

DEPARTMENT OF STATE (A) - 7/18/88

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United States Department of State
Washington, D. C. 20520

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BRIEFING MEMORANDUM
S/S

TO: The Secretary

FROM: EAP - Gaston Sigur

SUBJECT: Scope Paper - Prime Minister Takeshita's Visit
January 12-15, 1988

I. WHERE DOES THE US-JAPAN RELATIONSHIP STAND?

- o Takeshita's first visit to the US as PM, two months since he took office.
- o Japan, under Nakasone, provided consistent backing for US global and regional objectives virtually across the board: supported US aims on arms control, SDI; increased contribution to self defense, security cooperation; joined us in wide-ranging policy consultations and coordination.
- o Japanese Government has begun to boost domestic economic growth; yen appreciation has led to economic adjustment. But generally structural reform has been slow to develop.
- o Important trade questions remain unresolved including high visibility disputes over access to Japanese market for US agricultural products and construction firms, and semiconductor market access.
- o Despite GOJ measures to strengthen Japan's strategic exports control system, resentment over Toshiba technology diversion lingers.
- o Japan's protectionist policies in high tech may disadvantage competitiveness of US firms.
- o Despite our trade problems, Nakasone was particularly effective in many areas of priority concern to us: solidifying Japan's place as an active member of Western democracies, pressing Japan's defense cooperation to outer limits of national consensus, and articulating need for fundamental changes in Japan's economy.

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o Takeshita:

has committed himself to Nakasone's foreign and economic policy agenda, and has indicated he views US-Japan relations as cornerstone of Japanese foreign policy. (1)

- o Moreover, Takeshita probably has better capability than Nakasone to deliver on any commitments he may make affecting key interest groups which support the LDP.
- o Successful management of US-Japan relations remains sine qua non for any Japanese PM. Takeshita knows he must demonstrate his success if he wants a second term.
- o At same time, USG must also manage relationship carefully to achieve our longer-term objectives of a peaceful Japan tied to the West.

II. WHAT DO WE WANT?

- o To set the agenda and tone for overall relationship with the Takeshita administration, emphasizing a cooperative approach as global partners, with Japan assuming responsibilities commensurate with its economic strength.
- o To build upon and add momentum to the basic goals we have pursued with the Nakasone government. Defense and foreign policy goals include:
 - Continued improvement in quality of Japan's defense capability. No new roles for Japan, but continued, even accelerated progress on fulfilling roles and missions already agreed -- defense of territorial land, skies and seas and the ability to patrol sea lanes of communication out to 1,000 nautical miles.
 - Increased Japanese financial support for US Forces-Japan and improved collaboration between US and Japanese forces.
 - Continued Japanese solidarity and support on arms control and key East-West issues.

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- Close consultation and support on relations with China, Korea, the Philippines and other key areas.
- GOJ political and material support for our presence in Persian Gulf.
- Increase in GOJ grant aid to Philippines.
- To have Japan continue to strengthen strategic trade controls, and play a more assertive role in COCOM.
- o To accelerate GOJ efforts to address the macroeconomic and structural factors that underpin the overall trade imbalances:
 - Maintain the stimulative fiscal policy adopted in 1987.
 - Implement structural economic reform to remove impediments to domestic growth and to expand imports.
 - Liberalize further Japan's high tech markets.
 - Recognize that exchange rate changes should be fully and rapidly passed through the price system.
- o To obtain Japanese commitments to address other economic issues through concrete steps in the following areas:
 - Expediently provide fair and equitable access for US firms to public works.
 - Participate actively in the Uruguay Trade Round including support for US agricultural objectives.
 - Channel more foreign assistance to regions of importance to the US, on softer terms, in support of policy reform strategies, and on an untied basis.
 - Reaffirm the importance of continued energy cooperation and trade.
 - Encourage continued efforts to internationalize and liberalize Japan's capital markets.

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- o To reaffirm our strong opposition to Japan's barriers to US agricultural exports:
 - (if raised) Remind the GOJ of their commitment to permit GATT adoption of the entire GATT 12 panel report in February.
 - Restate US understanding that the beef and citrus quotas will not be maintained beyond March 31.
- o To obtain access to Japanese research and new technologies equivalent to the access enjoyed by the Japanese here.

III. WHAT DO THEY WANT?

- o ~Strong US reaffirmation of closeness and importance we attach to US-Japan relations and of US intention to consult and collaborate with Japan on regional and global political and economic issues.
- o US recognition of the political sensitivity of agriculture and construction, and a US commitment to manage the related trade issues carefully.
- o USG assurance that it will follow through on reduction of the budget deficit and consult closely with the GOJ on exchange rate matters.
- o An orderly, USG coordinated approach to alleged COCOM violations, avoidance of disclosure of unconfirmed intelligence reports of violations.
- o US restraint in escalating trade issues either by turning to unilateral options, e.g., section 301 actions, or by going to the GATT.
- o Removal of the trade sanctions imposed in the semiconductor dispute.
- o US awareness of Japanese objections to various provisions in the trade bills.
- o Continued access to US defense technology, in particular the Aegis system, and participation in SDI research.
- o For Takeshita personally, USG acknowledgement that he is a world-class leader and a worthy counterpart of the President, and a convincing demonstration of a real Ron-Noboru relationship based on mutual respect.

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IV. WHAT CAN BE ACCOMPLISHED FROM THIS VISIT?

- o Underscore to PM Takeshita the importance we attach to US-Japan relations and our resolve to cooperate closely with his administration.
- o Set tone and agenda for US-Japan relations the last year of the Reagan administration and first year of the Takeshita administration.
- o Renew public awareness of broader dimensions of the US-Japan relationship.
- o Promote alliance solidarity:
 - Obtain commitment of greater Japanese contribution to host nation support of US Forces - Japan.
 - Japanese acceptance of an active and visible role at the COCOM High Level Meeting scheduled for early 1988.
 - Stronger support of the trade restrictions on Iran.
- o Takeshita commitment to open Japanese construction market, including public works, on a basis equal to that provided to Japanese firms in the US.
- o Demonstrate concretely that Japan's economic policy is commensurate with its economic strength:
 - Assurances that the JFY 88 budget will be at least as stimulative as the JFY 87 fiscal measures were intended to be.
 - Commitment to a detailed program of market-oriented reform of Japan's economy to remove structural features that artificially impede domestic growth, encourage exports and hinder imports.
 - Commitment to support expeditious and comprehensive movement on agricultural issues in the Uruguay Round in 1988.

Better GOJ understanding of importance to US of removal of Japan's barriers to our agricultural exports, especially the beef and citrus quotas.

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- o Agreement to a revised Science and Technology Agreement that, when concluded, will provide access for the US to Japan's S & T programs equivalent to that Japan enjoys in the US.
- o Affirmation of continuing energy cooperation along the lines of the 1983 Joint Policy Statement on Energy Cooperation, with new focus on concrete results.
- o Increased efforts to promote sales of semiconductors and other competitive US exports in Japan.
- o Affirmation of intent to conduct negotiations in 1988 to revise the bilateral aviation agreement.

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