in 1968-69. The Prime Minister could **encourage him to visit London in the near future to accept the degree.**

The Prime Minister should **congratulate Koizumi on recent improvements in the economy and in the banking sector debt situation.** He might also **welcome Koizumi's declared goal of doubling inward investment by 2008**, offering some lessons from UK experience of implementing painful but necessary reforms and giving examples of recent major investments in Japan by UK companies, including Vodafone, GKN and Tesco, (see attachments for details). Japan continues to be an important and promising source of inward investment for the UK. In discussing reform it would be useful if the Prime Minister could **reiterate our interest in continuing the high-level dialogue we have been pursuing with the Japanese across a wide range of issues, in particular between respective Prime Ministerial advisers.** (We have recently had to inform the Japanese that we are unable to commit to dates for the next Policy Advisers' exchange.)

North Korea

The international perspective in Japan is dominated by North Korea, following Koizumi's trip there on 22 May. Public attention has almost exclusively focussed on the abductee issue. Koizumi brought back 5 family members of Japanese abductees in exchange for the resumption of Japanese humanitarian aid. Koizumi himself is said to see North Korea as the most important foreign and security policy issue facing Japan. To date he has not given any indications that Japan may be prepared to water down the call for complete, verifiable and irreversible dismantlement (CVID) of North Korean nuclear capacity in return for North Korean concessions on abductees.



The Prime Minister might take the opportunity to **seek Koizumi's views on dealing with Kim Jong Il** given his recent personal experience. Are there any indicators that Kim could be tempted into a Libya-style solution? Is the 6-party talks process (6PT) the way to achieve it? Does Koizumi share the Chinese view (expressed to the Prime Minister by Wen Jiabao) that the 6PT are worthwhile because "talks are better than no talks" or is Japanese patience finite? (Private members' legislation enabling the Japanese Government to ban DPRK vessels from using Japanese ports is progressing through the Diet; at some stage pressure is likely to build for Koizumi to use it.)

Iraq

Iraq has again entered the headlines in Japan following the murder of two Japanese citizens in Iraq. The situation of Japanese troops on the ground in Iraq is complex and sensitive. This is the first deployment of Ground Self Defence Forces outside of UN deployments since the Second World War. Japanese troops are engaged in reconstruction and humanitarian activities. In the course of welcoming the Japanese contribution, the Prime Minister might also want to explore how the Japanese themselves rate what they have done, and underline our wish for continued close co-ordination to help the Japanese deliver their commitments. Koizumi might welcome the opportunity for some frank discussion of how close allies can best influence US thinking on Iraq policy.

The Japanese are broadly content with the SCR process to date. They feel sufficiently included in discussions and that their major concerns had been reflected in the drafts. The Japanese have confirmed that press reports claiming the Japanese were willing to make the Self Defence Forces a formal part of the newly-formed Multi-National Force (MNF) were correct. However this would be an unprecedented act, and therefore Diet members would need to be convinced that this would not result in the SDF getting drawn into security-maintenance operations (in probable violation of the constitution).

The Japanese are concerned that the draft statement on Iraq due for release during the G8 summit contained no reference to the humanitarian/reconstruction activities of the MNF in Iraq. Koizumi may be interested in hearing our views on this. I enclose further background information.

UN

Koizumi will raise Japan's hopes for permanent membership of the **Security Council** and the opportunities provided by the **High Level Panel** to achieve this. Although the Prime Minister should be **supportive of Japan's**



aspirations, this is an opportunity to **encourage the Japanese to campaign more actively among the wider UN membership** on the benefits of Security Council expansion, possibly in concert with Brazil, India and Germany (the other main candidates). Security Council reform will not simply happen and the Japanese have been slow in starting to campaign beyond countries that already support them. Similarly we hope that the understandable Japanese focus on Security Council membership will not prevent them **contributing more robustly to the wider UN reform debate**, including improving joined up working among the UN system, improving the performance of the General Assembly and rationalising the budget. Given that they are the second largest budget contributor they were surprisingly disengaged in the last budget negotiations.

DDA/WTO

The Prime Minister should **encourage greater Japanese engagement in the Doha Trade Round**. To date, Japan has not pulled its weight. It has waited for others to make the hard choices in the expectation that it will cash in at the end. The risk is that Japan will become isolated in the negotiations and end up with a bad deal, as happened in the Uruguay Round. The worst case scenario would be that Japan found itself unable to accept an emerging consensus, contributing to the Round stalling or failing. The Japanese are aware that their lack of engagement has led to their being marginalised. In particular, Japan needs to move on agriculture, in response to the EU's move. There are signs they may be getting closer to making the hard choices; we need to build on those.

Burma

The Prime Minister should emphasise that Burma continues to cause real concern. Both European and Asian Foreign Ministers agreed at their meeting in Kildare that they wanted to see the release of ASSK, the NLD's participation in the National Convention and a fully open and inclusive National Convention. Instead ASSK is still under house arrest and we have a deeply flawed and unrepresentative convention. **Where does Koizumi think this leaves Burma's application to join ASEM at the Summit in October?** We believe that an invitation to Burma to join the ASEM summit in Hanoi in October will be seen by the regime as proof that no substantial change is needed. Japan, however, is committed to the Asian position that Burmese membership is non-negotiable. This is partly because they have a formal co-ordinating role on the Asian side of ASEM, and partly from fear of losing influence with other ASEAN states. Koizumi will no doubt be briefed to play this long.



Despite Japan's rather unhelpful position in the ASEM context, their bilateral approach on Burma since ASSK's re-arrest last year has been constructive. They continue to block new aid and share our analysis of what the regime needs to do to deliver meaningful political progress. Both Koizumi and Foreign Minister Kawaguchi have shown that they are prepared personally to deliver hard messages to senior regime figures.

China

Koizumi may be **interested in a readout from the Prime Minister on the visit of Wen Jiabao** (9-11 May) where it was agreed annual summits would take place. (Because of Koizumi's repeated visits to the Yasukuni shrine honouring Japanese war dead, the Chinese top leadership is neither prepared to visit Japan nor invite Koizumi to China, although Koizumi still regularly meets Wen Jiabao and Hu Jintao in the margins of multilateral fora, including Asia Pacific Economic Co-operation (APEC) and ASEAN + 3.)

This is a good opportunity to subtly **reassure the Japanese that, despite all the attention we are paying to China, UK-Japan relations remain a high priority**: we want to see strong relationships with both China and Japan. It might also be instructive to **seek Koizumi's views on China and how he sees China-Japan relations**. Koizumi himself has publicly characterised Chinese growth as an opportunity rather than a threat. But there is much concern in Japan about China's ultimate ambitions in the region; meanwhile the many bilateral problems are being contained rather than solved. Koizumi may also have a **view on the best way to engage China in the G8 process during Britain's presidency next year**. (See attached record of Wen Jiabao's visit)

Climate Change

It would be **worthwhile setting out the latest UK thinking on climate change**, one of the themes of the two Prime Ministers' July 2003 Joint Statement on the Environment. Koizumi will be interested in the prospects of Russian ratification of Kyoto following the agreement with the EU on WTO, and the impact this might have in the USA. We should **signal our interest in working with Japan to keep up the political pressure for Russian ratification, to make the economic case and engage with Russia on Kyoto implementation and next steps**. In reiterating commitment to Kyoto, the Prime Minister might also emphasise the importance of political leaders building support and awareness that beyond Kyoto, much more will be needed to tackle climate change effectively. Japan has begun talking to the US and others about the possibilities for a post-Kyoto framework. It would be useful to flag up the prominence that climate change will have during the UK G8



Presidency. We shall wish to co-operate closely with Japan to build on G8 work to date. One initiative that we shall take forward in 2005 (at Japan's invitation) is to host the Second International Conference on Environmentally Friendly Vehicles which will follow up the very successful first conference held in Japan.

Aid Co-operation

On Africa the Prime Minister could express **our wish to follow up our successful aid policy collaboration with Japan in Asia with similar work in Africa**. The Prime Minister should be aware that Mrs Ogata (former UN High Commissioner for refugees, now president of JICA, Japan's ODA delivery organisation) was offered, but was unable to accept, a seat on the Africa Commission and the Japanese failed to identify a suitable alternative. Our collaboration with Japan has been particularly effective in **Vietnam**, where the UK and Japan will be the two largest overseas donors of grant aid from next year. This follows the signing of a poverty reduction assistance programme, worth \$35m per year for 3 years, during the Vietnamese President's visit to London at the end of May.

The Japanese are not supportive of the Chancellor's IFF initiative. Bureaucrats argue that there are capacity constraints on effective aid spending and that existing mechanisms are adequate. The reality is ODA remains a hard sell politically, with heavy downward pressure on all areas of government spending, and convincing the Japanese Diet to increase up-front spending would be tough. Unless Koizumi swings behind IFF, it will be hard to make progress.

Aichi Expo

We are not expecting the Aichi Expo to be raised. But plans for the UK pavilion, which will have a strong environmental theme, are well advanced. (The Prime Minister agreed that the UK would take part in the Expo after lobbying by Koizumi last year.)

...

I enclose:

- Tokyo scenesetter;
- Follow-up to PMs' agreements;
- Foreign Direct Investment, commercial cases;
- DPRK – Tokyo Tel nos. 102 and 107, Pyongyang Tel no. 51;

RESTRICTED



- Dallas Windsor's note on Japanese deployment to Iraq;
- Beijing Telno 49, UK/China: Visit of Premier Wen Jiabao to the UK, 9-11 May 2004.

Yours ever,
Jonathan

(Jonathan Sinclair)
Private Secretary

Ms Grace Cassy
10 Downing Street

RESTRICTED

Annex 1

CONFIDENTIAL
FM TOKYO

TELNO 109 OF 031008Z JUNE 04

G8 SUMMIT: PRIME MINISTER'S BILATERAL WITH KOIZUMI:
SCENESETTER

SUMMARY

1. Koizumi in good shape. Still robust on Iraq and on North Korea's nuclear programme. He will probably want to talk about relations with the US and China, and also Japan's wish for Security Council membership. We should trail our ideas for G8 action next year on Africa and the environment. Economic recovery continuing; worth encouraging Koizumi on WTO. Japan remains our biggest trade market outside EU and US, and there is still a lot to play for in exports, especially aerospace, and inward investment.

DETAIL

2. Koizumi had a testing spring. The kidnapping of five Japanese in Iraq (later freed unharmed) was followed by a domestic row over politicians' pensions payments. Cabinet Secretary Fukuda, his biggest supporter on foreign policy, resigned. But Koizumi retains a shrewd touch. He continues to best the disorganised opposition. His second visit to North Korea on 22 May again raised his public ratings to over 50%. The Prime Minister should find him on relaxed form.

3. The Upper House elections in July therefore look like less of a hurdle. After that Koizumi should have another two years to complete his programme - he must step down as LDP leader in late 2006. There is still no plausible challenger.

International

4. Koizumi has not wavered on Iraq, though the Self Defence Forces are hard pressed to show results for their relatively large exposure. Broadly opinion remains supportive of the Coalition's goals, and a new SCR will help Koizumi's position. Japan is considering integrating the SDF contingent in Iraq into the MNF and adding rear-echelon MNF support to its present reconstruction mandate; this would be another big push of the self-defence envelope.

5. Normalisation of relations with the DPRK is a personal

mission. But he remains firm on the principle that Japanese aid will only come after CVID. In the meantime he has partially defused the abductees issue, with the latest return of five family members.

6. Other issues on Koizumi's mind include:

- relations with the US. Koizumi faces the familiar charge of offering too much loyalty in return for too little influence. But Ballistic Missile Defence and US force reorganisation in the Pacific look set to strengthen the security alliance.

- how to meet the Chinese challenge, a long-term headache for Japan. Koizumi personally is not hostile to China, but his insistence on paying his respects to Japanese war dead has caused three years of drift in high-level relations (though economic links are booming).

- a more effective Japanese contribution to conflict-solving. This is linked to Japan's wish for a permanent Security Council seat, which Koizumi will raise with the Prime Minister. Koizumi is pushing ahead with measures to make it easier for the Self-Defence Forces to deploy overseas, though he will leave the final obstacle of constitutional revision to his successor. Koizumi attaches importance to better use of Japanese ODA and other "soft power" in peace-building.

Economy/domestic

7. The export-led recovery is increasingly spreading to the domestic economy. Growth in FY 2003 was 3.2 per cent. Unemployment has fallen slightly (just under 5 per cent), and business investment is strong. Deflation continues but is stable. High oil prices have some impact, but not huge. Encouragingly wages are now starting to rise.

8. Recovery remains vulnerable to a slowdown in China or the US. The challenge for Koizumi is to entrench further structural reform, market opening and sound macro-economic management. He has created a more vigorous climate, but some big targets remain outstanding, in particular privatisation of the Post Office (the largest bank and insurer in the world). Corporate restructuring still lags among SMEs and sectors such as construction.

Bilateral

9. Our broad messages are:

- our wish to keep working with Japan as a global partner. The Prime Minister's meeting with Koizumi last July confirmed a shared

understanding of strategic challenges, and mandated a closer dialogue. This has gone well, particularly on information sharing (including with regard to terrorism) and on ODA. Future priorities should include Africa - a key test of Japan's willingness to play a role outside of Asia - and peacekeeping. Climate change remains a key area. Japan is slipping further from its Kyoto targets; Japanese ministries know new policies are needed, but can't agree what they should be. We should keep encouraging them on this and on longer-term targets.

- support for a more open Japanese economy: Koizumi's aim of increasing Japan's extremely low stock of foreign investment (1% of GDP; the UK's is 38%) will be helped by further deregulation and encouragement for foreign acquisitions. Continuing sensitivities on agriculture have led to a disappointing lack of Japanese leadership on the Doha Development Agenda. We should support the EU call for a push for results in July.

- we have many other shared policy challenges, including demographic squeeze, and openings for academic and commercial collaboration in IT, bio-tech and energy/environmental technology; building on the joint statements agreed with Koizumi last year. Re-setting a date for the policy advisers' talks would be an excellent step.

10. We are working hard to increase the UK's already strong business presence in Japan. Following the success of the Westland EH101 sale to the SDF last year, Airbus and Rolls Royce are now trying hard with the A380 to JAL and Trent Engines for ANA's 7E7s. Without making a political pitch, an expression of confidence in these two companies would be helpful.

11. Japanese investment in the UK remains an important target. The spotlight for Japanese companies is increasingly on China, and within Europe on the accession countries. We need to work hard to ensure the UK's real attractions for high-value added manufacturing and service projects are appreciated. Japan will remain the leading Asian source of innovative technologies for the foreseeable future. Toyota have just announced an increase in UK production and a new decision on Nissan's next model is pending. As a whole, Japanese manufacturers and operators in the City want the UK in the euro, as the Prime Minister heard last year.

GOMERSALL

Annex 2

Follow-up to PMs' agreements:

1. S&T

Action agreed

The UK will host a joint forum of officials, scientists and industry from both countries with a view to exchanging information and providing an opportunity for seeking possible bilateral collaborations and investments in R&D for future alternative vehicles and fuels. Recognising the importance of Europe as a market for clean and energy efficient vehicles, both countries will invite the participation of the European Commission and a limited number of experts from other countries.

Action to date

The forum took place in the UK in December. Feedback has been very positive.

2. Environment

Action agreed

Hold an event in Japan ahead of next year's G8 Environment Minister's meeting, aimed at learning from each other's strategies for improving resource productivity (doing more with less) and sustainable production and consumption patterns.

Action to date

In the absence of a G8 Environment Ministers' meeting under the US presidency this year, current thinking within the Embassy is that it would be appropriate to take this forward under the UK presidency next year.

3. ICT

Action agreed

We determined to continue this initiative as a "Japan-UK Joint Programme on Emerging Technologies". To take this forward, we have decided to each appoint a senior and respected scientific figure to review our activities, to identify future potential areas of joint discussion, and to advise the Joint Committee on appropriate action. We encourage the Joint Committee to discuss the detailed role of the appointed scientists and implementation of this initiative at their next Joint Committee in the year 2004.

Action to date

The Joint Committee took place at the end of February. Sir David King, Chief Scientific Adviser, and Dr Hiroo Imura, Council of Science and Technology Policy of Japan were confirmed as the two sides' senior and respected figures. The two are now in the process of discussing priority scientific fields for stronger contacts and collaboration.

RESTRICTED
FM PYONGYANG
TELNO 51 OF 280756Z MAY 04

SUBJECT: DPRK/JAPAN: KOIZUMI'S VISIT: A PYONGYANG PERSPECTIVE

SUMMARY

1. Local media reports, in real time, on Koizumi's visit in positive terms, highlighting Koizumi's reported concessions and ignoring the return of the abductees' families. KCNA claims Koizumi promised to "halt the law on sanctions against the DPRK". As always, more questions than answers about Pyongyang's objectives and motivation.

DETAIL

2. DPRK media reported on Koizumi's 22 May visit to Pyongyang in typically one-sided terms, but, unusually, in real time: the two sides had reaffirmed the Pyongyang Declaration adopted in September 2002, discussed issues related to its implementation, and exchanged views on a range of international issues and matters of bilateral concern. Despite heavy media coverage, there has been no mention of the release of the 5 members of the abductees' families.

3. Kim Jong Il had stressed that an abnormal relationship was beneficial to neither side, no problems were insoluble if the two countries were determined to solve them, the DPRK would make every effort to implement the Pyongyang Declaration, but progress in improving bilateral relations would largely depend on "what an attitude and stand the ally of Japan will take" (ie, the US).

4. Koizumi had expressed regret at the "undesirable things that had so far taken place in relations with DPRK", "manifested the will to set store by" the Pyongyang Declaration by converting hostile relations into cooperation, and by normalising bilateral relations "in the course of honestly implementing it". He assured the DPRK that Japan would not implement the law on sanctions against DPRK, not discriminate against Koreans in Japan and immediately resume humanitarian aid (250,000 tons of food and \$10M worth of medical supplies) with a view to restoring confidence between the two countries.

COMMENT

5. KJI may well have had several objectives for the Koizumi visit: some offensive, some defensive.

6. The defensive ones may have been driven by acute need. One immediate and very welcome outcome for KJI was the Japanese humanitarian aid commitment after two or three years of nothing from traditionally one of the DPRK's major donors. DPRK secured

one donation on the back of Ryongchon: they have now secured another. The amounts involved this time are large and badly needed. WFP, increasingly worried at having to limp from month to month, say 250,000 tons of food from Japan should ensure sufficient supplies to feed all 4 million core beneficiaries until the end of 2004 and beyond. The current lack of specificity on the promised investigation into the other 10 abductees might serve as another card to secure more in the future. Another victory KJI will claim is the lifting of the threat of Japanese sanctions.

Prominent, but selective, media reference to Koizumi's promise is perhaps testimony to the potential damage they could inflict on the local economy, with possible knock on consequences for the stability of the regime. KJI might hope and think that he has done enough to lift the threat. But, perhaps significantly, the local media did not report the conditionality (DPRK compliance with the Pyongyang Declaration) which presumably gives Koizumi a potentially handy let out that could rebound on KJI

7. But even though KJI will probably be aware that normalisation, and the promised billions of dollars of "compensation", is probably still some way off, there are wider, offensive, reasons for trying to improve relations with Tokyo. Recent developments in South Korea (Roh back with more Presidential and Parliamentary authority, signs of a warmer attitude towards DPRK from the previously hostile GNP, controversy over South Korean deployments to Iraq) have probably given Pyongyang encouragement to think they have a chance to upset the, for them, uncomfortably close tripartite stance on CVID that caused the DPRK so much discomfort at the Beijing 6PT. They may hope that progress on the main bilateral obstacle with Japan, in addition to lifting the pressure for sanctions, might also lead to a lessening of Tokyo's enthusiasm for standing so squarely with the US on CVID. Drawing either Seoul and/or Tokyo away from Washington position would be a major prize. More cynically, KJI, perhaps perceiving some political vulnerability on the part of Koizumi which would make him eager to wrap up the abductee issue, might see Jenkins as a card to be played, not only to wring more concessions out of Japan, but perhaps more importantly, possibly to generate some friction between Washington and Tokyo.

8. But it is worth pondering how KJI might have sold the release of the abductee family members to the hawks within this regime. DPRK's reported recent confirmation to Selig Harrison, the US academic that the 2002 abductee release, and its fallout, had caused KJI difficulties was no surprise but it suggests that the hawks would have been even more cautious about a similar concession this time, especially given the bleak prospects of normalisation. DPRK's reluctance to make concessions without a corresponding benefit suggests that KJI must have promised something in return. Immediate humanitarian aid, the lifting of

the threat of sanctions and the possibility of splitting the close Tokyo/Washington position on CVID might have been sufficient incentive. The first is probably in the bag (although unless the food situation is worse than we had imagined, it would presumably not have been the major objective), but the second and third are not. A lot depends on Japanese Parliamentary and public reaction to the Koizumi visit, and are out of KJI's hands. If so, KJI will be hoping that he has judged Japanese opinion better than he did in 2002. There is still plenty of scope for things to rebound on him.

9. Lastly, the above analysis is based on what we can see, or on what we think we can see and perceive. But in a closed society like this, there must be factors at play of which we have no idea and which may explain some of the decisions, actions and reactions that seem illogical to us. For example, far-fetched, but far from impossible given the coincidence of the timing, a conspiracy theorist might see a mucky internal compromise deal that saw agreement to the release of the abductees' relatives in return for the closing of the mobile phone network. The apparent absence of security force nervousness suggests that a subversive plot as the cause of Ryongchon, as reported by Choson Ilbo, might not be the real reason for closing the network. Who knows? Not us!

RESTRICTED
FM TOKYO
TELNO 107 OF 010747Z JUNE 04

SUBJECT: JAPAN-DPRK: KOIZUMI'S VISIT TO PYONGYANG: UPDATE

SUMMARY

1. Abductee lobby forced to wind its neck in as more polls confirm broad public support for Koizumi's efforts. Confusion over Koizumi's statement on sanctions, but the bottom line is that Japan remains unlikely to impose sanctions unless the DPRK tests a ballistic missile or nuclear weapon. No sign of progress between Japan and US on Jenkins.

DETAIL

2. The aftermath of Koizumi's visit to Pyongyang dominated last week's political and media agenda. Another round of opinion polls has confirmed that around two-thirds of the public are pleased with what Koizumi achieved. Although only 15% think the visit has drawn a line under the abduction issue, Koizumi's argument that "because I couldn't solve everything, I should not have done nothing" has obviously resonated.

3. There has been a backlash against the abductee lobby for its intemperate reaction to the visit. Hiranuma, chairman of the Diet abductees support group, admitted that some in the group had complained about his initial criticism of Koizumi. On 25 May he issued a new statement accentuating the positive ("let us unite ... I want to praise the visit"). The Abductees Families Association (AFA) admitted that it had received many critical e-mails for its brusque treatment of Koizumi during their meeting on 23 May. AFA representatives have claimed that their remarks to Koizumi were much more balanced than the excerpts shown on TV implied.

4. One focus of debate has been Koizumi's statement that Japan would not impose economic sanctions as long as both parties respected the Pyongyang Declaration. (As Diet hard-liners have pointed out, the DPRK is arguably already in breach of the commitment in the Declaration to "observe all international agreements for a comprehensive solution to the nuclear issue on the Korean Peninsula".) It was initially assumed that Koizumi's statement was a signal to the Diet not to proceed with passage of the private members' bill giving the government the power to ban DPRK ships from Japanese ports. Koizumi told the Diet on 25 May that he had not had the bill in mind. He added however that passage of the bill and use of the powers in it were separate issues, and that he would not impose sanctions "because of the abduction issue". A day earlier, MFA PUS Takeuchi told the press that sanctions would only be imposed if the DPRK acted in a way

which worsened the present situation. This seems to be the most accurate summary. MFA contacts who were with Koizumi in Pyongyang believe the statement was meant to reaffirm rather than change the status quo, ie that Koizumi personally remains cautious about sanctions unless the DPRK crosses red lines on nuclear or missile testing.

5. On the question of the future of the US Army deserter Charles Jenkins, there is no sign of a meeting of US and Japanese minds. Koizumi told the Diet on 27 May "we will not be able to come to a prior agreement" (that the US would not seek Jenkins' extradition from Japan). Arrangements for Jenkins to meet his wife Hitomi Soga in a third country have been complicated by a statement from Soga that she does not want to meet in Beijing.

6. The MFA are now seeking a substantive exchange with DPRK officials on the modalities of the re-investigation into the cases of the 10 deceased/unconfirmed abductees. They confirm however that there will not be a "joint" investigation in the sense of Japanese officials examining DPRK archives, as this would leave the government vulnerable to charges of participating in a DPRK cover-up. The priority is to get the DPRK to answer a list of 150 questions on the cases which Japan submitted more than a year ago.

COMMENT

7. So far, so good for Koizumi. But there are still various pitfalls to negotiate. It seems likely that the port ban bill, which continues to enjoy a large majority of Diet support, will become law before the end of the Diet session later this month. The MFA believe that the DPRK will react with the usual violent rhetoric, but will not retaliate substantively, eg by refusing to engage on the cases of the deceased/unconfirmed abductees. But this optimistic reading does not seem to be based on any clear understanding between Koizumi and Kim Jong-Il. Re-investigation of the deceased/unconfirmed abductees is itself a poisoned chalice, as there is no possible result which will not infuriate the abductee lobby. The government's only hope is that it will be able to report adequate DPRK cooperation while the investigation is in progress, and that by the time this reaches a "conclusion" public interest will have ebbed to manageable proportions. The Jenkins case looks similarly intractable.

Contact for this telegram: Giles Lever, FTN 8460 3229

GOMERSALL

Annex 5

Dallas Windsor's note of 2 June, on Japanese deployment to Iraq

I called today (2 June) on Miyamoto (Deputy Director Second Middle East Division) in response to tels on the formation of the IIG and the second draft of the SCR.

Miyamoto had confirmed on the phone that the Japanese had already been passed a revised draft of the resolution in New York and were working on the details there. He was nonetheless grateful for the edited versions of the guidance tels on the second draft that I passed him.

- Miyamoto confirmed that the Japanese were broadly content with the SCR process to date. They felt sufficiently included in discussions and that their major concerns had been reflected in the drafts. In particular, the key paragraph was the one which defined MNF objectives to include humanitarian and reconstruction assistance. The other key Japanese concerns also looked as if they would be met in full: the new MNF would be mandated by the UN; the UN would play a key role in the political process over the next six months; the exchange of letters between SC, IIG and Head of MNF would form an explicit invitation from the Iraqis to the MNF.

- Miyamoto said that press reports from Tuesday which claimed that the Japanese were willing to make the SDF a formal part of the newly-formed MNF were correct. But, since this would be an unprecedented act, there was still a way to go in convincing Diet members that this would not result in the SDF getting drawn into security-maintenance operations (in probable violation of the constitution). In any case it would also make very little difference to the behaviour of SDF on the ground. Current arrangements concerning chain of command (the Japanese formed their own distinct chain of command but coordinated with other foreign forces in Iraq as necessary) would remain the same.

- Miyamoto raised the issue of a draft statement on Iraq due for release during the G8 summit. The Japanese had received a draft from the US, who said that they would only be sharing with Japan and UK in the first instance. The Japanese were concerned that the statement contained no reference to the humanitarian/reconstruction activities of the MNF in Iraq. Miyamoto asked if we had seen the draft, what our reactions were and whether we could also urge the US to alter language on MNF. I said that I had not seen any draft but would investigate.

- Miyamoto said that Foreign Minister Kawaguchi had released a brief statement welcoming the formation of the IIG. This is available on the MOFA website in Japanese. An English version will be posted in the near future. The statement says:

BEGINS

1. On the first of June, UNSGSR Lakhdar Brahimi announced personnel selected to form the Iraqi Interim Government. Japan has supported the efforts of SR Brahimi and Iraqis involved in the process and highly values the results that have been produced so far.

2. Japan now hopes that, following the appointments, the IIG can form the basis for the rapid promotion of the political process in Iraq. In addition, it is absolutely necessary that the whole of the international community, led by the UN, should unite to support the reconstruction process in Iraq. Japan will continue to do all it can to support the efforts of the Iraqis to achieve national reconstruction.

ENDS

Annex 6

RESTRICTED

TELNO 49 OF 131449Z MAY 04

SUBJECT: UK/CHINA: VISIT OF PREMIER WEN JIABAO TO THE UK, 9 - 11 MAY 2004

SUMMARY

1. A good visit - busy programme, emphasising the breadth and depth of UK/China links. Balanced media coverage. Wide ranging talks at No 10, agreement on a Joint Statement outlining the UK and China's 'Comprehensive Strategic Partnership' and announcing annual summits. Signature of an MOU covering co-operation to combat Illegal Immigration, Science and Technology MOUs and \$1.5 billion of commercial contracts during the visit. Presentation of Task Force report, focus now on implementation.

DETAIL

2. Protocol highlights of the programme for the Chinese were an audience of Her Majesty the Queen; a Guard of Honour Welcoming Ceremony; and talks, lunch and press conference at No 10. Wen also had good meetings with the Deputy Prime Minister and other Task Force members; with the Speaker of the House of Commons and with the Lord Chancellor. He met members of the All Party China Group and the 48 Group Club. Task Force themes were illustrated by a roundtable with leading academics and scientists; visits to GlaxoSmithKline and BP; an address to a seminar on regeneration in North East China; a business dinner hosted by the China Britain Business Council and a financial services focussed discussion over breakfast at the Mansion House. Wen also managed to squeeze in a quick trip to Oxford, decided on at the last minute.

Talks at No 10

3. The tete-a-tete, plenary and lunch discussion have been recorded in detail by No 10. Topics covered during the talks were illegal immigration, on which the PM thanked Wen for co-operation in negotiating the MOU on Facilitation of Legitimate Travel and Co-operation to Combat Illegal Immigration signed during the visit; Climate Change; Hong Kong; Human Rights and Tibet; Commercial issues including Lloyd's. Foreign Policy discussion over lunch covered Iraq; the MEPP; DPRK Six Party Talks, which Wen said should continue, better than no talks at all; India-Pakistan, where Wen said he had told Musharraf that he needed to respond to the Indian 12 point plan; and Terrorism.

4. In their talks, both leaders welcomed the Task Forces' outcomes, which would enable us to make a step change in the UK-China relationship. The full text of the Joint Statement agreed between

the Prime Minister and Premier is at <http://www.pm.gov.uk/output/Page5779.asp..>
Wen highlighted the significance of the Statement's characterisation of the UK/China relationship as a "comprehensive strategic partnership".

Meeting with Lord Chancellor

5. The Lord Chancellor mentioned the work done by his department in China. The UK would be keen to help with further legal and judicial exchanges in support of the recent changes to the Chinese constitution which now covered human rights and respect for private property. Wen used the meeting to emphasise the importance he attached to parliamentary links. He wished to encourage MPs and peers to visit China.

Meeting with Deputy Prime Minister and China Task Force

6. At their meeting with Premier Wen and members of his delegation, the Deputy Prime Minister and members of the China Task Force presented the Final Report of the Task Force. The Deputy Prime Minister asked members of the Task Force (to give an overview of some of the issues covered by the report. Lord Powell and Sir Stephen Brown spoke of upgrading the Joint Economic and Trade Commission, stepping up trade promotion activity in the UK, the focus on 5 key sectors and the need for initiatives to be business-led. Sir Richard Sykes highlighted the importance of establishing collaborative relationships between academics, and the Task Force's wish to see the creation of flagship joint Sino-British laboratories. Sir Robin Saxby mentioned the British Science in China events to be launched by Lord Sainsbury; the idea of joint funding for an R&D programme with business involvement; the importance of aerospace as an area for S&T collaboration and the need to protect IPR.

7. Premier Wen expressed appreciation for the work of the task forces in both the UK and China. The Deputy Prime Minister's China Task Force report covered the areas of Trade and Investment; Education; Science and Technology; and Environment and Sustainable Development. Wen also mentioned Financial Services and Agriculture as areas identified by the Chinese Task Force for further co-operation. Wen thought the Task Forces' proposals provided a strategic and long-term framework for future bilateral co-operation. The next step was implementation of the proposals. He thought both sides could aim to make progress on this by the time of the Deputy Prime Minister's visit to China later this year.

8. Senior members of Wen's delegations held some separate bilateral meetings with UK counterparts.

Foreign Secretary's meeting with Foreign Minister Li Zhaoxing

9. See MIFT

Meeting between Chancellor of the Exchequer and NDRC Minister Ma Kai

10. Ma Kai, head of the Chinese National Development and Reform Commission, met the Chancellor on 10 May. The meeting lasted nearly an hour and a broad range of topics were discussed. The Chancellor invited Ma and Premier Wen to speak at the next Enterprise Conference, which would take place around the time of the G7 Finance Ministers meeting next February. Ma invited the Chancellor to Beijing.

Meeting between Secretary of State for International Development and Commerce Minister Bo Xilai

11. At the meeting between Hilary Benn and Bo Xilai, Bo emphasised the importance of poverty alleviation in China and the need for equal development across the regions. Hilary Benn talked of the role of trade in helping development, and floated the idea of a joint UK/China seminar on trade and development. Bo responded positively. They discussed issues affecting development in sub-Saharan Africa. Hilary Benn looked forward to attending the Government of China/World Bank Conference in Shanghai on Poverty Reduction later this month.

Meeting between Secretary of State for Trade and Industry and Commerce Minister Bo Xilai

12. Mrs Hewitt held a very positive and cordial bilateral with Bo Xilai on 11 May. Mrs Hewitt followed up on the issues raised during the plenary session on 10 May. She raised concerns about IPR citing the problems Glaxosmithkline have in respect of counterfeit drugs and asked for an update on the new steering group chaired by Vice Premier Wu Yi. She lobbied on behalf of Lloyds of London pointing out that the two Premiers had agreed a way forward should be found; commended Rolls Royce and Airbus for the imminent China Eastern deal; commended UK architects and designers for the Shanghai Pudong airport terminal No 2 deal and the Chongqing opera house and Guangzhou theatre. She also invited Bo Xilai to the UK next year for the next meeting of the Joint Economic Trade Commission. Bo Xilai acknowledged that it was important to resolve the Lloyds issue and invited Lloyds to provide him with a models of how they might overcome the current difficulties. Bo pushed for Market Economy status emphasising the importance Premier Wen attached to it and that China would appreciate the UK wielding its influence in this matter. He said that UK support in this matter would help to resolve the commercial issues discussed but quickly added that the two issues should not be linked. Bo mentioned that the Australians were very close to signing a trade dispute mechanism which the UK and China should replicate. Mrs Hewitt agreed to look at the possibility of taking this forward. Immediately following the meeting the Ministers witnessed signing ceremonies between BP, Shell, Kingfisher and their Chinese partners to the tune of USD 1.5 billion.

COMMENT

13. As ever, in preparation for the visit, the Chinese laid great stress on protocol. Wen's own focus was on practical co-operation, particularly in fields covered by the Task Force. He clearly saw this as a key basis for the Joint Statement's description of the relationship as a "comprehensive strategic partnership".

14. Discussion of Hong Kong was important, and it is helpful that the Joint Statement reaffirms the Joint Declaration and agrees to continuing exchanges of views, but the Chinese gave nothing away on substance. They pressed as expected on the EU Arms Embargo and Market Economy Status, taking our position in good part. They did not press hard on Taiwan, and accepted standard language for the Joint Statement.

STRAW

Already
Recd

① Norio Over Sheet

② Matrix

③ Matthew

EMBASSY OF JAPAN

LONDON

cc JP
NS

DD dr
GC

21 April 2004

Dear Prime Minister,

I am enclosing herewith a message to you from Mr Junichiro Koizumi, Prime Minister of Japan.

I would like to avail myself of this opportunity to extend to you my own gratitude for the support of your Government.

*yours sincerely,
Masaki Orita*

Masaki Orita

Ambassador

The Rt Hon Tony Blair, MP
Prime Minister and Minister for the Civil Service
London

See 23/4/04

Text of a message to the Prime Minister of the United Kingdom of Great Britain and Northern Ireland, the Rt Hon Tony Blair MP, from the Prime Minister of Japan, His Excellency Mr Junichiro Koizumi

Text begins

Dear Prime Minister,

Thank you very much for your warm message with respect to the Japanese hostage incident in Iraq.

On 15th April three Japanese persons taken hostage were released in Baghdad. Shortly afterwards two more Japanese nationals, who had been missing, were also freed in Baghdad. All five of them have now safely returned to Japan.

I sincerely appreciate all the assistance and support extended to us by the Government of the United Kingdom during this difficult time.

I understand that many other persons from various countries are still being held hostage and I strongly hope that all of them will be freed safely as soon as possible.

The Government of Japan will continue to work to implement humanitarian and reconstruction assistance for Iraq in close cooperation with your country in concert with the international community, to contribute to the restoration of security and order in Iraq and to advance the political process smoothly.

With best wishes,

Junichiro Koizumi

Text ends

SUBJECT
MASTER
Filed:

Text of a message to the Prime Minister of the United Kingdom of Great Britain and Northern Ireland, the Rt Hon Tony Blair MP, from the Prime Minister of Japan, His Excellency Mr Junichiro Koizumi

Text begins

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With best wishes,

Junichiro Koizumi

Text ends

1	Update Nexus	✓
2	MTX Copy	✓
3	Lead PS	BC ✓
4	Action PS Request	224.66 ✓
5	Update Nexus	22.4 ✓
6	Place Orig/Copy on BF	—
7	Chase reply/reply recd – update Nexus & MTX	—
8	Forward +pps to Lead PS	—
9	GR to Despatch/ DCO fax to FCO if required	—

BU Date -



10 DOWNING STREET

LONDON SW1A 2AA

Date:

To:

From: Duty Clerks Office

Dept:

Cc:

GTN 3580 Ext. 3025

REMEMBER IF YOU ARE RESPONSIBLE FOR A REPLY TO CO-ORDINATE WITH OTHER DEPARTMENTS.

Please deal with the enclosed correspondence as:-

- ☐ PM reply
- ☐ No. 10 PS reply

PLEASE ENSURE YOU CHECK THE BACKGROUND, IS IT APPROPRIATE FOR THE PM, ONE OF HIS PSs OR EVEN YOUR OWN MINISTER TO REPLY?

- ☐ Return draft by fax to 020 7839 9044 or e-mail to Privateoffice@no10.x.gsi.gov.uk

Before :

Thank you

020-7465 6500

EMBASSY OF JAPAN

101-104 PICCADILLY

LONDON

W1J 7JT

GC

CC MR
AS
JP
SO21st April 2004

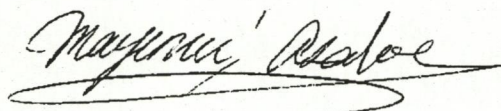
Dear Ms Cassey,

Thank you very much for spending your precious time for us yesterday. We could have very useful and helpful information.

Further to the telephone conversation between your secretary and Mr Harada, First Secretary of the Embassy of Japan, I fax you a message from Prime Minister Koizumi to Prime Minister Blair with respect to the Japanese hostage incident in Iraq, with the cover letter from our ambassador, which I've just handed to Mr Dart, Head of Japan Section, FCO.

Thank you very much indeed.

Sincerely yours,



Mayumi Asakura

Third Secretary

Embassy of Japan

Tel: 020-7465-6682

e-mail: mayumi.asakura@mofa.go.jp

EMBASSY OF JAPAN
LONDON

21 April 2004

Dear Prime Minister,

I am enclosing herewith a message to you from Mr Junichiro Koizumi, Prime Minister of Japan.

I would like to avail myself of this opportunity to extend to you my own gratitude for the support of your Government.

*yours sincerely,
Masaki Orita*

Masaki Orita
Ambassador

The Rt Hon Tony Blair, MP
Prime Minister and Minister for the Civil Service
London

SUBJECT
MASTER
Filed:

I was shocked to hear of the hostage taking incident in Iraq involving Japanese citizens. This must be an extremely difficult time for you and the Japanese people, and my thoughts and prayers are with ~~the victims~~, their families and friends.

those involved

I should like to add my personal assurances to those which Jack Straw gave to Mrs Kawaguchi on Thursday, that the UK stands ready to assist in any way we can in solving this crisis.

Strongly support your

~~I understand that you have taken the~~ courageous decision not to allow this development to affect the deployment of Self Defence Forces. It is vital that we stand together in times such as these, and that we resist terrorism in all its forms.

EMBASSY OF JAPAN

101-104 PICCADILLY

LONDON

W1J 7JT

1) cc: GK 17.3.04
 2) N.C.
 I don't think I need
 to reply. (More x, Han y.) 10th March 2004

Dear Sir Nigel,

NJ
 17/3/04

If you think this is just a routine letter from H.E. the Ambassador of Japan, you might find that you are wrong! "Masaki's View: From the Far East in the West End" is my new project for the year. The term "Masaki's View" means that, as far as possible, I will try to add my personal perspective to the otherwise well-known official stance of the Government. Moreover, rather than merely informing you of events, I will endeavour to alert you as to what is likely to happen next. Thus, "from the Far East in the West End", I will endeavour to be a window of access to you here in central London concerning what seems to be happening on the other side of the world. For this reason, you will appreciate that I am only sending this letter to my most trusted acquaintances. I know that you will understand what I am trying to do and will try to reflect your reactions in my next "View", which you should receive in around a month's time. It is always my wish to add to the flow of ideas and comments between us, thereby deepening our already close friendship.

Iraq, and particularly Japan's decision to send Self Defence Force personnel there, is a natural choice for the subject of this first letter. This will enable me to explain: (a) what a difficult decision it was for the Japanese Government and why it was taken; (b) how we are helping the people of Iraq; and (c) what seems to lie ahead.

The bold decision to dispatch troops to Iraq, achieved under the leadership of Prime Minister Koizumi, represents a major act of political judgement. Since the Second World War, Japan has been forbidden by its constitution from using force other than for self-defence, and the notion of Self Defence Force personnel engaging in overseas operations has been regarded as taboo. It was only as recently as 1991 that the SDF first took part in an overseas operation, in that case involving minesweeping. Since then, the SDF has participated in various peacekeeping operations and has provided emergency assistance. While these activities have been relatively straightforward, Japan's participation in the operation in Iraq has proved more complex. It has met with opposition not only from the general public but also in

the Diet, and the road from passing the necessary legislation to actually ordering the dispatch of the relevant personnel has been a difficult one. However, I believe it was a highly significant decision.

The issue has revealed many points of contention, but ultimately it is the case that Iraq was acting in contravention of a number of United Nations resolutions on the issue of the proliferation of weapons of mass destruction. A resolute stance was necessary to prevent the worst-case scenario of Iraq's behaviour spreading to other countries, such as North Korea. This situation consequently led to the war in Iraq, and for the sake of stability throughout the entire Middle East it is essential that security and prosperity be restored to Iraq without delay. As a country aware of its responsibility to the international community, Japan has acted correctly in seeking to participate in the reconstruction of Iraq to the best of its ability.

The role of the Self Defence Force personnel in Iraq is not to engage in war but to co-operate in the rehabilitation of the country. More specifically, operating in circumstances they have never experienced before, they are helping to provide the necessary infrastructure such as medical services and water supplies. Ground Self-Defence Force (GSDF) doctors provide medical treatment for the local people and technical support for Iraqi doctors and hospital staff. The GSDF also purifies water taken from the Euphrates river and supplies it to areas suffering from severe water shortages. In addition, GSDF personnel are to be employed in repairing public facilities such as school buildings, roads and irrigation systems. Meanwhile, Air and Maritime Self Defence Forces personnel are engaged in distributing emergency supplies and transporting personnel and equipment.

As well as dispatching troops, Japan is providing Iraq with a considerable amount of assistance in other ways. At the Donors' Conference in Madrid last October, Japan announced its commitment to provide up to \$5 billion in aid, and has already disbursed some of this. For instance, Japan has supplied 627 police vehicles for use in 27 cities, ambulances and trucks for carrying water. In addition, medical equipment at the Samawa hospital, built by the Japanese Government in the 1980s, is to be replaced. Japan is also supporting various small projects including the provision of primary schools and facilities for disabled children.

Japan has co-ordinated closely with the British Government in

implementing its aid programme. For instance, it has helped to finance the dredging of Iraq's only maritime port at Umm Qasr based on consultation with the British. Moreover, now that the SDF has been deployed in the region where British troops are operating, it is all the more important that the contingents from our two countries maintain a high degree of co-operation.

It was a difficult enough decision to dispatch troops to Iraq; what lies ahead now? Now that Japan has accumulated experience not only in peacekeeping but also in multinational operations under some sort of UN endorsement such as in Afghanistan and Iraq, discussion has already started as to the possibility of introducing a "basic law" that serves as a comprehensive legal basis for the SDF's future international co-operation, rather than introducing conflict-by-conflict "Special Measures Laws". The advisory committee for the Chief Cabinet Secretary has already issued some path, we cannot help but address many fundamental issues such as the constitutional implications of such a course of action and the question of what Japan would really like to do for the world. This will be a most challenging agenda for the leadership in Japan. However, I am convinced that this crucial issue will be tackled properly so that Japan can act on the basis of a stronger and more solid consensus of the Japanese people themselves.

Yours sincerely
Masaki Orita

Masaki Orita
Ambassador

Sir Nigel Sheinwald, KCMG
Advisor on Foreign Policy,
10 Downing Street,
London,
SW1A 2AA.

From: Nicholas Cannon
Date: 4 February 2004

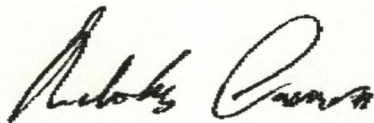
PRIME MINISTER

cc: Jonathan Powell
Sally Morgan
Nigel Sheinwald
Matthew Rycroft
David Quarrey

JAPAN: CALL BY UK/JAPAN 21st CENTURY GROUP

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NICHOLAS CANNON

CALL ON THE PRIME MINISTER BY THE UK-JAPAN 21ST CENTURY GROUP, 5 FEBRUARY 2004

Notes for short address by PM

- This year marks 20th **anniversary** of 21st Century Group – congratulations
- Significant year for **Japan's international profile**; salute PM Koizumi's determination. Glad that UK forces in southern Iraq were able to help with preparations. Symbolic of wider strengthening of UK/Japan relationship.
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2. 2004 will mark the 20th anniversary of the founding of the Group so the organisers hope to secure high-level participation to mark this special occasion. In addition to the brief meeting with the PM and DPM the delegation will be calling on Hilary Benn. Sir Howard Davies, Lord Brittan and Sir Crispin Tickell are among those involved in the weekend conference.

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The UK-Japan 21st Century Group The 20th Conference

Thursday, February 5th, 2004

12.00-12.30pm

Meeting with the Prime Minister and Deputy Prime Minister

List of participants

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Seiji Maehara	Member, House of Representatives
Masaki Orita	Japanese Ambassador to UK
Hatsuo Aoki	President, Fujisawa Pharmaceutical, Ltd.
Yoshiyuki Kasai	President, Central Japan Railway Company
Tadashi Yamamoto	President, Japan Center for International Exchange
Hideya Taida	Executive Director, The Japan Foundation Center for Global Partnership (CGP)
Yoshio Ishizaka	Executive Vice President, Toyota Motor Corporation
Teruaki Aoki	Senior Executive Vice President and Executive Officer, Sony Corporation
Hiroya Ichikawa	Professor, Sophia University
Akiko Yamanaka	Visiting Professor at the United Nations University in Tokyo.
Fumihiko Yoshida	Editorial Writer, <i>The Asahi Shimbun</i>
Sir Stephen Gomersall	H.M Ambassador, Tokyo
The Rt. Hon. Peter Mandelson MP	UK Chairman, The UK-Japan 21 st Century Group
Melville Guest	Executive Director, The UK-Japan 21 st Century Group
Stephen Robinson	Programme Manager, Asia House
Fiona Smith	Programme Assistant, Asia House

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From: Simon Fraser
Date: 4 February 2004
Cc: (See below)

Michael Jay

JAPAN: READY TO PLAY AN ACTIVE GLOBAL ROLE?

Summary

1. Things are moving in Japan. Its economy finally seems to be recovering. It is just about to send troops to Iraq. It is asking whether, and how, to move beyond purely reactive foreign policy. Our interest is to help Japan do so. Europe may be low on Japan's list of priorities, but they see parallels between their strategic choices and those of the UK. We see many issues on the global agenda in similar terms. And there may be lessons for them in our approach to foreign policy.

Detail

2. I visited Japan on 26 and 27 January, with Peter Wilson, at the invitation of my impressive opposite number Tsuneo Nishida. Many thanks to Stephen Gomersall and the Embassy, in particular Giles Lever, for an excellent programme. Here are some impressions, before your own trip.

3. This is an important moment for Japan. Koizumi's support for coalition action in Iraq, and the despatch of 550 Japanese troops, is a bold move. The consequences will be monitored in detail by the Japanese press and public. It is not yet popular - although public opinion is shifting - but has been made possible (indeed necessary) by longer-term factors, in particular the threat posed by North Korea, and the rise of China. Although there is still great nervousness and caution, I sensed a real understanding in foreign policy circles that Japan now has to play a higher profile role in international security.

4. China dominates Japan's strategic landscape. What has changed is that some now see it as an opportunity. China has recently overtaken the US as Japan's top export market, and last year was responsible for a significant

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proportion of Japanese growth. But for many China is still a source of worry. China's dominance in Asia, improving relationship with the US, increased defence spending, cheap imports, and the historical legacy of the Second World War make it difficult for Japan to develop a forward-looking policy. There is still a tendency to see relations with China and the US as zero-sum.

5. But Japan does not appear to have an Asia strategy. This is a gap in its policy. It tends to engage with ASEAN members bilaterally (in contrast to China's regional approach). It has lagged behind China in reaching regional Free Trade Agreements. It could not rally others to ostracise Burma. Relations with South Korea are the exception, but the initiative to put the historical legacy behind them came from the Koreans, not Japan. Stephen said that our Heads of Mission in the region see China as far more active and influential in their countries.

6. Japan is getting closer to the US, but not without reservations. Japan's response to the rise of China and 9/11 has been to move closer still to the US. This looks like the correct choice for them. But they have private qualms. Like us the Japanese are asking how to retain influence on the dominant partner. Their internal debate is focussed on how they should move on collective security including deployment of Japanese troops in combat abroad. But this would require constitutional change, for which they are not yet ready. They want room to manoeuvre with the US, without being seen as a disloyal ally. They are not yet willing to take significant risks in this area; they recently suspended their considerable interests in Iranian oil fields rather than face a row. Koizumi's office was keen to talk about how we exert influence on US policy and how we manage our disagreements.

7. Japan shares our approach on the new issues... Japan has been increasingly active on both terrorism and proliferation, including in Afghanistan and Iraq. On the broader international agenda Japanese views are often close to ours:

- climate change: Japan takes this seriously, and wants to see progress on treaty negotiations. But it doesn't see much chance of success, and is investing heavily in technological approaches;
- energy security: is a key theme of Japanese foreign policy. Only 4% of its energy is produced at home (20% including nuclear power, but this is dependent on external sources of uranium);
- sustainable development: although Japanese ODA is dropping (it is now the world's second largest donor, behind the US – we are fourth)

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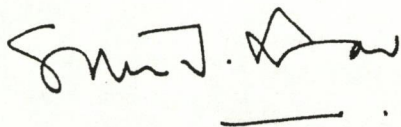
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it still spends \$9.3bn pa. The money is targeted on the region, much of it is tied, and the Foreign Ministry retains strategic control. DFID are working with them in Vietnam, and beginning to do so elsewhere;

- international system: we share an interest in making it work more effectively, particularly the G8 (which is an important club for Japan) and the UN;
- science and technology: collaboration is close, and could be closer, following the agreement signed during the Prime Minister's visit. Japan's spending on R & D is roughly double ours, offering big opportunities for our innovative companies.

8. The least changed sector of Japanese society is its politics. You cannot help concluding that everything now depends on Koizumi staying in office for at least a couple more years. No successor of the same calibre is visible. Basically the political system still seems sclerotic. It is vital for him that Iraq does not go wrong. The second key point is that the economy must continue to grow. This is vital for Japan's continued confidence. Koizumi has not yet made sufficient progress on the hard issues of domestic reform, which may endanger long-term recovery.

9. We are right to try to step up engagement. We would benefit from a more active Japan led by Koizumi or someone like him. We share the benefits and difficulties of a close alliance with the US, similar democratic values, and a need to deal with China. Japan wants to see us as a partner of choice in a Europe that is not engaged with Asia. If they come out of their shell, they have things to learn from us about operating a global foreign policy as a medium power. There is scope for us to co-operate in the G8, on the UN agenda, and on overseas development. We should not expect miracles; the trend will be slow and cautious, and could easily get blown off course. Dealing with the Japanese can still be a laborious process. But we should be aiming for more sustained political engagement on a wide agenda of policy issues going well beyond the bilateral relationship.



Simon Fraser
Director for Strategy and Innovation

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PS
PS/Mr Rammell
Graham Fry
John Sawers
Kim Darroch
William Ehrman
Philippa Drew
Nigel Cox
Simon Smith
Nigel Sheinwald, No 10
Stephen Gomersall, Tokyo
Christopher Hum, Beijing
Tony Brenton, Washington
Emyr Jones-Parry,
UKMis New York

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From: Nicholas Cannon
Date: 4 February 2004

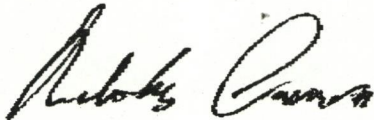
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Fiona Smith	Programme Assistant, Asia House

15 December 2003



Foreign &
Commonwealth
Office

London SW1A 2AH

NS
JSH
JP
DFH
MR
LL

Dear Nicholas

Prime Minister's Visit to Japan: Follow-Up

David Hallam's letter to me of 19 July asked for an update on follow-up to the Prime Minister's visit to Japan by the end of the year. This letter reports on progress on the three agreements concluded during the visit, but also reviews other key areas the two Prime Ministers discussed. Much of this work takes forward the strategic priorities set out in our paper "Enriching the UK/Japan Partnership" which the Prime Minister and Foreign Secretary endorsed at their meeting on 9 September (copy attached). Koizumi's comfortable re-election in the LDP leadership and general elections gives us an excellent opportunity to press ahead with implementing this partnership. But to do this it will be important to maintain regular Ministerial and other high-level dialogue with Japan in support of the Prime Minister's engagement. I have therefore flagged up visits we hope will take place during 2004. I hope that other Government Departments involved with Japan, to whom I am copying this letter, will work to maintain this engagement.

Progress on each agreement (they were formally called "statements"), is summarised below, and detailed at greater length in the attached annexes.

Environment

The statement has proved useful in leveraging greater Japanese engagement in key UK priorities, helping, for example to overcome some of their reservations about the Renewable Energy and Energy Efficiency Partnership (REEEP). The statement has also led to a UK-Japan automotive technology forum on low carbon vehicles, held in London on 2 December. This is helping position the UK as the leading place for Low Emission Vehicle (LEV) research, development and manufacture. We are seeking to follow this up with an outward mission to Japan next May. A key objective will be to engage Japanese government support. To facilitate this we are planning a draft message from the Prime Minister to Koizumi and a letter from the DTI Business



Group Director General to his counter-part at the Japanese Ministry of Economy, Trade and Industry (METI). Our Tokyo Embassy will participate next year in METI's pilot emissions trading scheme, on the basis of the compound's emissions, now verified by BSI.

ICT

The statement has helped to transform our policy advantage into commercial success. In information security management systems the Japanese are not only using our approach and technology but also advocating it to others (for example they are working with us to have BS7799 formally recognised as the international standard). On e-skills and e-commerce dispute resolution, we are now positioned as the European partner of choice for the Japanese. Japan's own e-skills programme continues to follow the UK's Skills Framework for an Information Age (SFIA) Partnership. The statement has also triggered a series of high level exchanges (the top Japanese telecommunications official Nabekura visited UK in July; the e-envoy Andrew Pinder visited Japan in August; and a digital broadcasting workshop was held in Japan in October).

S&T

The statement has enabled us to increase the pace of work in existing areas of collaboration (such as joint workshops and research on nanotechnology and the hydrogen economy) and to move into new areas benefiting from Japan's heavy investment in recent years (such as gene therapy). As a result UK researchers are gaining preferential access to some of the world's most advanced facilities in fields such as climate modelling, genomics and renewable energy sources such as fuel cells. Building on the momentum of the statement, a key project is now underway promoting S&T in support of climate change and other challenges in sustainability, using funding from the FCO's Global Opportunities Fund.

Other Strategic Issues

Iraq

We have worked hard with the Japanese on Iraq, with concrete results. On reconstruction, Japan pledged at Madrid US\$1.5 billion in grant assistance for immediate needs and US\$3.5 billion in concessional loans for the medium term



— a major contribution and the second largest after the US, Japan continues to provide strong political support to the coalition's work and the UN's involvement in Iraq. They are about to send a Prime Ministerial envoy to Chirac and Schroeder to press for a more constructive approach. Preparations for Japan's possible Self-Defence Forces deployment to MND(SE) are well advanced, thanks in large part to UK help through the FCO, MOD, PJHQ, and staff in Iraq. But the murder on 29 November of two Japanese diplomats near Tikrit has compounded security concerns which, against a backdrop of domestic political sensitivities and public opposition, will make the deployment decision more difficult. We need to continue working hard to ensure the Japanese deploy successfully. This would mark a major milestone in Japan's contribution to international security issues, and the first time UK and Japanese forces have worked together on the ground.

Iran

We have maintained close dialogue (at Foreign Minister, Political Director and official level) with the Japanese on handling the nuclear issue at the IAEA. We have kept them in close touch on the EU3 initiative. They have been helpful in supporting our position, and firm at the IAEA (they co-sponsored the September resolution). But we need to maintain and deepen these contacts.

Counter-Proliferation and Counter-Terrorism

Japan has become a core participant in PSI, stepping up its outreach and capacity-building activities in Asia. We could be doing more with them bilaterally as well as in the multilateral fora. On counter-terrorism too the Japanese are raising their game, particularly in SE Asia.

International development cooperation:

2003 has seen a very welcome step up in cooperation on development issues. Hilary Benn and Mrs Kawaguchi had an excellent bilateral at the Madrid donors conference and agreed to start a regular dialogue. Suma Chakrabarti has led an imaginative programme of engagement leading up to a joint visit to Vietnam with his Japanese opposite number in late October and in November a substantial menu of joint cooperation including secondments, policy dialogue, and further joint visits.

Defence cooperation

Preparations for the Iraq deployment have opened up opportunities for deeper cooperation particularly on PKO/PSO activity. We are well-placed to offer advice and practical help on Japan's plans to modernise its military structures. We are making good progress towards closer cooperation on R&D. Following the Japanese Navy's decision to buy the EH101 helicopter, defence sales to Japan are a high priority and will require continued senior level input. We hope to expand and formalise defence links in a Defence Exchange Memorandum when Defence Minister Ishiba visits in January 2004.

Policy advisers' talks/economy:

Professor Shimada, Koizumi's economic and reform adviser, and Number 10 advisers have held a series of fruitful talks focussed on economic reform and the wider domestic policy reform agenda. Both sides have agreed to hold the fourth round of talks in Tokyo early in 2004. Our wider dialogue on economic and regulatory issues through annual bilateral policy discussions between the Treasury, the Bank of England and the Financial Services Authority, and their Japanese counterparts is continuing. Relationships with the Japanese Ministries continue to improve and secondments are currently in place between the Treasury and the Ministry of Finance (both ways) and from the Bank of England to the Bank of Japan.

Investment

The Prime Minister's speech in Tokyo has increased investors' understanding of our policy on investment. But major investors continue to stress that while sterling remains outside the EURO this will be a negative factor on their investment decisions. We continue to work closely with Japan on investment promotion, including sharing UK experience and doing joint activities where our interests coincide. Other issues which have an actual or potentially acute impact on investment, including the introduction of EU Residence Permits, the provision of medical care for Japanese citizens in the UK, and countering animal rights extremists, are requiring considerable work to maintain the UK's positive investment environment.

Aichi EXPO

The FCO's Public Diplomacy Policy Department is taking forward detailed planning work for the UK's participation at Aichi, in close consultation with UKT&I,



the DTI and the private sector sponsors. Although time is short, they have made excellent progress and construction of the UK pavilion is well underway.

Whaling

The UK and Japan continue to hold diametrically opposed views on whaling. It would be useful to raise the profile of this issue with senior Japanese counterparts.

Engaging in 2004

To take forward this partnership, we will need regular high-level dialogue with the Japanese from across Whitehall, led by annual contacts between the Prime Minister and Koizumi. There is a reasonable pattern of Ministerial visits planned for the next 12 months. Visits under consideration include ones by the **Foreign Secretary** and **Mr Rammell**, **Mrs Hewitt**, **Mr O'Brien** and **Mr Timms**, and **Hilary Benn**. We hope **Mrs Beckett** will visit Japan after her visit to China, and later **Mr Morley** to underpin our Environment cooperation. We hope **Dr Howells** will reinstate his visit on transport policy. Progress on **Defence** cooperation may need a Ministerial visit in the second half of 2004. On wider issues, we have a lot to gain from the **Home Office** engaging at Ministerial level to develop cooperation on judicial, penal and criminal justice reform issues, building on the **Attorney-General's** visit in December.

I am copying this letter to Moazzam Malik (DFID), Ben Burke-Davis (MOD), Tina Sawyer (DCMS), Kevin O'Connor, (Home Office), Scott McPherson (DTI), Marian Jenner (DEFRA), Lindsey Whyte, (Treasury). Stephen Braviner Roman, (Attorney General's Office) Simon Cooper (UKTI), (UKTI), Susannah Johnson (DTI).

Tina Sawyer
Kara Owen

(Kara Owen)
Private Secretary

Nicholas Cannon Esq OBE
10 Downing Street

ANNEX I: ENVIRONMENT AGREEMENT PROGRESS REPORT

Environmental Science

Climate Change Modeling

A UK Japan bilateral workshop on global climate modelling was held in Cambridge on 1-3 October. Agreement has been reached on the next stage of collaboration involving the Earth Simulator whereby 6 UK staff will be seconded to Yokohama with access to up to 10% of the computer time. This is equivalent to access to free capital of \$50 million (this project is also covered under the S&T agreement).

Chevening Scholarships

The next round of scholarships are currently being advertised. One of the scholarships is being earmarked as a 'Green Alliance' scholarship.

Emissions Reductions

Information Sharing

Jonathan Thomas, Head of the UK's Climate Change Projects Office (CCPO), visited Japan in October to share information with counterparts in Japan.

Japanese Emissions Trading

The UK Embassy is participating as a Category IV (advisory) participant in the development of the METI pilot scheme (meetings began in July).

Emissions reduction project

In October the Embassy completed verification of its Greenhouse Gas Emissions, providing a baseline for future emissions reductions. A UK firm, the British Standards Institute, carried out the verification (gratis) as their first verification outside of the UK. They hope to take a big part of the Japanese and Asian greenhouse gas emissions verification market. The Embassy made a nearly-successful bid to the DTI's MDP PV budget in October and hopes to resubmit for December.

Energy Efficiency and Renewable Energy

Energy efficiency standards

Little progress as yet.

Embedded generation

A Japanese study group is to visit UK this winter to look at the UK's experience of embedded generation. We hope to use this visit to develop a further work programme.

REEEP

Japan attended the launch of REEEP in London, sending delegates from their Embassy and METI in Tokyo. Japan signed the launch memorandum.

Automotives□

Environmentally Friendly Vehicles Conference

Margaret Beckett hosted a UK-Japan automotive technology forum on EFVs on 2 December at Church House. A follow up initiative is planned in May 2004. Japan has asked the UK to host the 3rd International Conference on Environment and Transport in 2005.

Illegal Logging

A DFID-led team is to visit Japan in early December and finalise UK-Japan work programme on tackling illegal logging.

Other Areas

Endocrine Disruptors Conference

UK participation at a Conference in Sendai, northern Japan, in December has been agreed.

Resource Productivity

The Embassy is to represent UK at International Conference on Resource Productivity in Tokyo in November.

ANNEX II: ICT AGREEMENT PROGRESS REPORT

Prime Ministers Blair and Koizumi signed a joint statement in Tokyo on 19 July 2003 which

- i) reaffirmed their commitment for the UK and Japan to work together on the research, development and adoption of ICT technologies;
- ii) established a commitment to the facilitation and promotion of e-commerce and e-government;
- iii) reaffirmed the goal of achieving universal access to the technologies by 2005;
- iv) affirmed that Japan and the UK would work together to increase digital opportunities worldwide, in particular in developing countries;
- v) reaffirmed the aim of making the pro-competitive regulatory policies in the UK and Japan fully responsive to the needs of industry and consumers.

2. The statement set out four specific areas for co-operation:

1. ubiquitous networks, i.e. access to information networks at any place and at any time, the promotion of 3G mobile services, the development of the next stages of mobile communications, and the take-up of seamless broadband services over fixed and mobile networks.
2. the development of e-commerce, taking forward the aims of the 2001 joint announcement on e-commerce, in particular the enhancement of consumer trust and security, the harmonisation of e-commerce rules, the establishment of IT skills standards and development of multilateral rules that will integrate e-commerce into international trade.
3. sharing policy ideas and experience in e-government and developing international technical standards in e-learning;
4. working with stakeholders to assist developing countries acquire the benefits of new ICT technologies, in particular working to achieve a successful outcome of the World Summit on the Information Society.

3. The full text of the statement is at annex A.

4. The following is a progress report on action since the signing of the joint statement.

a. High level visits and meetings

i. Sponsored Visit to the UK by MPHPT Vice Minister Shin'ichi NABEKURA, 21-25 July 2003

5. Stephen Timms hosted a lunch for Mr Nabekura at the House of Commons on 23 July during his DTI-supported visit to the UK. In addition to a round of bilateral talks with senior DTI officials chaired by David Hendon (Head BR2), Mr Nabekura called on David Edmonds (DG Oftel), Rolande Anderson (Director, Radiocommunications Agency) and Lord Currie (Chairman, Ofcom). The Vice Minister also had meetings with leading UK industry players in Japan – Vodafone (Sarin) and Cable & Wireless (Caio). He also spent a day in Cambridge visiting some cutting edge technology companies (3G Lab, Symbian, ARM).

6. Mr Nabekura made clear in his various contacts that the PMs joint statement was a landmark event in the bilateral relationship on ICT. The feedback from Tokyo following his visit has been excellent. While pressing home the core messages relating to effective regulation of NTT, we hit some additional buttons on competition, convergence and innovation. Mr Nabekura was very impressed with what he saw in Cambridge; business links with the research community has potential as a new area of mutual interest to be explored further with the Japanese government.

ii. E-Envoy's visit to Tokyo, 31 July – 2 August 2003

7. The e-Envoy, Andrew Pinder, visited Tokyo on 31 July – 2 August 2003 at the invitation of Nikkei to speak at their conference on e-Government. He delivered a very upbeat message primarily to Japanese local government, but also to central government agencies. Although the visit was short, he was also able to meet some key players in Japan's e-policy area and present UK policy. He met with the then MPHPT Minister Katayama and Vice Minister Nabekura. It was agreed at a meeting with the Governor of Gifu, Yaku Kajiwara that arrangements would be made for two secondees to study at OeE for a month.

8. The e-Envoy's visit successfully established key contacts and reaffirmed the commitment to work together and exchange information and experience on e-government. A follow-up visit by Andrew Pinder was planned to coincide with Stephen Timms' visit which is now postponed (see iv below).

iii. MPHPT Competition Evaluation Conference, 22 October 2003

9. Mr Nabekura was impressed during his visit by the UK approach to the issues of market definition and market power and there was an early opportunity to capitalise

on this. The revision of the Japanese legal framework meant that MPHPT had to define market power and introduce a system for market analysis. A consultation document was issued on this and a conference on Competition Evaluation was held in Tokyo on 22 October 2003 to tie in with that. David Edmonds was invited to make the keynote speech but had to decline due to other commitments. Oftel's Director of Economics, Peter Culham, made a key speech on UK market analysis practice, which was very well received.

iv. Stephen Timms' visit to Japan – November 2003: postponed to spring 2004

10. Stephen Timms intended visit to Japan from 3 to 7 November had to be postponed due to the calling of the Japanese general election; possible rescheduling for spring 2004 is under consideration.

v. Digital Broadcasters visit to Japan – November 2003

11. A high level UK Digital Radio Delegation visited Japan in November to encourage the global consumer electronic companies there to design and produce digital radios for the thriving UK market. This delegation included representatives from the BBC and commercial radio operators.

12. Initial feedback from the British Embassy in Tokyo indicates that the delegation successfully highlighted the advanced DAB environment in the UK. Of the eight multinationals visited Sony, Panasonic, JVC and Aiwa indicated that they are likely to start producing digital radios for the UK market by early to mid-2004.

vi. World Summit on the Information Society, 8-12 December 2003

13. Arrangements are being made for Stephen Timms to meet the new Minister of Public Management, Home Affairs, Posts and Telecommunications, Mr Taro ASOU, on 11 December when they attend the UN World Summit on the Information Society (WSIS) in Geneva. They will have short round of bilateral talks.

14. While attending the Summit, Mr Timms will speak at an MPHPT workshop on ubiquitous networks to be held on 10 December. Industry participants include NEC, Vodafone, NTT DoCoMo and Toyota.

vii. DTI – MPHPT Annual Bilateral Talks – spring 2004

15. The last full round of bilateral talks were hosted by MPHPT in Tokyo on 18 January 2003. The 19th round will be held in London in spring 2004 when DTI and MPHPT will have structured exchanges on regulatory policy. In particular it provides another opportunity to press MPHPT on outstanding issues of concern to UK government and industry about the ability of the Japanese regulatory framework to create fair and effective market competition.

16. In addition to the formal bilateral meeting, we will work with MPHPT on the possibility of a related UK-Japan workshop/seminar event with industry participation. Site visits will also be arranged for the visiting MPHPT delegates.

b. Ongoing official level exchanges on ICT issues of mutual interest

17. The following is a record of current and prospective official level exchanges under the four main headings of the joint statement.

1. Realising a Ubiquitous Network Society

18. In addition to the UK contribution to the MPHPT workshop on ubiquitous networks to be held in Geneva during the World Summit (see above), there are the following areas of ongoing co-operation and consultation:

i. Third Generation Mobile Telecommunications

19. There is a high level of co-operation on between UK and Japan on evolving 3G mobile standards, primarily through co-operation in the Third Generation Partnership Project (3GPP), a partnership between the major telecommunications standards organisations of Europe, Asia and North America.

ii. Digital TV standards

20. The Japanese have been very positive within the ITU (DTI chairs the relevant working group) in agreeing on a common core of advanced standards for digital interactive television, based primarily on standards developed in Europe, the DVB (Digital Video Broadcast) standard.

iii. e-Skills

21. The Japanese e-skills initiative is based around the UK programme and METI is in close contact with the DTI ITEC skills team and e-Skills UK as it now revises this initiative. A delegation from METI attended the SFIA (Skills Framework for an Information Age) User Conference at the DTI Conference Centre on 4 November. In early September the DTI (Andrew Watson) and METI made a joint presentation at the OECD looking at the impact of ICT skills on our economies. METI have also been interested in following the UK in developing an IT skills passport for workplace users.

iv. Critical national infrastructure

22. Officials from METI are holding discussions with the NISCC (National Infrastructure Security Co-ordination Centre) about critical national infrastructure policy (CNI). CNI is an issue receiving increasing priority by the Japanese government.

2. Promoting the Development of e-Commerce

23. There is active consultation between senior officials from DTI and Ministry of Economics, Trade and Investment (METI) about the following:

i. Co-operation in alternative dispute resolution (ADR).

24. A key constraint is consumer confidence; e-commerce between Japan and the UK would be strengthened if there were a reliable, quick and cheap system of dispute resolution. DTI and METI officials are examining the possibility of links on ADR between Japan's Electronic Commerce Promotion Council (ECOM) and the UK's European Extra-Judicial Network (EEJ-Net) Clearing House run by Citizens Advice. An opportunity for further detailed exploratory talks will be provided during the next intended visit by METI officials.

ii. Digital signatures policy

25. Ongoing consultations and exchanges are taking place between the DTI and METI on digital signatures and accreditation policy.

iii. Information Security

26. An increasingly prioritised issue for the Japanese who recognise that the UK leads the world both in information security and in information security management. UK experts participated in a conference on this issue held on 18-19 November in Kyoto. They also met Japanese users with a view to globalising the current UK standard (BS7799). This has both policy and commercial benefits.

iv. Unsolicited e-mails (spam)

27. Officials from the DTI (BR2) and MPHPT have flagged an interest in bilateral co-operation to tackle the proliferation of unsolicited e-mails (spam) which now account for 50% of global e-mail traffic. This causes loss of productivity for businesses and individuals who have to spend an increasing amount of time and money cleaning up e-mail boxes.

3. Use of ICT in Government and Education

28. On e-government, see above concerning follow up to E-Envoy's visit to Japan.

29. On e-learning, this strand of the joint statement is necessarily dormant. DfES is at present consulting on their e-learning strategy, which has international aspects. The ability to engage pro-actively in co-operation with Japan will have to await the outcome of this consultation process in March/April. No proposals have come from the Japanese side.

4. Building Digital Opportunities

30. There are two areas of ongoing co-operation and exchanges with Japan:

i. Assistance for developing countries

31. DFID continues to collaborate closely with JICA (Japan International Co-operation Agency) officials in Ghana, to ensure collaborative participation in the delivery of ICT for education activities through the Imfundo initiative. This work is designed to use appropriate ICTs for enhancing the delivery and quality of teacher training, particularly for untrained teachers.

ii. UN World Summit on the Information Society (WSIS)

32. UK and Japan have worked together preparing for the World Summit on the Information Society, usefully exchanging views and positions on points of mutual interest, of which there are many. In particular we have co-ordinated input on two key Summit issues: information and network security, and Internet governance. On both, we share the same positions.

ANNEX III: S&T AGREEMENT PROGRESS REPORT

The Joint Statement recognised that Japan and the UK had both embarked on many initiatives in similar high-priority fields - life sciences, nanotechnology and materials, information and communication technologies, and the environment. The statement aims to expand current bilateral collaboration through a new "UK-Japan joint programme on emerging technologies". This would be taken forward by appointing a senior scientific figure on each side who would advise the Joint Committee under the 1994 Science and Technology Agreement. These experts have been assigned as Prof Sir David King, the Chief Scientific Adviser, and Prof Hiroo Imura (comparable position to Sir David). The first meeting of the Joint Committee since the statement will be in February 2004. In addition to the Joint Committee's work, we have been taking forward work already generated under previous informal arrangements, including two further subject areas (structural genomics and gene therapy). The summary below covers progress on both strands of work.

Climate change modelling

Since the first joint workshop in December 2001, substantial progress has been achieved including subsequent workshops in Tokyo (September 2002) and a UK-Japan bilateral workshop on global climate modelling in Cambridge in October 2003 (see Annex I). A Japanese-funded project between the University of Tokyo Centre for Climate Systems Research and the Hadley Centre and the NERC Centre for global atmospheric modelling (CGAM) has been running for one year and producing more detailed insights into the factors involved in climate change including ocean circulation. The Global Opportunities Fund grant (£60,000) will work alongside primary funding from NERC and DEFRA to support this project.

Hydrogen economy

This is seen as an essential part of any strategy to combat global warming in the long-term. A bilateral workshop took place in January 2003 on aspects of fuel cells, hydrogen generation and storage. Under the FCO's GOF grant, we have successfully concluded a call for proposals and, following a peer review selection process, will be supporting 10 bilateral exchanges (both Japan to UK and UK to Japan) to develop ideas for joint research projects between UK and Japan (total value £64,000). Our aim is for this process to promote collaboration between researchers which will speed up the development of this important field in both countries.

Nanotechnology

Another high priority field for both the UK and Japan, an initial bilateral workshop was held in November 2002 in Tokyo and a follow-up on a more specialised area (magnetic materials) was held in Kobe in September involving 10 UK and 15 Japanese researchers. Some of the UK participation was funded by OST.

Life sciences

We have identified two further high priority areas as a result of consultation with the Medical Research Council. Having obtained the support of the Japanese Chief scientist there will be a large workshop on structural genomics in March in Oxford UK. This will bring together the Japanese experts on the high-throughput proteins structure analysis (using the world-leading NMR facilities at RIKEN and at the Spring-8 Synchrotron) with UK experts on more targeted protein analysis. Discussions are also underway for a bilateral workshop on gene therapy. These will be supported by the Japanese Ministry of Education and Science, the UK OST, and the FCO's Command Programme Budget.

Young researchers

The second aspect of the S&T statement undertook to examine ways of overcoming barriers to young researcher movements. The main schemes involved are operated in the UK by the Royal Society and British Council. We are currently assessing current activity before exploring further work on this. The OST are following this up with the Royal Society and British Council, and the issue was discussed at the most recent OMC meeting of the CSAIC.

1	Update Nexus	✓
2	MTX Copy	✓
3	Lead PS	✓
4	Action PS Request	
5	Update Nexus	
6	Place Orig/Copy on BF	
7	Chase reply/reply recd - update Nexus & MTX	
8	Forward +pps to Lead PS	
9	GR to Despatch/ DCO fax to FCO if required	

BU Date -



NB: No reply needed.

Fire. Thanks,

DA 14/11

10 DOWNING STREET

LONDON SW1A 2AA

Date:

To:

From: Duty Clerks Office

Dept:

Cc:

GTN 3580 Ext. 3025

REMEMBER IF YOU ARE RESPONSIBLE FOR A REPLY TO CO-ORDINATE WITH OTHER DEPARTMENTS.

Please deal with the enclosed correspondence as:-

- ☐ PM reply
- ☐ No. 10 PS reply

PLEASE ENSURE YOU CHECK THE BACKGROUND, IS IT APPROPRIATE FOR THE PM, ONE OF HIS PSs OR EVEN YOUR OWN MINISTER TO REPLY?

- ☐ Return draft by fax to 020 7839 9044 or e-mail to Privateoffice@no10.x.gsi.gov.uk
Before :

Thank you

1. Nexus
2. MTR
3. DGH

Please select



Foreign and Commonwealth Office

Fax Cover Sheet

Head of Japan Section
King Charles Street
Foreign and Commonwealth Office
London
SW1A 2AH

Tel: 020 7008 2956
Fax: 020 7008 5961
E-mail: rachael.bayfield@fco.gov.uk

To..... : **David Hallam, PS**
At..... : **No 10**
Fax Number..... : 020 7839 9044
From..... : Rachael Bayfield
Date..... : 14 November 2003
Pages to follow..... : 1

Message:

David,

The Japanese Embassy has asked me to pass to you the attached message from Prime Minister Koizumi, thanking the Prime Minister for his message of congratulations on last Sunday's election results in Japan. There is no need for any reply. Kara is aware that I have sent this to you direct.

Regards,

Rachael Bayfield

Cc: Colin Roberts, Tokyo

Signed: *Rachael Bayfield*



(Provisional Translation)

Text of a message to the Prime Minister of the United Kingdom of Great Britain and Northern Ireland, the Rt Hon Tony Blair MP, from the Prime Minister of Japan, His Excellency Mr Junichiro Koizumi

Text begins

Dear Tony

Thank you for your kind message concerning the recent election in Japan.
I too look forward to continuing to work together with you on matters of mutual concern.

With best regards

Junichiro Koizumi

Text ends

CONFIDENTIAL - PERSONAL

FAXED

70 ALL -
ZS-14/11



10 DOWNING STREET
LONDON SW1A 2AA

Foreign Policy Adviser to the Prime Minister,
and Head of the Defence and Overseas Secretariat

14 November 2003

Dear Stephen

AL GORE: CLIMATE CHANGE

Al Gore called privately on the Prime Minister today.

They discussed climate change. Gore said that he hoped to meet President Chirac, Chancellor Schroeder and Prime Minister Koizumi. He asked if the Prime Minister could contact the three leaders to (a) say that he had seen Gore in London and (b) hoped that they would be able to see him during his travels to discuss this issue.

This is, for obvious reasons, a little bit sensitive. But the Prime Minister thinks that it is reasonable to tip off the other leaders in this way and put in a good word for the former Vice President.

I will take action when I next speak to my French and German opposite numbers. But I would be grateful if you could have a word to someone close to Koizumi.

I am copying this letter to Sir Michael Jay (FCO), Sir David Manning (Washington), Sir John Holmes (Paris), Sir Peter Torry (Berlin) and Jonathan Powell, Jeremy Heywood and Matthew Rycroft here.

Yours ever

Nigel Sheinwald

Sir Stephen Gomersall KCMG
Tokyo

CONFIDENTIAL - PERSONAL

10 November 2003

*Agreed -
File*



Foreign &
Commonwealth
Office

London SW1A 2AH

Dear David,

*cc: NS
NR
W/p...*

**Japan: General Election 9 November: Congratulatory Message from the
Prime Minister to Koizumi**

... Prime Minister Koizumi and his LDP-based coalition have been re-elected with a comfortable majority, in the Lower House Election held on Sunday 9 November. However the LDP itself has lost seats and is more dependent than before on its coalition partner (Tokyo telno. 277, enclosed, gives a summary and analysis of the results).

... Given the close relationship between the Prime Minister and Koizumi, I recommend that the Prime Minister send a congratulatory message to Koizumi. A draft text is enclosed.

If you are content with the draft text, we will instruct Post by telegram to deliver the message without a signed original. Post would be free to release the message to the press after it has been delivered to Koizumi.

(Kara Owen)
Private Secretary

David Hallam Esq
10 Downing Street

Fax this page only to
Kate Hennings (FCO Private)
via FCO Office
and to BE Tokyo.
David Allan

Dear Junichiro,

Many congratulations on your and your government's re-election. I am delighted that we will be able to continue to work together on the challenges that face us and I look forward to our next meeting.

With best wishes, Tony Blair

[Joanne Cappa, NEAPD, 7 008 2957]

RESTRICTED
FM TOKYO
TO PRIORITY FCO
TELNO 277
OF 100907Z NOVEMBER 03
INFO PRIORITY ASEAN POSTS, BEIJING, CANBERRA, EU POSTS, MOSCOW
INFO PRIORITY OTTAWA, PYONGYANG, SEOUL, UKDEL NATO
INFO PRIORITY UKMIS NEW YORK, WASHINGTON, WELLINGTON

My Telno 274

SUBJECT: JAPANESE ELECTIONS: RESULTS AND ANALYSIS

SUMMARY

1. Koizumi and his LDP-based coalition have been re-elected with a comfortable majority. But the LDP itself has lost seats and is more dependent than before on its Buddhist-backed coalition partner. The opposition Democratic Party of Japan increased its strength by 30 percent, and now poses a real challenge to LDP dominance. A big step towards a two-party system. Koizumi is locked into his reform agenda, but with his personal authority dented by losing the LDP's simple majority, will find it harder to implement. The public appeared to want and now welcome the arrival of two party politics. But the outcome will not make it any easier in the short term to do what it takes to get the economy back on track.

2. We recommend a simple but carefully worded message of congratulations from the Prime Minister.

DETAIL

3. Koizumi's LDP-based ruling coalition regained a stable majority in the Lower House elections on 9 November. They have enough seats to control all the main Committees. But the LDP itself lost seats, falling a few seats shy of a simple majority, reinforcing its dependence on its main coalition partner, the Buddhist-backed Komeito. The main opposition party, the Democratic Party of Japan (DPJ) did well, increasing its strength by 30 percent. The small parties took a hammering.

Detailed results

4. The results for the 480 seat Lower House are:

Liberal Democratic Party	237
New Komeito	34
New Conservative Party	4
(Coalition total	275)

Democratic Party of Japan	177
Japan Communist Party	9
Social Democratic Party	6
Independent and Others	13

The LDP won 168 single seat constituencies and 69 PR seats. They relied heavily on the Komeito bloc vote (Komeito only run their own candidates in a handful of constituencies). The DPJ did better than the LDP on PR seats, taking 72.

5. Voter turnout was slightly lower than expected at just under sixty percent and particularly low in rural areas where it seems a large number of traditional LDP supporters chose not to vote rather than support Koizumi.

Winners and Losers

6. Koizumi is saying he has achieved his objective by keeping the coalition in power. 237 seats is more than the LDP won under Mori in 2000, and enough to fend off pressure to resign. But there is a sense of failure in the LDP at not taking a simple majority. The big winners are Komeito and the DPJ. Komeito now hold the balance of power in the Upper and Lower Houses and are well placed to increase their influence on government policy (by and large in the direction of greater emphasis on social welfare and pension reform). The DPJ's gains under Kan transform them from being simply the biggest among many ineffectual opposition parties to being the Opposition with a strong Parliamentary party and a successful leader. The Japan Communist Party has suffered badly but will survive. But the left-wing Social Democratic Party and rightish New Conservative Party have been hit so badly - including loss of their Leaders' constituencies - that they may simply disappear, merging with the DPJ and LDP respectively.

7. A lot of big names lost seats, mostly from the LDP. The most prominent was Yamasaki, Koizumi's close ally and an important intellectual force behind the reform wing of the LDP. But a number of former Cabinet Ministers went down. They usually do well on the basis that they have a proven track record of securing benefits for their constituencies from central government. Their

defeat is a mark of the anti-LDP vote at work. Two high profile LDP scandal victims have regained seats, standing as independents: Makiko Tanaka, (former Foreign Minister) and Koichi Kato, another Koizumi ally.

8. The overall outcome demonstrates clearly that the electorate want to move towards a two-party system where there is a real choice of government. And it is clear that the DPJ's manifesto gambit was successful in moving that process forward. But the nature of the manifesto pledges and the voting results make it difficult to identify what in policy terms the electorate want the government to do. Votes for the LDP were at least as much for the status quo (hence the strong showing in rural areas) as for Koizumi the reformist. Votes for the DPJ seem to have been anti-LDP as much as pro-DPJ.

9. Although Koizumi is committed to taking forward the reform agenda in his manifesto, his personal authority - based on his vote drawing power - has been dented. But the LDP will realise that they have no-one else to field against the DPJ in the Upper House elections next June, and the reduced majority may help Koizumi maintain discipline.

10. Kan can be relied on to mount a vigorous opposition in the next Diet session. He will challenge Koizumi's reform record (stimulating the government to do better) and prepare to gain ground in the Upper House next summer. He will make the SDF despatch to Iraq even more difficult. He will try to reinforce his position by encouraging others (the SDP, possibly in time some LDP members) to join the DPJ. His biggest challenge will be to hold his party together over the raft of security related legislation which will be brought to the Diet in the next 2 years.

11. The Japanese media by and large welcome the outcome. Moving from one-party rule to a two party system has long been the wish of Japan's chattering classes. But they also point out that a weaker Koizumi will find it harder to implement reform.

12. We recommend the Prime Minister send a simple message of congratulations.

GOMERSALL

RESTRICTED



10 DOWNING STREET
LONDON SW1A 2AA

file
b c JP, NS, MR,
SM, RL, AA

From the Private Secretary

28 October 2003

Dear David

UK JAPAN 2000 GROUP

We spoke yesterday about this. The Japanese members of the UK/Japan 2000 group, which Peter Mandelson chairs, will be visiting the UK for the 20th anniversary of the Group in February. The Prime Minister has asked if the Deputy Prime Minister would be able to host a meeting with the Group so that the Prime Minister could drop in for a photograph. We are looking at Thursday 5 February, 12pm, although there can probably be some flexibility on timing at this stage.

Yours ever,

David Hallam

David Prout, ODPM

RESTRICTED

FAXED

1. cc FCO

2 - file

✓ Nexus

20/9-2. Mxx

XS. 3. 3/4

小泉総理発ブレア英国首相宛謝詞

拝啓

私の自民党総裁再選に対する思いやりのある御言葉に感謝します。引き続き、我々が直面する重要な国際的課題に取り組み、良好な二国間関係を更に進展させるために、貴首相と共に積極的に努力していききたいと思います。

敬具

小泉純一郎

- 1) cc: Colin Robert, Tokyo, for info.
- 2) cc: Pa Japan section.
- 3) ~~To David Hallam, No 10.~~

Message from Koizumi to the Prime
Minister.
M. Yamachi.
30/9/03.

(Provisional Translation)

Text of a message to the Prime Minister of the United Kingdom of Great Britain and Northern Ireland, the Rt Hon Tony Blair MP, from the Prime Minister of Japan, His Excellency Mr Junichiro Koizumi

Text begins

Dear Prime Minister,

Thank you very much for your kind words on my re-election as president of the Liberal Democratic Party. I should like to continue to work actively with you to tackle the key diplomatic issues we face and to further develop excellent relations between our two countries.

With best wishes,

Junichiro Koizumi

Text ends

RESTRICTED

Agreed by phone,
late pl.



Foreign &
Commonwealth
Office

London SW1A 2AH

17 September 2003

cc: NS
ma
Dho

Dear David,

Japan: LDP Leadership Election, 20 September 2003

... Prime Minister Koizumi faces a leadership election of his party, the LDP, this Saturday, 20 September (Tokyo telno 239, enclosed, gives further background). In the likely event that Koizumi wins the election, under Japan's political system he will automatically be re-appointed as Prime Minister.

Given the close personal relationship between the Prime Minister and Koizumi, I recommend that the Prime Minister sends a congratulatory message to Koizumi as soon as he has been re-appointed as Prime Minister (this is likely to be Saturday morning London time). A draft text is below. The FCO duty officer will telephone the No 10 duty clerk on Saturday as soon as Post have confirmed that Koizumi has been re-appointed. If, in the unlikely event that one of Koizumi's rivals wins the election, I will submit further advice early next week.

If you are content with the draft text, we will instruct Post by telegram to deliver the message without a signed original (we would need to send this by Friday morning). Post would be free to release the message to the press after it has been delivered to Koizumi.

(Kara Owen)
Private Secretary

David Hallam Esq
10 Downing Street

RESTRICTED

DRAFT MESSAGE FROM THE PRIME MINISTER

Text starts

Dear Junichiro,

Many congratulations on your re-election. I was delighted to meet you again in July, and look forward to continuing to work closely with you on the key challenges both our countries face.

With best wishes, Tony Blair

Text ends

*[Mara Yamauchi, MEAPD
7008 2956]*

From: NEAPD - All Staff
Sent: 10 September 2003 10:41
To: Hugo Shorter; Matthew Henderson; Michelle Bond; Sam O'Callaghan; Karen Maddocks; Rachel Stewart; Daniel Wilkinson; Mara Yamauchi; Rachael Bayfield; Joanne Cappa; Lindsay Stent; Nick Conway; Paul Haygreen; Claire Burges Watson; Charles Moore; Mike Wilson; Simon Smith; Elizabeth Brown; Judith Gough; Annabelle Malins; Lee Rope
Subject: FW: LEAD: PP TOKYO/FCOLN 239: JAPAN: THE LDP PRESIDENTIAL ELECTION (TRAILER)

CDSN: MDDPAN 9732
Classification: CONFIDENTIAL
DTGM: 100816Z SEP
Message To: FCOLN
MessageFrom: TOKYO

ZCZC
MDDPAN 9732 ZILNAN 4074
CONFIDENTIAL
PP FCOLN INTRA
FM TOKYO TO FCOLN
100816Z SEP
GRS 1059

CONFIDENTIAL
FM TOKYO
TO PRIORITY FCO
TELNO 239.
OF 100816Z SEPTEMBER 03
INFO PRIORITY ACTOR, ASEAN POSTS, BEIJING, CABINET OFFICE
INFO PRIORITY CANBERRA, DTI, EU POSTS, MOSCOW, OTTAWA, PYONGYANG
INFO PRIORITY SEOUL, WASHINGTON, WELLINGTON, WHIRL

DTI FOR DAVID LOVE

SUBJECT: JAPAN: THE LDP PRESIDENTIAL ELECTION (TRAILER)

SUMMARY

1. Start of official campaigning for the 20 September LDP Presidential election. Four candidates, with Koizumi in a healthy lead. Challengers running on a platform of greater fiscal stimulus against Koizumi's insistence on structural reform. An upset just possible if Koizumi is forced into a run-off. But likelihood that Koizumi will win, reshuffle his cabinet (with Mrs Kawaguchi a likely casualty) and consider a November general election.

DETAIL

2. Official campaigning for the LDP presidency (and in effect the Prime Ministership of Japan) opened on 8 September. The winner on 20 September will have a term of office of 3 years.

3. The contest will be decided by both LDP Diet members and rank-and-file party members, with each of the 357 LDP Diet members having one vote, and Party members having 300 votes, allocated among prefectural LDP chapters according to size. To win

or it, a candidate needs an absolute majority (329 votes). If a candidate reaches this mark, the two best-placed will run off in a further vote by Diet members only.

CHALLENGERS

4. The pre-campaign period was marked by disarray within anti-Koizumi groups in the LDP as they tried and failed to unite around a single challenger. As a result Koizumi will face 3 opponents:

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THEMES

5. The main issue is economic policy. Koizumi is campaigning on a "back me or sack me" platform of continued reform. He has renewed his commitment to privatising the post office and highway corporations. But he has also acknowledged the need to return the economy to nominal as well as real growth and committed to a target of 2% nominal growth by 2006. His opponents argue that fiscal stimulus must take precedence over structural reform in order to break the deflationary spiral. They also argue for increases in consumption tax (which Koizumi strongly opposes) in order to fill holes in the pension and welfare system. Koizumi has the backing of the main private sector business organisations, though not the Japan Chamber of Commerce, which represents smaller industries. Some believe that Koizumi has compromised on a measure of reflation with his opponents: he is in any case under pressure to dump Takenaka, the main driver of his fiscal and financial reform policies. Takenaka's portfolio could be trimmed; but succumbing to this pressure altogether would be an unwelcome shock to the markets.

6. The election is also in part about Koizumi's style and the modernisation of government. His efforts to increase the power of the PM's office and break the LDP tradition of consensus and compromise have had some success. He will seek to use an election victory to consolidate these efforts. His opponents say they would return to more collegiate ways.

7. Foreign policy is unlikely to figure heavily. Though sticking with the policy, Koizumi's minders are lowering the profile of preparations for the deployment of the Self-Defence Forces to Iraq. (Of the challengers, Fujii supports SDF deployment; Kamei and Komura oppose). On other issues, principally North Korea and

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relations with the US in general there is near consensus within LDP.

8. Koizumi looks reasonably confident of victory. 38 out of 47 LDP prefectural chapters put him either "way ahead" or "ahead" in local voting intentions. Media reports claim that he may get 182 of the 357 Diet members' votes, although these should be taken with a pinch of salt. The disarray of the anti-Koizumi factions is a sign of his dominance. The improved poll ratings of the opposition DPJ after its recent merger with the second largest opposition party has also focussed LDP minds on his importance as an electoral asset.

9. Koizumi will undoubtedly be well in front after the first round but two technical points could affect his chances of winning outright. The PR-based d'Honte formula by which party members' votes will be converted into points is less conducive to a Koizumi landslide than the first-past-the-post system used in 2001. Also, the results of the grassroots vote will not be known until Diet members' votes have also been counted (in 2001, the grassroots result leaked and news of Koizumi's win led many Diet members to jump on his bandwagon).

10. If a run-off happened, Koizumi might have to back down on some key elements of his manifesto in order to pick up the necessary parliamentary votes to win. But none of the three opponents really looks like a credible alternative, in the public eye at least.

AFTERMATH

11. If re-elected, Koizumi will have the opportunity to re-position himself as a reformer in order to lead the LDP into general elections. The new Cabinet will be the first true indicator of this.

COMMENT

12. In his first term, Koizumi has created a climate for political change, even if he has palpably not been able to call all the shots. He has done well to remain fresh and popular. This party election has shown the diminishing power of the factions. But one cannot yet say that the LDP, and patronage, have lost their power to shape the basic direction of Japanese politics.

GOMERSALL

YYYY

MAIN 8

JAPAN POLITICAL AND ECONOMIC 0

NEAPD 0

AFGHAN UNIT 0

12 September 2003



Foreign &
Commonwealth
Office

London SW1A 2AH

cc: NS
Dear David,

Consular Case Japan: Nick Baker

... The Prime Minister received a letter from Nick Baker, a British prisoner in Japan. Your office indicated that you may wish to reply. I enclose a draft. I apologise for the delay.

As No 10 already know, Nick's mother, Iris Baker, was due to present a petition to your office today. Baroness Sarah Ludford MEP, Sabine Zanker from Fair Trials Abroad and Angel Collins from a PR company will accompany Nick's mother. The petition requests that the Prime Minister secure a fair trial for Nick. Nick's supporters in Japan hope to deliver a petition simultaneously to Junichiro Koizumi, the Japanese Prime Minister. Mrs Baker has also asked many of her relatives to write to the Foreign Secretary and to the Prime Minister, requesting that we do more for Nick.

The background to the case is that Nick Baker, 32, was arrested in April 2002 at Narita Airport, Tokyo, for attempting to smuggle drugs (1 kg of cocaine and 41,120 ecstasy tablets) into Japan. Nick claims he was set up by his British friend, James Prunier, who accompanied him to Tokyo. Mr Prunier was later arrested in Belgium for drugs smuggling and is now on bail pending his court hearing in Belgium. We have had some concerns over the conditions in which Nick has been held. He was kept in solitary confinement for over 9 months. We registered official complaints to the prison authorities, who have now allowed him to return to a shared cell. Nick was sentenced on 12 June 2003 to 14 years imprisonment and fined 5 million yen (£26,000+). His lawyer is currently preparing his appeal. There is a 99% conviction rate in Japanese courts, and a low chance of success on appeal. We have offered the assistance of a pro bono lawyer from the FCO panel. Nick's lawyer is aware of this.

Nick's family is concerned that the Japanese courts are unwilling to request specific evidence from the Belgian authorities that may be pertinent to Nick's case. Mr Prunier apparently set up another two travellers in Belgium, who were caught with drugs but later released without charge. The Belgian authorities have indicated that they would be willing to release evidence to the Japanese authorities, should that be officially requested. Under international law we are unable to interfere in the judicial process of another country and have made this clear to Nick and his family. Baroness Symons wrote to the Home Office who confirmed that it is not possible for HMG to request the evidence. The Japanese courts have refused to request the evidence and the Ministry of Foreign Affairs will not do so without the permission of the Japanese courts. We have lobbied, unsuccessfully, for them to do so.



Our Ministers, Bill Rammell and Baroness Symons have raised Nick's case with Mr Yano, Vice-Minister of Foreign Affairs. I hope this is helpful, but do let me know if you would like further clarification.

I am copying this letter to Jonathan Sedgwick and Dean Walsh (Home Office).

A handwritten signature in blue ink, appearing to be 'Kara Owen'.

(Kara Owen)
Private Secretary

David Hallam Esq
10 Downing Street

Draft Letter from PS/No10 to Nicholas Baker

Nicholas Baker
c/o Consular Section
BE Tokyo

Thank you for your letter of 7 August to the Prime Minister, which was forwarded to Downing Street by your mother on 19 August. The Prime Minister has asked me to reply.

I was sorry to read about your situation and understand that this must be a very distressing time for you and your family. I hope that you have now received a reply from Baroness Symons to your earlier letter. Please be reassured that we do listen to your concerns and those of your family and that we are trying to do all we properly can to help you.

The Prime Minister did not have the occasion to raise your case with the relevant Japanese authorities during his recent visit to Japan. I realise that this will be disappointing news for you. However, I know that Bill Rammell, Foreign and Commonwealth Office Minister responsible for bilateral relations with Japan, raised your case with Mr Yano, Vice-Minister for Foreign Affairs, earlier this year. Baroness Symons, Minister responsible for consular matters, has since followed this up with Mr Yano during his visit to the UK. I know that consular staff also wrote to Chiba District Court three times to offer our help in obtaining the information from Belgium. Unfortunately, international laws prevent the Government of the UK from being able to request this information on behalf of a third country.

I know that our consular staff in Tokyo continue to provide you with all possible consular assistance. They will have explained to you that we have offered the assistance of a pro bono lawyer who can act as an additional resource for your own appointed lawyer. You should continue to be guided by your lawyer who is best placed to give you legal advice. If you do have any further queries, please do not hesitate to contact Matthew Prouten at our Embassy.

I am also copying this reply to your mother who has written separately to the Prime Minister.

DAVID HALLAM
[Sarah Mannell
Consular Directorate
020 7008 0168]

cc: Mrs Iris Baker, 27 Bendy Bow, Oaksey, Malmesbury, Wiltshire, SN16 9TN



10 DOWNING STREET
LONDON SW1A 2AA

FAILED
via Mr. Japan
10/8
file

THE PRIME MINISTER

8 August 2003

Dear Junichiro,

I just wanted to write and thank you very much for your kind hospitality during my recent visit to Hakone. Cherie and I both enjoyed our trip to Japan immensely. It gave me great pleasure to conduct our constructive talks in such a beautiful location. We were only sorry that we could not stay longer.

Thank you also for your kind gift of a camera – we are putting it to good use already.

With best wishes,

yours ever,
Tony

His Excellency Mr Junichiro Koizumi

Mu
AL

Japan

NIPPON KEIDANREN

《JAPAN BUSINESS FEDERATION》

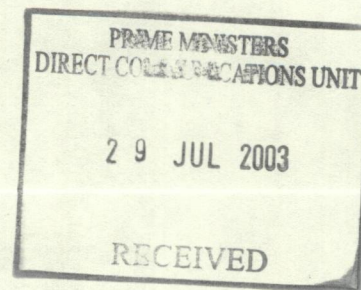
9-4, OTEMACHI 1-CHOME, CHIYODA-KU, TOKYO 100-8188, JAPAN

Telephone: +81-3-5204-1758

Facsimile: +81-3-5255-6231

July 23, 2003

The Rt. Hon. Anthony Charles Lynton Blair
Prime Minister
United Kingdom of Great Britain and Northern Ireland
10 Downing Street
London, SW1A 2AA, U. K.



Dear Prime Minister,

On behalf of Nippon Keidanren, I would like to express my deepest appreciation for sparing your precious time for the delegation members during our recent visit to London. The meeting was a most valuable and memorable occasion for us all.

Thanks to your concise and convincing explanation, we were able to deepen our understanding of the politico-economic situation of the UK, as well as your views on the prospect of the Euro entry, EU Enlargement and its influence on your economy and other domestic and international key issues. We were deeply impressed by your outstanding leadership to tackle not only internal but also external affairs.

With regards to UK-Japan economic relations, the meeting with you reinforced to us that there are many fields to further enhance cooperation such as trade, investment, structural and regulatory reforms, technological collaboration and the new round of WTO negotiations.

I hope that our visit to London will be of some help towards cooperation between our two countries on bilateral and global issues.

Sincerely yours

H. Okuda
Hiroshi Okuda
Chairman
Nippon Keidanren (Japan Business Federation)

EMBASSY OF JAPAN

101-104 PICCADILLY

LONDON

W1J 7JT

24th July 2003

✓ cc ~~Mr Orita~~ FCO 28.7.
3. SFH d/1.
He MR 28/7
N/O.

Dear Sir David,

I am writing to express my sincere gratitude and appreciation for the British government's decision to participate in the Aichi Expo in Japan in 2005. On 19th July, during his talk with Mr Koizumi, Japanese Prime Minister, Mr Blair announced that the UK had decided to 'participate fully' in the Expo. We, as Japanese citizens, welcomed this with great enthusiasm.

The UK is historically a very important and special partner for Japan. Therefore, Japanese people sincerely hoped for the British to take part in the Expo. The close relationship and co-operation between the two nations, both politically and economically, have crucial roles to play in maintaining world peace and in developing the international economy. Now that the future of mankind depends upon 'environmentally friendly economic development' through the advancement of science and technology, the collaboration of Japan and the UK on the success of this Expo, whose main theme is 'co-existence with nature,' has a significant meaning.

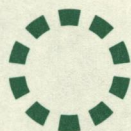
I have to admit, however, that there had been a number of heated discussions and the path to the eventual outcome was not an easy one. Nevertheless, I believe that the whole process has borne an additional important product, which is the re-acknowledgement of the importance of a close relationship between Japan and the UK.

As an old Japanese saying goes, 'After a storm comes sunshine, and the ground gets firmer', I believe that the Aichi Expo will be the foundation to strengthen the relationship between the two countries as a symbol of our commitment. I should like to express my thanks again for the British government's decision and hope that we may receive your continued support and assistance in the future.

Yours sincerely,
Masaki Orita

Masaki Orita
Ambassador

Sir David Manning, KCMG
Advisor on Foreign Policy
Prime Minister's Office
10 Downing Street
London SW1A 2AA



25th July 2003

The Right Honourable Tony Blair, MP
Prime Minister of the United Kingdom
10 Downing Street
London SW1A 2AA
United Kingdom

Your Excellency,

I was especially delighted to hear your confirmation of the UK's participation in EXPO 2005 Aichi to our Prime Minister Junichiro Koizumi on July 19. I have long considered the UK's active involvement to be indispensable to the success of EXPO 2005, so it was with great pleasure that I received news of the formal declaration of your participation.

My belief in the above is unchanged, and if anything, I am now more convinced than ever that the UK's contribution to Expo 2005 is vital, and the people of Japan await with great anticipation your countries' message to the next generation at the 2005 World Exposition, Aichi. Please accept my utmost appreciation for your decision.

The Japan Association for the 2005 World Exposition will be making every effort possible to realize the true meaning of the expo theme "Nature's Wisdom", and in this respect I hope to enjoy the continued cooperation and support of the British government and industry.

I would like to repeat our thanks to you for your thoughtful decision and anticipate your continued interest in this matter.

Yours most sincerely,

Shoichiro Toyoda
Shoichiro Toyoda

EXPO

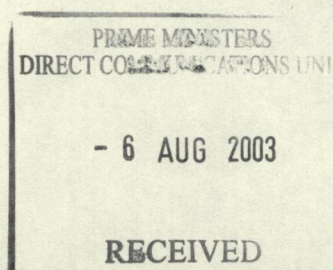
2005 AICHI

Japan Association for
the 2005 World Exposition

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Tel. +81-3-5521-1612 Fax. +81-3-5521-1613

<http://www.expo2005.or.jp>



Japanese response to Italian Palestine proposal. They also want to wait till the Ad-hoc Liaison Committee has met.

RJAVAI
5/8
DEPUTY MINISTER

MINISTRY OF FOREIGN AFFAIRS
TOKYO, JAPAN

Japan Paks

Israel

Jeremy Heywood
Stephen Pichford
Calvin Miller
Andrew Brook
Melinda Robson
Gay Gantley
Chris Hodge

JHCC. MR
NC.
DHH

August 5, 2003

Dear Giovanni,

Thank you for your letters dated July 14 and 25. I fully share your view that the international community should continue to support the Palestinians in order to keep the momentum for the implementation of the roadmap going. In fact, Japan has been providing them with assistance to meet humanitarian needs and promote reform. I would however like to point out that with a view to helping the Palestinians effectively and efficiently, the upcoming Ad-Hoc Liaison Committee meeting might provide a good occasion to discuss relevant issues. We should, at any rate, continue to closely monitor the situation and decide what to do for the Palestinians.

I look forward to maintaining close consultation with you and our G8 colleagues.

I am copying this letter to our G8 colleagues.

Yours sincerely,

Ichiro Fujisaki



10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

28 July 2003

Dear Mr. Mayor,

Thank you so much for your kind letter of 19 July.

I very much enjoyed my visit to Hakone and I am only sorry that I was not able to stay longer. Your generous gift will serve as a lovely memento of my visit.

Yours sincerely,
Tony Blair

The Mayor of Hakone Town

July 19th, 2003

The Rt. Hon. Tony Blair,
MP, Prime Minister of United Kingdom

*Nice thank
from me*

Dear Prime Minister,

Welcome to Hakone. I am Nobuo Yamaguchi, the Mayor of Hakone Town.

On the very occasion of your visiting Hakone, representing the citizens of Hakone, it is my greatest honor to extend my cordial welcome to you.

Hakone is located in Fuji Hakone Izu National Park, and as one of the world-famous tourist resorts in Japan, about twenty million tourists including those from abroad visit Hakone annually, seeking natural beauty around such as the grandeur of Mt. Fuji, Lake Ashi, and hot springs and so on.

I understand you stay only for two days here in Hakone, but I do hope you enjoy your stay in quiet surroundings beside Lake Ashi to your heart's content.

I am very happy to give you a framed wooden picture, an inlaid work unique to Hakone, as a token of welcoming you and of your visiting Hakone Town. I would be very grateful if you love it and give me the privilege to obtain some space for the picture in your office.

Yours very truly,

山口昇士

Nobuo Yamaguchi
Mayor of Hakone Town, Japan

National Park HAKONE. JAPAN



10 DOWNING STREET
LONDON SW1A 2AA

Foreign Policy Adviser to the Prime Minister,
and Head of the Defence and Overseas Secretariat

20 July 2003

Alan G. H. H.

CONVERSATION WITH OKAMOTO, ON 19 JULY, IN TOKYO

Okamoto, Foreign Policy Adviser to Koizumi, called on me for half an hour yesterday (19 July). We covered some of the ground later discussed by the Prime Minister and Koizumi during their bilateral meeting (reported separately).

The following were the main points:

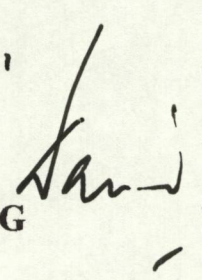
- Iraq reconstruction: Okamoto was keen to describe his efforts to promote a joint Japanese/Egyptian medical initiative for Iraq. This would probably include Japanese trained Egyptian doctors going to Iraq, as well as sending Iraqi medical staff to Egypt for training at Japanese expense.
- SDF deployment in Iraq: Tokyo was giving much thought to how and where to deploy a Japanese Self Defence Force contingent in Iraq, assuming the Diet passed the necessary Bill authorising their despatch. Okamoto had revised his view that the Japanese might help with land or air transport because the current insecurity in Iraq might expose Japanese SDF personnel to military action. This was proscribed under the Japanese constitution. I said there must be other non-combat roles that the Japanese could undertake. I was no expert but helping with security sector reform ie training, or help with communications might be possibilities. I suggested that the Japanese should discuss this with UK MoD experts.
- Iran: Okamoto was worried by the strength of US opposition to a deal the Japanese hoped to conclude with the Iranians to develop the Azadegan oilfield. The US Administration argued that this would comfort Tehran at a time when we should be isolating the Iranian regime over its nuclear policies. But the oil deal was of major national importance because Japan had to import its oil and the Azadegan field might provide 6% of requirements. Tokyo was obliged to impress upon Washington that it would have to give national interest priority in this case. There were other ways of

bringing pressure to bear on Iran. I said that I understood the oil argument. But, as Okamoto would know, US mistrust of Tehran was very strong for a variety of factors including the Iranian attitude to Al Qaida, and to rejectionist terrorist groups in the Middle East. Washington was also concerned about Iranian meddling in Iraq; and, as Okamoto had said, the nuclear issue was key. Iran was a problem that was now at the very top of the international agenda. It might be useful if our experts got together soon to discuss it.

- Defence co-operation: I gave a plug for bilateral defence co-operation. We should see whether there was scope for joint exercises and training. There might also be scope for equipment co-operation.
- Bilateral relations: I stressed the importance that the Prime Minister attached to our bilateral relationship with Japan. We now saw the Japanese as key political, as well as economic, partners. We gave very high priority to our relations.

Okamoto said he hoped that he could continue our exchanges after I had moved on. I commended Nigel Sheinwald to him.

I am copying this letter to Peter Watkins (MOD), Anna Bewes (DFID), Sir Andrew Turnbull, John Scarlett and Desmond Bowen (Cabinet Office), Sir Michael Jay, "C", Sir Stephen Gomersall (Tokyo), Tony Brenton (Washington) and Jonathan Powell.

Yours truly,

DAVID MANNING

Geoffrey Adams
FCO

SECRET - PERSONAL**10 DOWNING STREET
LONDON SW1A 2AA**

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SUBJECT
MASTER
Filed:

Jan
pt 4

S 318 /03

Foreign Policy Adviser to the Prime Minister,
and Head of the Defence and Overseas Secretariat

20 July 2003

Dear Geoffrey,

**PRIME MINISTER'S DISCUSSION WITH KOIZUMI: 19 JULY:
CORRECTION**

The references in lines 2 and 8 in the first paragraph on page 5 of my reporting letter of yesterday's date should refer to Iran not Iraq. Apologies.

Copies go to Peter Watkins (MOD), Sir Andrew Turnbull, John Scarlett and Desmond Bowen (Cabinet Office), Sir Michael Jay, C, Sir Stephen Gomersall (Tokyo), Tony Brenton (Washington) and Jonathan Powell.

Yours sincerely
David Manning

DAVID MANNING

Geoffrey Adams
FCO

SECRET - PERSONAL



10 DOWNING STREET
LONDON SW1A 2AA

File
+ Need to
Make

THE PRIME MINISTER

19 July 2003

SUBJECT
MASTER
Filed:

Your Majesties,

May I thank you for your warm personal greetings conveyed through our Ambassador. Cherie and I have the most vivid recollections of Your Majesties' visit to the United Kingdom in 1998, which seems to have heralded a new era of closer and ever more productive relations between our two countries.

We have just concluded our short but memorable visit to Tokyo and Hakone, and are about to depart for Korea, where we have many common interests with your country. In my talks with Prime Minister Koizumi, we have discussed many international issues including the Middle East and the fight against terrorism where Britain and Japan can cooperate for peace and the upholding of international law.

In meetings with the Japanese Government and business leaders, we have reaffirmed our strong support for further developing our economic ties, and our collaboration in the environment and science and technology, which I know are of great interest to your Majesties.

Cherie and I had some brief but precious opportunities to meet people working for society and going about their daily lives in Tokyo. I am always struck by the optimism and tenacity of the Japanese people, and by their flair for modern,

as well as traditional culture. We feel very close to Japan, and I look forward to continuing to building our partnership for the benefit of future generations.

May we extend through Your Majesties our very best wishes to the Crown Prince and his family, who also have many friends in Britain, and send you our sincerest good wishes for your Majesties' continued good health and happiness.

I have the honour to be your Majesties' humble and obedient servant.

Yours sincerely,
Tony Blair

His Majesty The Emperor Akihito KG GVCO
And Her Majesty The Empress Michiko

SECRET - PERSONAL



10 DOWNING STREET
LONDON SW1A 2AA

S 317 /03

Foreign Policy Adviser to the Prime Minister,
and Head of the Defence and Overseas Secretariat

19 July 2003

SUBJECT
MASTER
Filed:

Alan Jeffrey

**PRIME MINISTER'S DISCUSSION WITH KOIZUMI:
19 JULY**

This letter is extremely sensitive. It must be very tightly held. No further copies should be made.

The Prime Minister met the Japanese Prime Minister this evening at 1700 hours for a discussion lasting 1 hour and 40 minutes. Komatsu (Director General, European Affairs Bureau) and an interpreter accompanied Koizumi. I accompanied the Prime Minister. A subsequent plenary discussion has been reported by David Hallam.

Koizumi complimented the Prime Minister on his excellent speech to the US Congress. It had been persuasive and inspired. The Prime Minister had been doing the right thing even though it was tough. The Prime Minister repaid the compliment. Koizumi had made real progress over the past two years. The Japanese business people he had met earlier in the day had been very complimentary about Koizumi's performance.

Japan - Internal

Koizumi said that when he had become Prime Minister, two years earlier, he had been given a shelf life of three months. He had advocated policies that had been unpopular in his own party, the LDP, including privatisation. The expectation had been that he would be rapidly replaced as party leader and Prime Minister. But he had won an important victory in the elections that had taken place shortly after his succession to the leadership and his LDP opponents had been unable to depose him. He faced another election for the leadership of the

SECRET - PERSONAL

party this September. He would be advocating the same reformist policies as two years ago. If he won, he would put forward his policies as the LDP manifesto for subsequent parliamentary elections. The apparatchiki in the LDP were very unhappy with him. But he had considerable support in the business community and among the electorate.

North Korea

The Prime Minister asked how Koizumi saw the crisis over North Korea. Koizumi said this was a very delicate issue. Pyongyang wanted bilateral negotiations with Washington for face-saving reasons. Kim Jong Il wanted to fool his own people that there was some sort of parity between North Korea and the US. Of course no one believed it. Japan was insisting that there must be multilateral talks with North Korea. At present there was a trilateral negotiating mechanism that included China as well as North Korea and the US. Japan could accept a further trilateral round as long as it moved on to become a wider five power negotiation including Tokyo and Seoul. The Prime Minister said that we would support the idea of trilateral talks being expanded to include Japan and South Korea. Koizumi said that if the North Koreans stipulated Russian involvement, this would not cause a problem.

The Prime Minister said it was hard to know how to deal with the North Koreans. We must insist that they ended their nuclear weapons programme; but he doubted whether they had any intention of doing so. Koizumi said that the North Korean issue was complicated for Tokyo by the abductions issue. The North Koreans were frightened by Washington. They wanted assurances that the US would not bring down the regime. They were looking for a non-aggression pact, something the Americans would never accept. Bush detested Kim Jong Il, not least for starving his own people. Nevertheless, we needed to find a peaceful diplomatic solution.

The Prime Minister said he fully agreed. We could find a way out if the North Koreans were genuinely ready to give up their nuclear weapons programme. But he was very worried about the prospects if they refused. The US would never agree to a non-aggression pact but this could probably be finessed by some sort of diplomatic fix. Much more difficult would be the issue of verification. He thought it very unlikely that Pyongyang would accept anything that was acceptable to the US and the UK.

Koizumi agreed that North Korea was unlikely to give up its nuclear weapons programme. But he was convinced that multilateral talks, including the Chinese and the South Koreans, as well as the Japanese, were essential. He expected the North Koreans to continue their provocative statements: but we should not react. Japan would remain calm in the knowledge that brinkmanship was the North Korean style. The bottom line for Pyongyang was regime survival. Koizumi recalled his visit to North Korea last year. He said that he doubted whether this would ever have happened if there had not been the Afghan war, and if Bush had not denounced North Korea as part of the axis of evil. He had no doubt that Kim Jong Il was watching developments in Iraq very closely. The North Koreans were very afraid, but wanted to pretend that they were very strong. Sixty years ago Japan had fought and lost a reckless war against the US and UK. This had only been possible because the Japanese people had become indoctrinated to believe they could overcome any odds. He had recalled this historical episode when he had spoken to Kim Jong Il. He had warned him that the North Koreans could not defeat the US and the UK but they could co-operate with them. As Japan knew from its post World War II settlement, both countries were generous to deal with. North Korea's only intelligent option was to become a responsible member of the international community.

Iraq

Koizumi said he very much appreciated the Prime Minister's brave leadership over Iraq. The Japanese Diet were discussing assistance for the reconstruction process. Koizumi said that after his recent visit to Crawford, to see Bush, he had gone on to Egypt and Saudi Arabia. He had been convinced that Japan must contribute to the civilian reconstruction of Iraq but should also make a military contribution. This was very difficult because the Japanese were conditioned by their World War II experience to be allergic to military engagements abroad. The Japanese army had caused great suffering to Japan's neighbours, but also to the Japanese population. They had not forgotten. It had only been the experience of the Korean War that had persuaded the Japanese of the necessity of establishing a Self Defence Force (SDF). Even now there was much debate about what such a Force could do. Japan had reached the point where it could despatch the SDF for peace-keeping as long as the use of force was not required. This conditioned what Japan could do in Iraq: there was still no support for the use of force in support of UNSCR 1483. Nevertheless, he believed that the Diet would approve SDF deployment, by 28 July, in a non-combat role. He was arguing that successive UN Resolutions gave international legitimacy for action against Iraq even though the Japanese population were not

yet ready to commit the SDF in a military role. He would welcome an exchange between Japanese and UK experts on how best the SDF could contribute.

The Prime Minister asked how many SDF troops would go to Iraq. Koizumi said this was undecided. But Japanese inhibitions meant that the SDF contingent would have to be deployed in areas that were free of hostilities. He would decide where the appropriate areas were once the Diet had approved the deployment.

As far as Japan's civilian contribution was concerned, Koizumi recalled that Japan had in the past built hospitals in Iraq, and in Egypt. When he had met Mubarak recently, they had agreed to exploit past cooperation for the benefit of the Iraqi people. They were now planning a joint medical assistance project in Iraq. Koizumi commented that this would help strengthen Japan's relations with Arab countries more widely. This should in turn help relations between the Arabs and the US and the UK. The Prime Minister said this was a very good initiative. He warmly welcomed it. The security situation in Iraq was difficult. But once it had been brought under control, he believed the potential in Iraq was very good. If we could construct a stable and prosperous Iraq, it would be a signal that had resonance across the whole of the Middle East.

Koizumi said he knew that Iraq was a difficult domestic issue for the Prime Minister. But having listened to the speech the Prime Minister had given to the US Congress on 17 July, he had not only been reinforced in his belief that the US/UK action in Iraq had been the right thing to do; he had been reinforced, too, in his admiration for the Prime Minister as a conviction politician who stood firm despite the pressure. The Prime Minister said that the pressures in the UK were considerable. But in the end he believed the action in Iraq would be judged on the basis of whether it had brought about an improvement in the life and prospects of ordinary Iraqis. He also thought that Iraq had been a key to reinvigorating the Middle East Peace Process. He added that UNSCR 1483 had been an important moment: we now had UN cover for international assistance with the reconstruction effort. Many countries were providing help. The fact that we had also established a Governing Council in Iraq was another major step forward. Despite the hostility of opposition groups, the signs were that a majority of Iraqis wanted us to stay to stabilise the country before handing over to them to run their own affairs.

Iran

Koizumi said there was one very difficult issue in Japanese/US relations, namely Iraq. There was deep international mistrust about Iran's nuclear intentions. The US felt this particularly keenly, and found it difficult to discuss the issues with Tehran because of the lack of US/Iranian diplomatic relations. The Japanese had no illusions. Nevertheless they had been developing their relationship with Iran, and were now close to signing a contract for the development of a major oil field. This deal had attracted considerable US concern and opposition, on the grounds that it might give comfort to Iraq's Iran's nuclear ambitions. Koizumi said that the Japanese had urged the Iranians to deal with the international community's worries over the nuclear issue. But he had to stress that the prospective contract for developing the Iranian oil field was crucial to Japanese national interests. Japan was heavily dependant on oil imports. Tokyo was having to say to Washington that concerns about Iran were understood, but that there were different ways of dealing with them. Koizumi added that he wondered how the US proposed to handle Iran. Military force was most unlikely to be the answer.

The Prime Minister agreed. There were no plans to take military action against Iran. The US strategy was to bring enormous pressure to bear on Iran to cooperate with the IAEA; and to give moral support to those campaigning for democratic change in Iran. The US also hoped that a successfully re-built Iraq would be a potent neighbourhood example to the Iranian people. The Prime Minister said that the UK had fairly intensive diplomatic exchanges with Iran. The Foreign Secretary had been to Tehran several times. But we had absolutely no illusions either. We were in no doubt that the Iranians wanted to develop a nuclear capability; and no doubts that they had been supporting terrorist groups working to wreck the Middle East Peace Process. All this posed a huge problem for the Bush Administration. Nevertheless, if Tehran signed up to the additional IAEA protocol, it would be a significant step. It would also be a powerful signal if Iran ended its support for MEPP rejectionists. A crucial, additional, factor was Iran's attitude to Iraq. Both we and the Americans expected Iran to cooperate, and not to complicate the reconstruction process.

The US

The Prime Minister said that although US rhetoric was often criticised, it had its uses in unsettling those states and groups who wished to destabilise the international situation. The determined US action in Afghanistan and Iraq made

such states and groups pretty nervous. This enabled countries like the UK and Japan to put pressure on them to move in the right direction. The Prime Minister did not believe the US had any intention of engaging in military conflicts around the globe, but it did no harm that countries like North Korea and Iran were nervous about Washington's intentions. He hoped that London and Tokyo could work together, not only on these crises which were extremely dangerous, but also in support of US efforts on the MEPP. We needed to try to reduce tensions between India and Pakistan too. International fears about security were a direct contributing factor to the fragile state of the world economy. As he had emphasised in his speech to the Japanese business community earlier in the day, politics and economics were indivisibly intertwined.

Japan - External

The Prime Minister said that Koizumi's leadership was extremely important internationally. For the first time the world community had the sense that Japan was pulling its political weight alongside its economic muscle. This was a major stabilising force in international affairs. Koizumi said he was grateful. Japan would do what it could, although its contribution would be limited. It was essential that Washington gave a lead, particularly on the Middle East Peace Process. Unless there was peace between Israel and the Palestinians, it would be very difficult to beat global terrorism. The Prime Minister said he strongly agreed. Koizumi added developments since 9/11, and the spread of global terrorism, had convinced the Japanese people that the crisis in the Middle East was not a distant problem of no direct consequence to them.

Japan/US/UK

Koizumi said that Japan's relations with the UK and the US were very good. So they should be since this was the only way that Japan could prosper. He recalled Japan's alliance with the UK at the beginning of the 20th century which had enabled Japan to defeat Russia. Subsequently the Japanese had forgotten this lesson; relations had deteriorated; and they had fought a foolish war against the US and UK which they had lost. They had then rediscovered the realities through post World War II friendship. This had been important for Japan but it had also had a positive impact on world politics and economics. Koizumi believed Japan needed excellent relations with both the US and UK, just as much as the US and UK needed to sustain the excellent relations that they enjoyed. This was essential for global security and progress. The Prime Minister agreed. The Bush Administration was now far more engaged with

global issues than when it had come to office two and a half years ago. It was busy with nation building in Afghanistan, Iraq and Palestine. But there was also a recognition in Washington, as well as London, that we needed the Japanese to be our partners in Asia, not least to deal with the growing power of China. We shared common values and should work together regionally, and world-wide. But we must also review the multilateral framework in which we operated. This meant being prepared to press for UN reform and for a role for Japan on the Security Council. The Prime Minister concluded that Japan's partnership with the UK and US would be very important in the years ahead.

Koizumi said that even though the US was so strong, he did not believe that it wished to act unilaterally. But there was nevertheless a premium on engaging with the US and working with it on international issues. The Prime Minister agreed. There was much misunderstanding about US intentions. Japan could do much to help dispel these. He had no doubt that Washington's preference was to work with allies and partners, not to act unilaterally.

UK/Japan Intelligence Cooperation

The Prime Minister said that he hoped London and Tokyo would work very closely on the major international crises in the months ahead. He thought there should be closer intelligence cooperation between us, on a structured basis. There might be value in the Chief of the Assessment Staff making an early visit to Tokyo to decide how we could take this forward. Koizumi agreed enthusiastically.

Comment

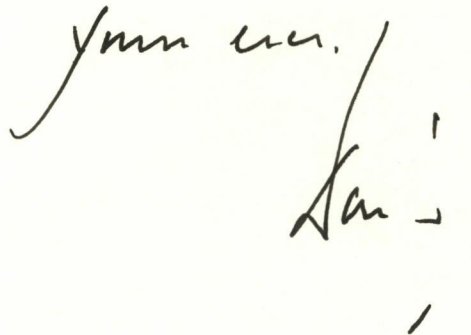
This was a good and warm exchange. Koizumi spoke frequently of his admiration for the role that the Prime Minister and the UK were playing in international affairs. The Prime Minister was equally warm in his tribute to Koizumi's efforts to ensure Japanese engagement; and in his support for a strong partnership between the UK and Japan. In this connection, I should be grateful if you could consult John Scarlett and the Heads of the Agencies on ways of following up the Prime Minister's wish that we should strengthen our intelligence dialogue with Tokyo.

Koizumi's nervousness about differences between Japan and the US over Iran was striking. If it is not already in hand, it might be worth arranging early expert level consultations with Tokyo over Iran policy. We should also find

ways of engaging with the Japanese about how they can best contribute in Iraq, once the Diet has given its agreement to SDF deployment (I have spoken to Stephen Gomersall about this who will pursue).

The Prime Minister has been strengthened in his view that Koizumi is an exceptional Japanese leader whose domestic reforms and foreign policy make him a partner of choice.

I am giving this letter a very restricted circulation. Copies go to Peter Watkins (MoD), Sir Andrew Turnbull, John Scarlett and Desmond Bowen (Cabinet Office), Sir Michael Jay, 'C', Sir Stephen Gomersall (Tokyo), Tony Brenton (Washington) and Jonathan Powell.

A handwritten signature in dark ink, appearing to read 'David Manning', with a long, sweeping horizontal stroke extending to the left.

DAVID MANNING

Geoffrey Adams
FCO

CONFIDENTIAL

10 DOWNING STREET
LONDON SW1A 2AASUBJECT
Jag - Att.
Filed:P. de
cc JP
OS
LW
M.
JH

From the Private Secretary

19 July 2003

Jag Kava.

PRIME MINISTER'S MEETING WITH KOIZUMI: BILATERAL ISSUES

The Prime Minister met Prime Minister Junichiro Koizumi of Japan for talks and dinner today. For the discussion on bilateral issues Koizumi was accompanied by Mr Besho (Private Secretary), Mr Ueno (Deputy Cabinet Secretary), Mt Orita (Ambassador in London), and Mr Komatsu (DG European Affairs, MFA). Godric Smith, David Manning, Arnab Banerji, Stephen Gomersall and I were also present. David Manning is separately recording discussion on international issues.

Koizumi said that he welcomed the Prime Minister's announcement today that the UK would participate in **Expo 2005** in Aichi. Japanese business was also very pleased. Of all the issues this had been the most important for the Chairman of the Keidanren. The Prime Minister said that he had listened very carefully to Koizumi's arguments on this.

Koizumi said that the UK-Japan relationship was working well. He was pleased with the **joint statements on ICT, Science and Technology and on the Environment** and looked forward to taking these forward. We needed to combine environmental protection with economic development and the key to this was science and technology. The Prime Minister agreed. This was essential to persuading the US to take action on climate change. Science and technology were central to success under Kyoto and to achieving the much larger greenhouse gas reductions that were required. Koizumi said that Japan was the most advanced country for environmental protection technology. Within two years Japan would have the world's strictest car emissions regulations. Japan was concerned about illegal logging and was working to recycle building materials. The programme to make all Government cars low pollution vehicles by 2004 had helped to bring down costs. Koizumi said that Japan had progressed rapidly with broadband, which was now the cheapest in the world. This enabled specialists at a central clinic to diagnose distant patients, and allowed South East Asian students to study at Japanese universities.

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- 2 -

Koizumi said that Japan wanted to learn from the UK as a destination country for tourism. His goal was to double the number of incoming tourists from five million now to ten million by 2010. The campaign would be targeted in Asia on China and in Europe on the UK. Stephen said that this meant that the UK should have more slots at Narita Airport. Koizumi said the intention was to expand capacity at Haneda.

Koizumi said that he wanted UK-Japan investment co-operation to be both inwards and outwards. He understood that Japanese business had today expressed its strong interest in the decision on the Euro. The Prime Minister said that there was now a clear path to joining the Euro. We had to get the timing right and ensure there was sufficient convergence between the UK and the Euro zone. Koizumi said that he understood resistance in the UK to abandoning such a renowned currency as Sterling. He suggested that it would have been easier for a Conservative leader to introduce the Euro. The Prime Minister said that this seemed unlikely based on current policies.

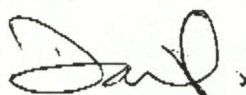
David said that we wanted to register our interest in the forthcoming decision on Japan's CX military transport aircraft. We hoped that Japan would look seriously at the **Rolls Royce Trent engine**. The Prime Minister said this was important to him personally.

Comment

We need to ensure that the three agreements are followed up. I should be grateful for an update on implementation by the end of this year. On tourism I know that we have been active, but Koizumi is still being briefed to ask for collaboration with the UK. I should be grateful if DCMS, with VisitUK, could ensure that we continue to take a pro-active approach to collaboration and if the FCO could ensure that this registers with the Japanese.

This is copied to Peter Watkins (MOD), Erica Zimmer (DTI), Gavin Ross (DEFRA), Hugh Ind (DCMS), Desmond Bowen and John Scarlet (Cabinet Office), PS 'C', Sir Jeremy Greenstock (New York), Sir Nigel Sheinwald (UK Rep Brussels), Tony Brenton (Washington) and Sir Stephen Gomersall (Tokyo).

Yours ever,



DAVID HALLAM

Kara Owen, FCO

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10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

16 July 2003

Dear Patricia,

Earlier this year I agreed with Jack's recommendation that we should not provide public money to finance a UK presence at Expo 2005. My main reason was the lack of support from Government or business for an expensive UK pavilion. As Jack explained, the cost of participating, which was estimated at £13.5 million, probably outweighed the benefits.

Since that initial decision the parameters have changed. The FCO and DTI have done an excellent job in identifying about £1.9 million in private sector funding. It has been suggested that a credible UK presence at Expo could be worked up for around £3-4 million. I understand that there are hints that a Government contribution could lever in additional private sector finance. Some UK businesses and institutions are now arguing that the UK will suffer economically if we do not participate. And the Japanese Government, rather than accepting the decision, has intensified its lobbying campaign. Prime Minister Koizumi made his views clear when I met him in April. He will do so again when I meet him later this week. Hiroshi Okuda, the Chairman of the Keidanren (Japanese CBI) and also of Toyota Motor Corporation - who are based in Aichi - lobbied me about Expo last week.

It is hard to quantify the benefits of participating in Expo or the costs of not participating. But there will clearly be a diplomatic cost with one of our main international partners if we are not at Aichi. And there is also a risk that future decisions on inward investment to the UK will be coloured. The cost to the taxpayer and to the UK if we lost one major investment would dwarf the cost of participating in Aichi.

I know that there are concerns with this type of project about cost overruns, but perhaps these could be mitigated by setting up an organisation to run the UK presence on behalf of the Government and business or by contracting a reputable firm to deliver it.

I am therefore asking you and Jack to look within your existing resources to find funds to match the private sector contributions. Given that the cost will be spread over the best part of three years I feel sure this will be possible.

I am writing in similar terms to Jack and sending a copy of this letter to Gordon.

Yours ever,
Tom

The Rt Hon Patricia Hewitt MP



10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

16 July 2003

Dear Tack,

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I am therefore asking you and Patricia to look within your existing resources to find funds to match the private sector contributions. Given that the cost will be spread over the best part of three years I feel sure this will be possible.

I am writing in similar terms to Patricia and sending a copy of this letter to Gordon.

Yours ever,
Tony

The Rt Hon Jack Straw MP

NEC

HAJIME SASAKI
Chairman of the Board

Prime Minister Tony Blair
10 Downing Street
London
SW1A 2AA
United Kingdom

Excellency,

I would like to express what a great honour it was for me to have the opportunity to meet with you again on July 8th as one of the members of the Japan Business Federation (Nippon Keidanren) Mission to the United Kingdom.

Your insightful remarks allowed me to deepen my understanding of the current political and economic situation of Europe and the U.K., as well as the relationship between the UK and Japan.

As I was honoured to inform you at the meeting, our company, NEC Corporation, has been sponsoring the Edinburgh Festival for more than 10 years. NEC will be a sponsor again this year. In addition, NEC, through its core business, is contributing to the nationwide 3rd generation mobile communication services in the U.K. by providing its systems and handsets.

I truly wish that the relationship between the UK and Japan will broaden and deepen under your leadership, and that NEC will be able to contribute to its strengthening through our business activities.

Yours sincerely,

Hajime Sasaki

Hajime Sasaki
Co-Chairman, Committee on Europe
Japan Business Federation
Chairman of the Board
NEC Corporation

NEC Corporation
7-1, Shiba 5-chome, Minato-ku, Tokyo 108-8001, Japan
Tel. 03-3454-1111

15 July, 2003



1) Bae d/b
2) OJW see
cc DIT p/-
3) DCU for desk.

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From: David Hallam

Date: 7 July 2003

PRIME MINISTER

**cc: Jonathan Powell
David Manning
Jeremy Heywood
Oliver Jones
Geoffrey Norris
Joanne Key
Roger Liddle**

JAPANESE CBI VISIT: AICHI EXPO 2005

Earlier this year you agreed with Jack Straw's recommendation that we should not provide £15 million public money to finance a UK pavilion at Expo 2005 on the basis that HMG and UK business both think that Expos are a waste of money.

Since then, FCO and DTI have been working to drum up private sector funding for a UK presence. UK companies have offered to contribute about £1.9 million to a small UK presence costing £3-4 million. Businesses are now arguing that the government should chip in, and hinting this might lever in more private sector funds.

Meanwhile, Japanese lobbying has increased. **Hiroshi Okuda, the President of the Keidanren (Japanese CBI), whom you will meet tomorrow at 16:30, will try to get two minutes to raise this privately with you.** I am sure the issue will remain live during your visit to Japan later this month.

I asked FCO and DTI to look again at this, on the basis that estimated costs are lower now and we have CBI/business lobbying for a UK presence. They acknowledge that there could be negative commercial and diplomatic

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consequences of not supporting Expo, but remain of the view that those consequences are outweighed by the cost. Finding an HMG contribution would mean diverting funding from higher PSA priorities. And they are concerned that costs will escalate to more like £7 million and they will have to pick up the tab.

I think the decision is much finer than before. A £1 million HMG contribution, spread over the best part of 3 years, and if successful in leveraging a UK pavilion, would save a lot of pain. Risks of cost over-runs could be mitigated by setting up a company to run the UK presence on behalf of HMG and business, and by contracting a reputable firm to deliver it. The downside, apart from the cost, is that we will face the same pain on the next Expo.

Are you willing to overrule Patricia and Jack and ask DTI/FCO to find the money?

A handwritten signature in black ink, appearing to read 'David Hallam', with a stylized, cursive script.

DAVID HALLAM

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Foreign &
Commonwealth
Office

London SW1A 2AH

7 July 2003

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cc JP
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Dear David,

Japan: Aichi Expo 2005

Thank you for your letter of 24 June.

It remains the firm view in the FCO and the DTI that Expos hold little commercial, political or public diplomacy value. Aichi is not a foreign policy priority. A UK presence there will not support FCO or British trade International's objectives, or PSAs, and is as such an uncompetitive claim on the resources of either Department.

The Prime Minister agreed in January this year, on the Foreign Secretary's advice, that HMG should not use public money to fund a UK presence at the Aichi Expo. You are right to point out that the question we now face is different from that we looked at in January. We estimated, then, guided by experience of previous Expos, and looking at what others were likely to spend, that this would cost around £11-13m. The proposition now is whether it is worth committing a smaller sum to support a limited but adequate private sector-led UK presence. Following efforts by BTI to secure private sector funding, some companies (Inchcape, Shell, BNFL, HSBC, GKN, Toyota UK) have offered to contribute a total of about £1.9m, with a view to delivering a much smaller UK presence than we originally looked at, costing about £3-4 m. Two of them (Shell and BNFL) have hinted they would increase their offers if HMG made a "matching" commitment.

On behalf of these companies, and in his capacity as Chairman of Inchcape, the CBI President, Sir John Egan has written to the Prime Minister that the UK's participation in Aichi would "undoubtedly benefit UK/Japan trade and investment flows and support employment in the UK". Conversely, he believed "the UK's reputation as a trusted long-term friend and business ally of Japan" would be affected by non-participation. Whether or not we agree with these propositions, some heavy hitters in British industry have made clear they take them seriously enough to dig into their own pockets, and believe the Government would not be helpful to their interests by declining to support British participation.

On the Japanese industry side, Hiroshi Okuda, the President of the Keidanren (the Japanese CBI) is likely to raise Aichi with the Prime Minister when he calls at No

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10 on 8 July. He will also call on Mrs Hewitt. And if we stick to our decision not to commit public funds, we can be sure the issue will be live during the Prime Minister's imminent visit to Japan.

Some estimates suggest that £3m would cover the barest minimum acceptable presence. The Japanese have been keen to encourage a belief that we can do so for comparatively little cost. But costs are highly likely to overrun, as they have in the past; an informed DTI estimate puts the figure closer to £7 million. Without a public funds contribution, the private sector initiative will probably fall short of what is needed to fund an adequate project, and there would in consequence be no UK presence at Aichi.

So we need to look at the possible consequences of non-participation. This is far from an exact science. British Trade International officials argue that Japanese pressures are manageable, that inward investment decisions will continue to be made on commercial grounds, that there may be some broad political downside to non-participation, but that the breadth and strength of our relationship with Japan will help us manage this too.

The intensity of Japanese reaction to the possibility that we might stay away suggests things may not be so simple. We hoped and believed the Japanese would choose to digest our decision, and comfort themselves with the thoughts that lots of other countries would show up, and Aichi would be a great success without us. But they haven't. Instead, they have chosen to persist in telling us how important to them our presence is. The level and intensity of the remonstrations has increased. Senior figures in government and industry have personally appealed to us. This in turn is likely to intensify and personalise the sense of rebuff and rejection if we are not at Aichi. We should not underestimate the role which sentiment may play in Japanese decision making, nor entirely dismiss the risk that this may at some stage impact on an investment decision.

HMA Tokyo believes that given the clear message that the Japanese attach importance to a British presence, and the changed attitude of British companies, the risks of sending a negative signal to Japanese political and business circles by our non-participation would be greatly disproportionate to the amount of money involved. He believes that a perception that HMG is unsupportive will be bound to colour decisions on future investments and on political decisions of interest to us.

On this broader front, it is impossible precisely to quantify the goodwill from participation – or the ill-will from non-participation. But Japanese sorrow or anger might show itself in various ways. We could see weakened Japanese Government appetite for co-operative initiatives with us over a range of areas. For example, we have already seen some linkage being made between our Aichi decision and progress on an Environment Agreement we are working up for the Prime Minister's visit in July. Non-participation would dampen Japanese corporate goodwill, and diminish

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Japanese companies' willingness to promote UK/Japanese activities with financial support. Some major companies might not so readily as before see the UK as their preferred business partner in Europe. We would find it harder to persuade the Japanese to support some of our own high-profile initiatives (for example the 2012 Olympic bid).

Much of the British lobbying for UK participation has essentially argued that - notwithstanding the view that Expos are a waste of money and the blowback from Japan is digestible - £1m is nevertheless a reasonable insurance premium against negative consequences which we cannot precisely measure.

Put this way, it might be tempting to agree with this argument. But we should remember two things: first, as pointed out above, a £1 million contribution may well not be even nearly enough, and is likely to be seen as a signal of our readiness to underwrite a UK input, however much it ends up costing. Second, neither the FCO nor DTI has the resources available to make a £1 million contribution. If the money had to be found from existing resources, this would inevitably be done at the expense of programmes intrinsically of more value to us than Aichi, and more relevant to both FCO and DTI PSAs.

I am copying this letter to Erica Zimmer (DRI) and Gavin Ross (DEFRA).

A handwritten signature in dark ink, appearing to read 'Kara Owen'.

(Kara Owen)
Private Secretary

David Hallam Esq
10 Downing Street

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JPo

7 July 2003

David Huller
cc: algon

Sir Michael Jay
Foreign & Commonwealth Office
Downing Street West
London SW1A 2AL

✓

Dear Sir Michael

Re: HMG participation in Aichi Expo 2005

I am aware that there is debate within HMG on the merits of funding UK participation in the 2005 Expo to be held in Aichi, Japan. I am also aware that the debate is not helped by the difficulty in quantifying the benefits of participation and the costs of not doing so.

I am writing this to set out my concerns about one potential example of concrete damage which non-participation might bring on Imperial College's efforts to promote inward investment into the UK science base.

We have been in discussion for some time with the Mitsubishi Corporation on a possible investment by them into the London Centre for Nanotechnology (LCN) – a joint venture in nanotechnology research and development between Imperial College and University College.

I recently hosted a dinner at Imperial College at the end of a day's presentations by each side and fruitful discussions. Our three most senior Japanese guests – a main board Director of the Mitsubishi Corporation from Tokyo, the CEO of Mitsubishi Europe and the Deputy Ambassador of Japan – spoke after dinner and all three devoted more of their addresses to the need for the UK to participate in the Aichi Expo than they did to the development of nanotechnology links. Indeed the CEO of Mitsubishi Europe, speaking of the Aichi Expo, expressed the view that "there are sometimes things we must do even in the absence of a solid economic justification. We do them for our friends".

On his return to Tokyo, the main board Director leading the Mitsubishi team sent an email of thanks which noted that he had visited France and Germany on this trip in addition to the UK and then went on to write: "I believe it is of great importance for the UK to be present at Aichi Expo".

I am concerned at the possibility that a decision on a significant investment by Mitsubishi in an important area of the UK science base may have as one of its assessment points the decision by HMG on whether or not to participate in Expo 2005 in Japan.

This concern should be seen in the context of aggravating a deteriorating environment for Japanese life sciences investment in the UK. A recent edition of pharmaceutical newspaper SCRIP (2 Jul) reported Japanese pharmaceutical companies saying " there is a risk that ongoing [Japanese] investment in the UK will be lost to other European countries unless the issue of animal rights extremists is confronted by the UK Government".

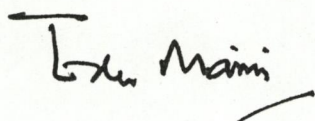
They do not need many more provocations.

The intensity with which the Japanese diplomatic and business communities are lobbying their contacts in the UK over Aichi is unprecedented and I urge you to pay heed to it and to the growing alarm of the relevant people "at the coalface" on the UK side.

You will be aware that we at Imperial College have formulated an outline proposal (copied to you) for a UK presence at Expo 2005 to be focussed on Sustainable Energy – a topic which fits well with the theme of the Aichi Expo and would enable UK to showcase world-leading R&D in a range of important developing technologies, promoting inward investment.

I believe that proposal addresses both UK and Japanese objectives for participation in Aichi Expo 2005 and would serve to take the sting out of a potentially serious relationship problem at relatively little cost to HMG.

Yours sincerely,



CC: Mr Jonathan Powell

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file

From: David Hallam

Date: 7 July 2003

PRIME MINISTER

cc: Jonathan Powell
David Manning
Jeremy Heywood
Oliver Jones
Geoffrey Norris
Joanne Key
Roger Liddle

JAPANESE CBI VISIT: AICHI EXPO 2005

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- 2 -

consequences of not supporting Expo, but remain of the view that those consequences are outweighed by the cost. Finding an HMG contribution would mean diverting funding from higher PSA priorities. And they are concerned that costs will escalate to more like £7 million and they will have to pick up the tab.

I think the decision is much finer than before. A £1 million HMG contribution, spread over the best part of 3 years, and if successful in leveraging a UK pavilion, would save a lot of pain. Risks of cost over-runs could be mitigated by setting up a company to run the UK presence on behalf of HMG and business, and by contracting a reputable firm to deliver it. The downside, apart from the cost, is that we will face the same pain on the next Expo.

Are you willing to overrule Patricia and Jack and ask DTI/FCO to find the money?

A handwritten signature in black ink, appearing to read 'D Hallam', with a stylized, cursive script.

DAVID HALLAM

CONFIDENTIAL

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Foreign &
Commonwealth
Office

London SW1A 2AH

7 July 2003

File
DFH
cc. JP
01/8
Van

Dear David,

Japan: Aichi Expo 2005

Thank you for your letter of 24 June.

It remains the firm view in the FCO and the DTI that Expos hold little commercial, political or public diplomacy value. Aichi is not a foreign policy priority. A UK presence there will not support FCO or British trade International's objectives, or PSAs, and is as such an uncompetitive claim on the resources of either Department.

The Prime Minister agreed in January this year, on the Foreign Secretary's advice, that HMG should not use public money to fund a UK presence at the Aichi Expo. You are right to point out that the question we now face is different from that we looked at in January. We estimated, then, guided by experience of previous Expos, and looking at what others were likely to spend, that this would cost around £11-13m. The proposition now is whether it is worth committing a smaller sum to support a limited but adequate private sector-led UK presence. Following efforts by BTI to secure private sector funding, some companies (Inchcape, Shell, BNFL, HSBC, GKN, Toyota UK) have offered to contribute a total of about £1.9m, with a view to delivering a much smaller UK presence than we originally looked at, costing about £3-4 m. Two of them (Shell and BNFL) have hinted they would increase their offers if HMG made a "matching" commitment.

On behalf of these companies, and in his capacity as Chairman of Inchcape, the CBI President, Sir John Egan has written to the Prime Minister that the UK's participation in Aichi would "undoubtedly benefit UK/Japan trade and investment flows and support employment in the UK". Conversely, he believed "the UK's reputation as a trusted long-term friend and business ally of Japan" would be affected by non-participation. Whether or not we agree with these propositions, some heavy hitters in British industry have made clear they take them seriously enough to dig into their own pockets, and believe the Government would not be helpful to their interests by declining to support British participation.

On the Japanese industry side, Hiroshi Okuda, the President of the Keidanren (the Japanese CBI) is likely to raise Aichi with the Prime Minister when he calls at No

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10 on 8 July. He will also call on Mrs Hewitt. And if we stick to our decision not to commit public funds, we can be sure the issue will be live during the Prime Minister's imminent visit to Japan.

Some estimates suggest that £3m would cover the barest minimum acceptable presence. The Japanese have been keen to encourage a belief that we can do so for comparatively little cost. But costs are highly likely to overrun, as they have in the past; an informed DTI estimate puts the figure closer to £7 million. Without a public funds contribution, the private sector initiative will probably fall short of what is needed to fund an adequate project, and there would in consequence be no UK presence at Aichi.

So we need to look at the possible consequences of non-participation. This is far from an exact science. British Trade International officials argue that Japanese pressures are manageable, that inward investment decisions will continue to be made on commercial grounds, that there may be some broad political downside to non-participation, but that the breadth and strength of our relationship with Japan will help us manage this too.

The intensity of Japanese reaction to the possibility that we might stay away suggests things may not be so simple. We hoped and believed the Japanese would choose to digest our decision, and comfort themselves with the thoughts that lots of other countries would show up, and Aichi would be a great success without us. But they haven't. Instead, they have chosen to persist in telling us how important to them our presence is. The level and intensity of the remonstrations has increased. Senior figures in government and industry have personally appealed to us. This in turn is likely to intensify and personalise the sense of rebuff and rejection if we are not at Aichi. We should not underestimate the role which sentiment may play in Japanese decision making, nor entirely dismiss the risk that this may at some stage impact on an investment decision.

HMA Tokyo believes that given the clear message that the Japanese attach importance to a British presence, and the changed attitude of British companies, the risks of sending a negative signal to Japanese political and business circles by our non-participation would be greatly disproportionate to the amount of money involved. He believes that a perception that HMG is unsupportive will be bound to colour decisions on future investments and on political decisions of interest to us.

On this broader front, it is impossible precisely to quantify the goodwill from participation – or the ill-will from non-participation. But Japanese sorrow or anger might show itself in various ways. We could see weakened Japanese Government appetite for co-operative initiatives with us over a range of areas. For example, we have already seen some linkage being made between our Aichi decision and progress on an Environment Agreement we are working up for the Prime Minister's visit in July. Non-participation would dampen Japanese corporate goodwill, and diminish

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Japanese companies' willingness to promote UK/Japanese activities with financial support. Some major companies might not so readily as before see the UK as their preferred business partner in Europe. We would find it harder to persuade the Japanese to support some of our own high-profile initiatives (for example the 2012 Olympic bid).

Much of the British lobbying for UK participation has essentially argued that - notwithstanding the view that Expos are a waste of money and the blowback from Japan is digestible - £1m is nevertheless a reasonable insurance premium against negative consequences which we cannot precisely measure.

Put this way, it might be tempting to agree with this argument. But we should remember two things: first, as pointed out above, a £1 million contribution may well not be even nearly enough, and is likely to be seen as a signal of our readiness to underwrite a UK input, however much it ends up costing. Second, neither the FCO nor DTI has the resources available to make a £1 million contribution. If the money had to be found from existing resources, this would inevitably be done at the expense of programmes intrinsically of more value to us than Aichi, and more relevant to both FCO and DTI PSAs.

I am copying this letter to Erica Zimmer (DRI) and Gavin Ross (DEFRA).

A handwritten signature in blue ink, appearing to read 'Kara Owen'.

(Kara Owen)
Private Secretary

David Hallam Esq
10 Downing Street

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Japan file

DDO

pl fax to Simon Smith, FCO,
my email refers.

FAXED

D. Hall 13/6

Cost for British participation in the Aichi Expo

12 June 2003

1. Estimates of the cost

- (1) by the UK : 4 – 5 million pounds
- (2) by Japan Association for the Expo: 2.5 million pounds

2. Financial support from companies

- GKN: 0.5 million pounds
- Shell: 0.25 million pounds
- BNFL: 0.25 million pounds
- Inchcape: 0.25 million pounds
- TMUK, TGB, TFSUK (Toyota firms): 0.5 million pounds
- Toyoda Gosei UK Ltd: 5,000 pounds
- Toyoda-Koki Automotive UK Ltd: 2,500 pounds
- HSBC in Tokyo: 0.15 million pounds

↓

TOTAL : 1,907,500 pounds

Expos in the Past

12 June 2003

(pounds)

	(A) Total cost	(B)Support from companies	(B) / (A)
Seville Expo (1992)	About 25 million	About 6.5 million	26 %
Lisbon Expo (1998)	About 10 million	About 1 million	10 %
Hanover Expo (2000)	About 7.5 million	About 0.25 million	3.3 %
Aichi Expo (2005)		About 1.9 million	

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PRIME MINISTER

From: Oly Jones
Date: 3 July 2003

cc: Jonathan Powell Jeremy Heywood
Geoffrey Norris David Hallam
David Manning Arnab Banerji
John Shield Alastair Campbell

MEETING WITH THE NIPPON KEIDANREN, TUESDAY

You are meeting the Nippon Keidanren (the Japanese CBI) on Tuesday.

The group is led by Hiroshi Okuda, the head of Toyota. The central purpose is to maintain strong relations with key current and potential inward investors, and reaffirm the UK's excellent relations with Japan. But in particular we have three key objectives:

- Set out our position on the Euro
- Highlight the UK's major ongoing attractiveness to investor - language, openness, flexible labour market, the City
- Encourage the Keidanren, who are strong supporters of liberalisation, to continue to press Koizumi to make the Doha Round a success

Okuda will lead for their side: the agenda is informal but they have asked to cover the Japanese economy; the Euro; and UK-Japan bilateral relations. The Japanese ambassador here, Masaki Orita, and Patricia Hewitt will both attend, plus an interpreter. There will be (Japanese) cameras at the start.

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Investment

The 'stock' of Japanese investment in the UK is around £11billion. We currently host more than 1,000 Japanese companies, including more than 250 manufacturing operations, more than 160 R&D operations, and this trend continues: 49 new investments in 2002/03. We get 40% of all Japanese investment into EU.

As with most countries, new investment is increasingly going to low cost bases in the Far East and the accession countries in Central Europe, and existing manufacturers are switching component procurement to the Eurozone.

That said, although the UK has lost some Japanese manufacturing projects recently, the volume of Japanese automobile assembly in the UK has increased, and several major electronics manufacturers seem willing to reinvest in high value-added production here. In many ways (openness, flexible labour market, City, language), the UK still remains attractive to Japanese companies - we should stress this.

We also shouldn't forget that the UK invests in Japan. UK companies invested £2.4 billion in Japan between 1995-2001 and nearly 400 UK companies are now operating there, including HMV, Virgin, Tesco - and Vodafone is the single largest foreign investor in Japan. But FDI is below the level you would expect for a major economy like Japan's: British companies still find investing in Japan a challenge. It would be worth saying that we are keen to work with Japanese government and companies to help more UK companies set up in Japan - to the benefits of UK firms and the Japanese economy.

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- 3 -

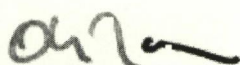
Doha

Japan, the EU, the US & Canada badly need to show leadership. The Keidanren is a strong proponent of trade liberalisation and are a useful source of influence over the Japanese government, who have not shown as much engagement in the Doha round as we would like, because their negotiating position is hamstrung by an entrenched position on agriculture (they have serious domestic difficulties around rice farming). We should – carefully - encourage the Keidanren to use their leverage to get the Japanese to make progress: Japan has a lot to gain from a successful Round and much to lose if it fails, and it is vital that progress is made on agriculture liberalisation. You might ask the Keidanren about the prospects for Cancun and their analysis of the Japanese position.

Animal rights

You might be asked about the problem of UK animal rights protesters targeting Japanese companies. This is a growing problem and David Sainsbury has been heavily involved in assuring the Japanese about how seriously we take the issue, and as you know we have been very active in tackling criminal actions by animal rights extremists.

One pager on the three key topics are overleaf, plus a cast list.



OLY JONES

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Topic 1: Japan's Economy

- Although growing, **the Japanese economy remains weak**, unemployment is at record levels, and deflationary pressures continue. Growth is constrained by the legacy of the bursting 1980s asset bubble: high debt burdens, overcapacity and low profitability in key industries, fragile banks, growing competition from China, and a lack of consumer confidence.
- On taking power in April 2001, PM Koizumi promised an ambitious programme of **economic reform**, but progress has been slow, held up by vested interests, the strongest of which are in Koizumi's own party, the LDP.
- Economic reform in Japan **is important to the UK** – Japan's weak economy exacerbates global imbalances increasing risks to global growth. And the fragile banking system poses risks for international financial stability should a large bank unexpectedly collapse. These risks are low probability, but the probability grows the longer they are not tackled, and if they occurred, the impact would be large.
- **The most critical area for reform is the financial sector.** Weak banks slow economic restructuring and reduce the effectiveness of monetary policy. In May, tighter audit rules provoked a government bailout of Resona, Japan's fifth largest bank. The bailout went smoothly and other banks may be bailed out in the coming months. Bailouts give the government greater control over the banks' management, enabling them to accelerate corporate restructuring. But many fear the government will not force change, and reform will be delayed again at the taxpayers expense.

Topic 2: Japan and the Euro

- **The overwhelming investor view remains in favour of early EMU entry.**

Major companies like Nissan, Sony, and Komatsu have expressed the view that **they would rather the UK was in the Euro than out**, but all accept that entry is a matter for the government and people of the UK.

Whilst there is widespread understanding of the need to maintain macroeconomic stability, there was disappointment that the review of the five tests did not conclude that the time was right to join the euro.

The Keidanren, together with the HMT/Invest UK, hosted a roadshow in Tokyo on 19-23 June - to explain the Government's 9th June Euro decision. The roadshow was warmly welcomed the swiftness of the visit and the depth of economic analysis. Consistent themes from the Japanese business community were:

1. **If not now - when?** Process, timing, review points.
2. Acknowledgement of steps to be taken to foster convergence. **But isn't the UK really waiting for the eurozone to converge with the UK**, with its more flexible economy?
3. **A growing understanding that the removal of currency risk by EMU creates other risks** (potentially increased output and inflation volatility). But Japanese manufacturers continue to see the unpredictability and scale of currency risk as more undesirable than those risks, which might replace it.
4. **A strong commitment to find ways of continuing their businesses in the UK in spite of the currency issue.**
5. However, **the delegation includes companies who have closed or downsized UK operations, for reasons unconnected with the Euro.** In particular, NEC closed their semiconductor plant in Livingston in response to global overcapacity in the sector.

Topic 3: **UK/Japan Bilateral Relations**

Bilateral relations between the UK and Japan are largely problem-free and contacts operate at all levels.

The Japanese have been steadfast supporters of the coalition on Iraq and are looking to provide some troops and air support (which requires new legislation – on track for mid-July). Japan was also a strong supporter on Afghanistan, where it is providing substantial financial support.

There are a few areas on which we have policy differences with the Japanese. The main difficulty at the moment is Expo 2005, which the Japanese are lobbying us to participate in heavily. However, we do not believe Expos meet any of our key objectives. But the situation is still fluid – Jack Straw may reconsider this weekend, in which case you will be able to hint at better news. On whaling, the Japanese are pushing to resume commercial whaling through the IWC – we oppose.

Key bilateral contacts:

Your forthcoming trip to Japan will include a Euro speech at a business reception. Your last visit was in 2000 for the G8 Okinawa summit, and 1998 for a full bilateral visit. You last met Koizumi at Evian and, before that, when he visited London in April.

Cast list

1. **Mr Hiroshi Okuda**: Chairman of the Nippon Keidanren. Also Chairman, Toyota Motor Corporation. Toyota have two manufacturing plants in the UK in Derbyshire and in Deeside, N Wales.
2. **Mr Minoru Makihara**: Chairman, Mitsubishi Corporation. Largest Japanese trading house. European HQ based in London and several major UK manufacturing investments in the UK.
3. **Mr Taizo Nishimuro**: Chairman, Toshiba Corporation. Manufacturing operation in Plymouth, R&D operations in Bristol and in Camberley.
4. **Mr Kenji Miyahara**: Chairman, Sumitomo Corporation. 4th largest trading house in Japan. European HQ in London, UK manufacturing interests.
5. **Mr Etsuhiko Shoyama**: President & Director, Hitachi, Ltd. European HQ in Maidenhead. Automotive component operation in Manchester, but closed TV plant in South Wales in 2001.
6. **Mr Norio Wada**: President, NTT, the largest telecommunications company in the world. European HQ in London.
7. **Mr Hajime Sasaki**: Chairman, NEC Corporation. In the past three years NEC has closed down its semiconductor plant in Livingston and sold off its mobile phones manufacturing operation in Telford. Its manufacturing presence is now limited to a small operation in Telford (50 people).
8. **Mr Masaharu Shibata**: Chairman & CEO, NGK Insulators, Ltd. Manufacturer of electrical insulators – only a sales office in the UK.
9. **Mr Keiichiro Takahara**: Chairman & CEO, Unicharm Corporation. Baby and feminine care products – but no investment in the UK.
10. **Mr Hiromasa Yonekura**: President, Sumitomo Chemical Co Ltd. Leading Japanese chemical company – only a sales office in the UK.

Member List
of
Nippon Keidanren Mission to Europe
(Italy, United Kingdom, Spain / July 6-13, 2003)

【Leader】

Hiroshi OKUDA

Chairman
Nippon Keidanren (Japan Business Federation)
Chairman of the Board
Toyota Motor Corporation

【Principals】

Minoru MAKIHARA
(Italy, United Kingdom)

Vice Chairman
Nippon Keidanren
Chairman of the Board of Directors
Mitsubishi Corporation

Taizo NISHIMURO

Vice Chairman
Nippon Keidanren
Chairman of the Board
Toshiba Corporation

Masaharu SHIBATA

Vice Chairman
Nippon Keidanren
Chairman & Chief Executive Officer
NGK Insulators, Ltd.

Kenji MIYAHARA
(Italy, United Kingdom)

Vice Chairman
Nippon Keidanren
Chairman
Sumitomo Corporation

Etsuhiko SHOYAMA
(United Kingdom)

Vice Chairman
Nippon Keidanren
President and Director
Hitachi, Ltd.

Norio WADA
(United Kingdom)

Vice Chairman
Nippon Keidanren
President
Nippon Telegraph and Telephone Corporation

Keiichiro TAKAHARA

Vice Chairman of the Board of Councillors
Nippon Keidanren
Founder, Chairman & CEO
Unicharm Corporation

Hajime SASAKI
(Italy, United Kingdom)

Co-Chairman, Committee on Europe
Nippon Keidanren
Chairman of the Board
NEC Corporation

Hiromasa YONEKURA
(United Kingdom, Spain)

Co-Chairman, Committee on Europe
Nippon Keidanren

President
Sumitomo Chemical Co., Ltd.

Ryukoh WADA

Director General
Nippon Keidanren

【Coordinator】

Hiroshi KADOTA

Director
International Economic Affairs Bureau
Nippon Keidanren

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Planning Department
Government & Industrial Affairs Division
Toyota Motor Corporation

Yukio NISHIKAWA

Project General Manager
Tokyo Secretarial Division
Toyota Motor Corporation

Kenichiro HIGUCHI

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Planning Department
Government & Industrial Affairs Division
Toyota Motor Corporation

Hidenori TAKEI

Executive Assistant to the chairman
Mitsubishi Corporation

Junichi INOUE

General Manager
Secretaries Office
Toshiba Corporation

Nobumitsu SAJI

Senior Staff
Corporate Strategy
NGK Insulators, Ltd.

Masahito TERAMOTO

Assistant to the Chairman
Sumitomo Corporation

Hiromitsu MOMOI


Manager, Secretarial Office
Secretary to the President
Hitachi, Ltd.

Toshiki NAKAYAMA

Executive Secretary to President
Nippon Telegraph and Telephone Corporation

Yuzuru YOSHIDA

General Manager
International Business Promotion Division
NEC Corporation

 Kimihisa FURUICHI

General Manger
Corporate Planning & Coordination Office
Sumitomo Chemical Co., Ltd.

【Secretariat】

Goro FUKUSHIMA

International Economic Affairs Bureau
Nippon Keidanren

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SIMUL International, Inc.

Atsuko MATSUMOTO
(United Kingdom)

SIMUL International, Inc.

Takako MURASE
(Spain)

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NHK

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KYODO NEWS

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JIJI PRESS

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Social Affairs Bureau
Nippon Keidanren

【Travel Agent staff】

Yukio NAGATANI

Nippon Express Co., Ltd.

Hitoshi NAKAHIRA

Nippon Express Co., Ltd.

* * * * *

0207 859 4044

⇒ DCU for your records

David H 22/4 168 477/03

cc: David H. Khan, No 10, by fax (4 pages)

W. Khan

David - reply from
Mr. Rannell to Mr. J. G. S. (4 pages)
~~Mr. Rannell to Mr. J. G. S.~~ for info.



Mr. Yamaudri.

22/9/03

10 DOWNING STREET
LONDON SW1A 2AA

David Khan. Letter

Letter and documents

by post 26/9 Oct.

Date: 19/10/03 + PC.

To: Mr. Khan

From: Lisa Wand

cc: PS/under Secretary

Dept: Mr. Khan

No.10 Direct Communications Unit

19/9

Cc: Margaret - BT

GTN 3580 Ext. 3248

REMEMBER IF YOU ARE RESPONSIBLE FOR A REPLY TO CO-ORDINATE WITH OTHER DEPARTMENTS.

Please deal with the enclosed correspondence as:-

- ☐ PM reply
- ☐ No. 10 PS reply
- ☐ Dept. SoS reply
- ☐ Dept. Minister reply
- ☐ Dept. PS reply
- ☐ Suitable reply

PLEASE ENSURE YOU CHECK THE BACKGROUND, IS IT APPROPRIATE FOR THE PM, ONE OF HIS PSs OR EVEN YOUR OWN MINISTER TO REPLY?

- ☐ Return draft by email to xgsicorres@no10.x.gsi.gov.uk or by disc, before
- ☐ We do not need to see reply

Special instructions:

- ☐ Advice
- ☐ Message
- ☐ Note date

Minister to update now

decision has been taken.

Thank you

W. Khan

JAN TAYLOR

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RECEIVED IN REGISTRY		
22 SEP 2003		
DESK OFFICER		REGISTRY
INDEX	PA	Action Taken

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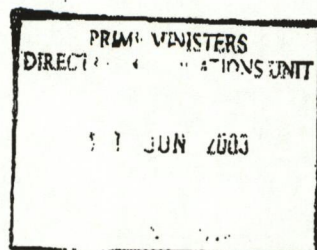


Inchcape plc
22a St. James's Square
London SW1Y 5LP
Telephone 020 7548 0022
Fax 020 7548 0010
www.inchcape.com

DETA
We should reply to this now the decision Aichi has been made. Please could you get a draft PS reply (to him) from me. David H 8/4

Sir John Egan
Chairman
9th June 2003

The Rt Hon Tony Blair
Prime Minister
10 Downing Street
London
SW1A 2AA



MR / FCO / DH
CESTI

Dear Tony

3/10/03
W.D.

Re: Expo 2005, Aichi, Japan

I am writing to you on behalf of a number of leading British companies (BNFL, GKN plc, Inchcape plc, Shell International Limited and Toyota Manufacturing UK Ltd), who have close business ties with Japan, to express our deep concern at the prospect that the United Kingdom (UK) may not participate in the World Exposition to be held in Aichi, Japan in 2005.

Although the UK is party to the inter-governmental agreement on International Exhibitions and has supported Aichi as the venue for Expo 2005, we understand that Her Majesty's Government (HMG) have indicated to the Japanese government that no public funds will be available to support UK participation, thereby putting the prospect of such participation in serious doubt.

This has greatly upset a number of prominent Japanese business leaders who are charged with ensuring the success of the event. They have made forceful representations to their British counterparts to emphasise how critically important UK participation will be to the success of Expo 2005 and how difficult it would be for them to accept the absence of such an important business partner as the UK. I understand that Prime Minister Koizumi has already raised this matter with you and may well have raised it again at the G8 summit at Evian?

The theme of Expo 2005 is the 'restoration of harmony between man and nature' and it provides an opportunity to demonstrate the commitment that the UK has in furthering the international environmental agenda as well as showing our support for the host nation.



Foreign &
Commonwealth
Office

London SW1A 2AH

From the Parliamentary Under Secretary of State

Sir John Egan
Chairman, Inchcape plc
President, CBI
22a St James's Square
London
SW1Y 5LP

28 July 2003

Dear Sir John,

Thank you for your letter of 9 June to the Prime Minister about UK participation in Aichi Expo 2005. I have been asked to reply on the Prime Minister's behalf, as minister responsible for the UK's relations with Japan.

As you will know, and I am pleased to confirm, the Prime Minister told Prime Minister Koizumi, when they met in Japan on 19 July, that there would indeed be a British presence at the Expo.

Companies, including your own, have so far pledged £1.9m to support a UK presence. This support is very encouraging. The Prime Minister's conclusion was that it was right that we should respond to this, and encourage future private sector support by making a commitment to match existing pledges of up to £2m from public funds. This decision has been warmly welcomed in Japan. It has been made very clear to us over recent months just how much value the Japanese attach to British participation in the Aichi Expo.

I hope that you will continue to take every opportunity to support the project, and use your position to encourage others to do so too. Thank you for your interest in the Expo, and in the UK's wider business interests with Japan.

Yours sincerely

Bill Rammell

02070082440

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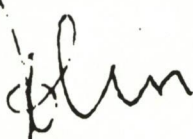
It is a nation-to-nation and government-to-government event and one in which commercial advertising is neither appropriate nor allowed. Hence it is very difficult to get UK private sector funding for UK participation, as has been suggested by HMG, as there is no direct commercial pay-back. Nevertheless the impact of non-participation on the UK's reputation as a trusted long-term friend and business ally of Japan should not be underestimated.

The UK is the recipient of significant inward investment from Japan and many British jobs depend on maintaining and reinforcing the close business ties between the two countries. It is for this reason, and despite the lack of any direct commercial pay-back, that the companies on whose behalf I am writing this letter have agreed between them to pledge £1.75 million towards the cost of a British pavilion and garden at Expo 2005.

This is still some way short of the c.£4.0 million estimated to be required to fund an appropriate UK participation and, although we are hopeful of raising some more private sector funds, success depends on HMG being prepared to meet at least half of the cost. With a matched funding commitment from HMG, I am confident that together we will be able to raise the c.£4.0 million required to participate at Expo 2005 and avoid any damage to the UK's business relationships with Japan.

A decision on UK participation at Expo 2005 is required, at the very latest, by the end of June 2003. I look forward to an early commitment by HMG to match the funding raised by the private sector (up to a total HMG contribution of c. £2.0 million), which is required to enable the UK to make a positive decision on Aichi. This will undoubtedly benefit UK/Japan trade and investment flows and support employment in the UK.

Yours faithfully,



Sir John Egan
Chairman, Inchcape plc
President, CBI

02070082440