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MEMORANDUM TO THE PRESIDENT

FROM: George P. Shultz

SUBJECT: Visit of Japanese Prime Minister Nakasone, April 29 - May 2

I. WHERE DOES OUR RELATIONSHIP STAND?

- Tension on trade blurs excellent overall relations. Japan has given staunch support on key global issues, has assumed greater responsibilities on defense.

- Despite Japan's market opening, yen appreciation, US exports to Japan have not increased substantially.

- Frustration in Congress, business community is compounded by Japan's high tech-competitive challenge.

- Semiconductor sanctions, opposition in USG to Fujitsu's purchase of Fairchild aroused resentment in Japan. Nakasone must seek lifting of trade sanctions.


- Nakasone is at most difficult point in administration. Faces opposition to tax reform, criticism of handling of relations with US; polls down.

- In move away from his policy of fiscal austerity, Nakasone has instructed GOJ to prepare fiscal stimulus program, measures to resolve trade issues.

- Nakasone remains strongest supporter of US political, security goals and catalyst for economic change.

II. WHAT DO WE WANT?

- To honor a good friend and allied leader.

- To restore balance to the relationship, halt deteriorating perceptions in both countries. To show effective, cooperative problem solving and the vital US and Japan relationship that deeply benefits both countries.

- To prepare for successful Summit in Venice.
To define Japan's commitment to reduce trade imbalance, solve economic problems through: Increased domestic led growth; structural economic change; resolution of trade issues and removal of remaining trade impediments; Japan's agreement to discuss removal of its agricultural trade barriers, including those on rice, in Uruguay Round, and to eliminate remaining quotas.

To show unity and reaffirm cooperation on political, strategic, defense, aid questions; highlight Japan's acknowledgement of its international responsibilities.

--- Exchange views on Soviet relations, arms control, other issues. Show progress on SDI. Underscore importance of FSX decision and continued smooth operation of security relationship.

III. WHAT DO THEY WANT?

Your reaffirmation of closeness of relations and of desire to cooperate with Japan on global issues.

Assurance of continued access to markets and direct investment opportunities in US. Affirmation that US will fight protectionism, reduce the budget deficit, and improve competitiveness.

To relieve trade friction by resolving problems. US recognition of Japan's market opening, pain of high yen.

Cooperation on Venice Summit. Assurance US will take account of Japan's interests in arms control talks.

For Nakasone, show he is effective in foreign affairs, a good friend of President.

IV. WHAT CAN BE ACCOMPLISHED FROM THIS VISIT?

Show US-Japan relationship is vital, cooperative, and beneficial to each side. Arrest deterioration of public attitudes in US, Japan.

Make progress on economic problems, set agenda for future action, get Japanese commitments on growth, surplus reduction, more aid to LDCs, trade issues.

Promote alliance solidarity, GOJ acceptance of international responsibility.

By positive result to visit, show GOJ Japanese public and Nakasone's potential successors that cooperating with US, playing larger role in global economic and political management pays off in US respect.

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