

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20503

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~~WITH SECRET ATTACHMENT~~

January 13, 1983

MEMORANDUM FOR

Mr. Donald P. Gregg
Assistant to the Vice President
for National Security Affairs

[REDACTED]
Executive Secretary
Central Intelligence Agency

Mr. E. Paul Bremer, III
Executive Secretary
Department of State

Ms. Jackie Tillman
Executive Assistant to the
United States Representative
to the United Nations
Department of State

Mr. David Pickford
Executive Secretary
Department of the Treasury

Mr. Dennis Whitfield
Executive Assistant to the United
States Trade Representative

Lieutenant Colonel W. Richard Higgins
Assistant for Interagency Matters
Office of the Secretary of Defense

Colonel George A. Joulwan
Executive Assistant to the
Chairman
Joint Chiefs of Staff
The Pentagon

Ms. Helen Robbins
Executive Assistant to the Secretary
Department of Commerce

Dr. Alton Keel
Assoc Director for Natl
Security Affairs
Office of Management and
Budget

Mr. Raymond Lett
Executive Assistant to the Secretary
Department of Agriculture

Mr. William V. Vitale
Director, Office of Executive
Secretariat
Department of Energy

SUBJECT: NSC Meeting on the Nakasone Visit (2)

A National Security Council meeting has been scheduled for Friday, January 14, 10:45 a.m., in the Cabinet Room to discuss the Nakasone visit. The background paper is attached. (2)

Michael O. Wheeler
Michael O. Wheeler
Staff Secretary

Attachment

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Visit of Prime Minister Nakasone

Introduction

As U.S.-Japanese relations are central to peace and security in the Asia-Pacific region and Japan's status as the world's second largest free world economy makes it fundamental to global economic recovery, it is crucial that this first meeting between the President and Prime Minister Nakasone has a positive outcome. In the short period since Nakasone took office, he has announced initiatives affecting our bilateral relations in the trade and defense areas and has made a pro-U.S. posture the centerpiece of his foreign policy. (S)

Although we have a long way to go toward resolving increasingly serious bilateral disputes, particularly in the trade area, it is essential that we capitalize on these positive "first steps" to advance our economic, political and military objectives and forge a closer partnership with this critical ally. Failure to maintain this positive momentum would not only jeopardize U.S. objectives in these areas but would represent a major setback for the President's foreign policy. The latter development would, in part, manifest itself in portraying the Administration as unable to cope with Japan's uneven economic policies and, as a consequence, worsen our already serious unemployment situation. Our task will also be increasingly difficult given growing protectionist sentiment on Capitol Hill and more frequent charges in Congress of inadequate Japanese burden-sharing in defense. Finally, the inability to successfully resolve outstanding disputes in 1983 would also directly imperil Nakasone's political future because of the public emphasis he has placed on improving relations with the U.S. (S)

It is, therefore, necessary that we share within the Administration and with Japan the same conceptual overview and strategy for sustained improvement in our bilateral relations. This can be accomplished by using this first visit to favorably portray progress to date and clearly identify what remains to be done. A central objective of this visit should also be to reach agreement on a 1983 agenda of "benchmark" meetings to advance this urgent process, i.e. Secretary Shultz's visit to Japan later this month, Ambassador Brock's trip in February and a probable Presidential meeting with the Prime Minister on the periphery of the Williamsburg Summit. The agenda and strategies for these meetings in the first half of 1983 should be carefully coordinated to ensure substantial results emerging from the President's next meeting with the Prime Minister. (S)

Our approach to public affairs will be extremely important to the success of this visit and the management of the "1983 agenda." In this connection, speaking with one voice on the items discussed

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during the visit will be essential. We should avoid exciting any expectations that concrete accords are envisioned for this "first round" as well as highlighting disputes or engaging in admonitions. Rather, we should emphasize the clear and candid assessment which will take place of the serious challenges which face our countries and an agreement to continue to achieve measurable progress toward their successful resolution over an agenda of high-level meetings this year. This will require that each agency vigilantly adhere to common press themes and guidance. (S)

Setting

Charismatic, given to bold moves, Nakasone nevertheless lacks a secure base in Japanese politics. His LDP faction is one of the smallest. As his selection of Cabinet members confirms, he is heavily dependent on former Prime Ministers Tanaka and Suzuki for support.



On the U.S. side, the current protectionist sentiment domestically is fueled by unfair trade practices and a lack of market access abroad, as well as by unemployment and falling profits in key industries at home. In this context, Japan has become the most prominent symbol for American and Congressional frustrations over domestic economic problems and perceived inequities in the international trading system. This frustration will grow further next year. With a moderate economic recovery, the U.S. trade deficit is likely to reach a record level. This, coupled with high unemployment rates, will strengthen protectionist forces. Moreover, trade, specifically trade with Japan, has emerged as a central issue in the early stages of the 1984 Presidential campaign. (S)

Japan's Objectives

It is against this backdrop that Nakasone has decided to visit Washington sooner than has been usual for recent new Japanese Prime Ministers. His aim is to demonstrate that he has the ability to manage relations with the United States, including the ability to establish a personal relationship with the President.

Nakasone's objectives are to:

- gain political strength in Japan as a consequence of a successful visit to Washington; and

-- defuse U.S. diplomatic and political pressure on bilateral issues in the near term. Thus he must:

- o blunt protectionist sentiments in the U.S.;
- o obtain a public Presidential endorsement of free trade principles;
- o obtain U.S. recognition of his personal commitment to an improved Japanese self-defense capability, but also of politically dictated limitations on defense spending. (S)

U.S. Objectives

The Administration has to demonstrate effectiveness (i.e., results) in dealing with the growing domestic and international discontent with Japanese international economic and particularly trade policies. Therefore, we seek a clear political commitment by Nakasone to open Japanese markets. To accomplish this, we need the establishment of a strengthened and meaningful bilateral negotiating process, as well as specific Japanese concessions immediately that make the Nakasone commitment credible. At the same time, we seek through a successful visit, to enhance the stature of a Japanese Prime Minister who has given special emphasis to the U.S. relationship and demonstrated an initial ability and future potential to tackle difficult issues. (S)

U.S. actions taken to assure a successful visit will be well received by Nakasone, [REDACTED]


[REDACTED] On the other hand, too warm a U.S. welcome may mislead Nakasone into concluding that the politically costly steps taken in advance of the visit on trade and defense issues are sufficient to satisfy the U.S. at least over the next year. Since these steps broke little new ground on market access and defense spending issues, they are unlikely to have much impact on Washington. (S)

Knowing that he badly needs a successful visit for political reasons, Nakasone is susceptible to quiet, behind-the-scenes U.S. pressure to do more on outstanding trade problems than is presently contemplated. Accordingly, he is likely to respond to entreaties that the steps announced so far fall short of expectations. (S)

Japan's Strategy for the Visit

To promote realization of Japan's objectives, Nakasone has taken a number of steps in advance of the visit designed to soften American criticism of Japanese trade and defense policy:

- A new basket of tariff cuts was made public in December.
- The Japan Defense Agency has announced agreement on a 6.5 percent increase in defense spending.

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- Nakasone visited Seoul a few days ago and in a bold gesture solved the longstanding dispute between Japan and South Korea over a Japanese aid package.
 - The Japanese have announced strengthening of the trade Ombudsman, a review of import procedures and standards with a view toward possible legislative changes, and a possible increase in access to the cigarette market.
 - Nakasone has arranged to be interviewed by Dan Rather for CBS Evening News, in addition to other national media events. This is intended to demonstrate to the Japanese that he can appeal directly to Americans on their terms and in their language.
 - The Japanese are taking careful soundings of U.S. opinion to gauge the success of all these measures. They are likely to make last-minute adjustments if needed. (S)

U.S. Strategy for the Visit

The U.S. should review carefully the actions taken by Nakasone in advance of the visit. These actions will not meet all of our requirements, although they may constitute, along with the strong personality of the new Prime Minister, a credible basis for showing some progress in the relationship and for laying out a set of intentions and procedures to achieve further substantial progress on outstanding issues over the next 12-24 months. The U.S. approach to the visit, therefore, should seek to:

- achieve credible but not unrealistic results from this first visit;
- fold unfulfilled expectations into an agenda and process for negotiations reflecting new high-level commitment and control by the Prime Minister and the President. (S)

Credible Results

The GOJ announced tariff reductions in December and several non-tariff initiatives on January 13. The tariff reductions included two very sensitive items, cigarettes and chocolate confectionary, which demonstrated a willingness to take on

Japanese groups with significant political clout. The other tariff cuts will be helpful but do not offer any major market openings. Many items we had requested were not included at all. (S)

The recent Japanese actions on non-tariff barriers launches several initiatives which bear significant fruit in the months ahead but offer no immediate results. No U.S. industry will be pleased. Since the future results are unclear, these initiatives are unlikely to defuse the explosive political climate in the U.S. (S)

Publicly, we can commend the Japanese for undertaking some politically sensitive initiatives but indicate that the benefits will have to be evaluated in the months ahead as the specific changes are made. Again, the Japanese have moved in the right direction, but much more remains to be done. We must redouble our efforts in the months ahead. (S)

Future Agenda

The U.S. should seek some carefully worded commitments and a time schedule to deal with the major unfulfilled elements of the trade and defense issues. (S)

Prime Minister Nakasone should commit to a concrete negotiating process to transform verbal commitments into visible and tangible progress in both near and long term market liberalization. Just as Nakasone has committed his chief Cabinet Secretary to manage the review of import procedures and standards, he might also demonstrate his personal commitment to a new beginning in achieving concrete market liberalization results over the next few months. This reinvigorated bilateral dialogue should address the problem areas identified to date as well as any new concerns arising in the future. (S)

-- With regard to the security relationship and the Japanese defense program:

- We should express our satisfaction with the Nakasone Government's reformulation of policy on defense technology transfers, and we should explore further the implementing procedures to facilitate the flow of information.
- We should stress how important Japanese defense is to us.
- We should press the Nakasone Government for a commitment to undertake the improvements necessary to implement the agreed "division of labor" within a reasonable period of time.

- We should make clear our desire for detailed information on JDA plans and programs and for regular consultations on force objectives and time schedule for attaining them. (4)

To achieve agreement on these issues, the U.S. would consider the following responses:

- Joint statement reflecting special U.S.-Japanese responsibilities and partnership in achieving world recovery and improved international trade and financial cooperation. It will also reference our close coordination in advancing a common approach to East-West economic relations in a security context.
- Strong reaffirmation of President's opposition to anti-Japanese domestic trade legislation.
- The President will also agree to meet Nakasone in Washington prior to the Williamsburg Economic Summit.
- The U.S. will express its understanding of the political risk the Prime Minister has taken to increase the defense budget by 6.5 percent for the coming year. However, the U.S. will agree with the Prime Minister that this is still far short of the required increases if Japan is to attain her long-term self-defense goals by the end of this decade.
- The U.S. will reaffirm its commitment to the U.S.-Japan alliance which is critical to peace and stability in the Asia-Pacific region and, indeed, the world. (9)

Summary

The positive outcome that we envision for this first meeting does not mean glossing over the serious and urgent bilateral challenges we must confront over the course of 1983-84. It means successfully establishing a realistic framework and timetable for achieving concrete steps toward resolving these pressing disputes, particularly in the trade area, that could have the most adverse domestic political consequences for the President and our bilateral relationship. As stated in NSDD-62 on U.S.-Japan relations, the Assistant to the President for National Security Affairs is directed to ensure effective coordination among the agencies in accomplishing our economic, political and military objectives while avoiding the perception of insensitive treatment toward Japan. To advance this process, we would request that each NSC member or designate be prepared to discuss any outstanding issues that have not already been coordinated in an interagency context similar

to those agencies involved with trade issues under the guidance of STR. It would also be helpful if any remaining issues or objectives be submitted in the form of a one page memorandum to the Assistant to the President for National Security Affairs at the conclusion of the meeting. (S)