



CMOD

10 DOWNING STREET

THE PRIME MINISTER

26 August 1982

Dear Admiral Lygo.

Thank you for your letter of 9 August 1982 drawing my attention to the difficulties which British industry faces when trying to sell its products in the Japanese market. This is of course a long-standing problem both for civil and military sales to which I shall be giving attention during my visit in September. I do however appreciate that the difficulties are greater in the market for defence equipment than elsewhere, because of Japan's ambitions for self-sufficiency in arms production, and her need to establish an indigenous Research and Development base rather than increase her reliance on imported technology. The TANSAM missile system is a case in point but I hope that we shall soon see a more flexible approach from the Japanese and increased opportunities for British industry in the defence equipment field.

I share your hopes for the signature of the contracts for Project 051 in China. If successful it will be a milestone in our relations with China, and a great opportunity to establish a firm foothold in this market before our competitors. I look forward to the conclusion of a project

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on which British Aerospace and Vosper Thornycroft have worked so hard and so long. I have asked to be kept informed of progress and advised on whether it would be possible to announce the contract during my visit if it has been signed by then.

Yours sincerely

Raymond Fletcher

Admiral Sir Raymond Lygo, KCB.