



8706927

United States Department of State

Washington, D. C. 20520

UNCLASSIFIED
'87 MAR 13 10:12

3
R

SECRET

BRIEFING MEMORANDUM
S/S

TO: The Secretary
FROM: EAP - Gaston Figur
SUBJECT: Your Meeting with Prime Minister Nakasone
5:30 - 6:00 p.m., Friday, March 6

I. GENERAL

- o Last met during Tokyo Summit. Nakasone will be interested in your impressions of China, and may mention his recent trip to East Europe.
- o Nakasone will pay official visit Washington April 30.

II. US-JAPAN ECONOMIC RELATIONS

- o Japan's trade surplus, both global and with US, individual trade issues, lack of dramatic GOJ trade and economic actions mar otherwise excellent US-Japan relationship, contribute to strong protectionist mood in US.
- o Japan's slow domestic demand growth, J-curve effect, structural factors, remaining trade barriers, contribute to persistence of trade surplus.
- o Fiscal austerity remains central GOJ policy: non-stimulative JFY87 budget; revenue neutral tax bill before Diet lowers income tax rates, reduces and eliminates various excise taxes, but imposes five percent VAT.
- o Yen appreciation effecting structural change in some sectors, causing dislocation. 1986 yen exports down 16 percent, yen imports up 12.5 percent. Export industries' profits down sharply. Unemployment up. Growing foreign sourcing, transfer of production overseas; growth in manufacturing investment declining.
- o GOJ has implemented parts of Maekawa Report: Plan for phasing out uneconomic coal production; encouraging reduction of working hours; lowering rates for import financing and investment by foreigners. But little change in agricultural policy.

01301480000

IS/FPC/CDR PFG Date: 12/9/96

EO Citations

TS auth. by to:

() CLASSIFY as () S or () C
() DOWNGRADE TS to () S or () C

DEPARTMENT OF STATE

(X) RELEASE () DECLASSIFY
() EXCISE () DECLASSIFY
() DENY IN-PART

() FJIA Exemptions
() PA Exemptions

UNCLASSIFIED
SECRET
DECL:OADR

UNCLASSIFIED
SECRET
UNCLASSIFIED

- o Supplemental budget to stimulate economy likely once regular budget approved; timing, effect unclear.
- o GOJ concerned about Congressional trade bills. Bentsen bill terming Japan "adversarial trade" country deeply disturbing to Japanese.
- o GOJ has been forthcoming on some trade issues like tobacco, fish, lawyers. Most troubling current issues are implementation of semiconductor agreement, new Kansai airport procurement, in which Nakasone taking personal interest. Latter needs monitoring, continued jawboning.
- o Need from GOJ evidence of execution of Maekawa-type reforms, efforts to create greater domestic-led growth, visible steps to increase manufactured imports and resolution of trade issues.

III. DEFENSE AND ARMS CONTROL ISSUES

- o Recently concluded first of annual arms control consultations: GOJ solidly supporting US positions.
- o GOJ intently watching INF, pleased we are consulting and incorporating their most serious concerns.
 - Still concerned that residual 100 warheads outside Europe not be based in "Asia".
- o Will soon conclude SDI participation agreement.
 - GOJ support based on promise to consult before decision to deploy.
- o GOJ very interested in ABM interpretation.
- o GOJ made difficult political decision to increase USFJ labor cost sharing by \$100 million this year.
- o Japan's follow-on fighter (FSX) is issue most likely to link defense and trade in damaging way.
 - Strong JDA, Japanese industry pressure for domestic development.
 - US wants upgrade of F-15, F-16 or F-18.
 - JDA pushing for decision by June.

UNCLASSIFIED
SECRET
UNCLASSIFIED

0130140001