

Ronald Reagan Presidential Library
Digital Library Collections

This is a PDF of a folder from our textual collections.

Collection: Executive Secretariat, NSC: Country File
Folder Title: Japan (03/18/1981)
Box Number: RAC Box 8

To see more digitized collections visit:

<https://www.reaganlibrary.gov/archives/digitized-textual-material>

To see all Ronald Reagan Presidential Library inventories visit:

<https://www.reaganlibrary.gov/archives/white-house-inventories>

Contact a reference archivist at: **reagan.library@nara.gov**

Citation Guidelines: <https://reaganlibrary.gov/archives/research-support/citation-guide>

National Archives Catalogue: <https://catalog.archives.gov/>

WITHDRAWAL SHEET

Ronald Reagan Library

Collection: Executive Secretariat, NSC
Country File

Archivist: mjd

OA/Box:
File Folder: Japan (3/18/81)

FOIA ID: F00-037 (1539), Oberdorfer
Date: 01/12/2004

DOCUMENT NO. & TYPE	SUBJECT/TITLE	DATE	RESTRICTION
1. Cable	1809532Z MAR 81, 11p <i>R 7/24/06 F00-037/1 #61</i>	3/18/81	B1
2. Cable	181015Z MAR 81, 2p <i>R " " #62</i>	3/18/81	B1
3. Memo	Rutherford Poats to Richard Allen re Automobile Task Force Report, 1p <i>R " " #63</i>	3/19/81	B1
4. Memo	Poats to Allen re Auto Task Force Report, 2p <i>R " " #64</i>	3/18/81	B1
5. Paper	Re Automobiles (page 2 only), 1p <i>R " " #65</i>	Nd	B1
6. Paper	Re Import Restraint, 2p <i>R " " #66</i>	Nd	B1

RESTRICTIONS

- B-1 National security classified information [(b)(1) of the FOIA].
- B-2 Release could disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA].
- B-3 Release would violate a Federal statute [(b)(3) of the FOIA].
- B-4 Release would disclose trade secrets or confidential commercial or financial information [(b)(4) of the FOIA].
- B-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA].
- B-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA].
- B-7a Release could reasonably be expected to interfere with enforcement proceedings [(b)(7)(A) of the FOIA].
- B-7b Release would deprive an individual of the right to a fair trial or impartial adjudication [(b)(7)(B) of the FOIA].
- B-7c Release could reasonably be expected to cause unwarranted invasion or privacy [(b)(7)(C) of the FOIA].
- B-7d Release could reasonably be expected to disclose the identity of a confidential source [(b)(7)(D) of the FOIA].
- B-7e Release would disclose techniques or procedures for law enforcement investigations or prosecutions or would disclose guidelines which could reasonably be expected to risk circumvention of the law [(b)(7)(E) of the FOIA].
- B-7f Release could reasonably be expected to endanger the life or physical safety of any individual [(b)(7)(F) of the FOIA].
- B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA].
- B-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA].

PENDING REVIEW IN ACCORDANCE WITH E.O. 13233

Ronald Reagan Library

Collection Name EXECUTIVE SECRETARIAT, NSC: COUNTRY FILE

Withdrawer

LOJ 7/19/2007

File Folder JAPAN (3/18/81)

FOIA

F00-037 (F1539)

Box Number

ID	Doc Type	Document Description	No of Pages	Doc Date
1	CABLE	1809532Z MAR 81	11	3/18/1981

MW 5/21/09

SENSITIVE

PAGE 34

SITUATION(S) MESSAGE(S) LISTING

DATE 04/07/81//097

SITUATION: CHECK
SUBJECT CATAGORY: LIST

MESSAGE / ANNOTATION:

MESSAGE:
IMMEDIATE

O 180953Z MAR 81
FM AMEMBASSY TOKYO

TO SECSTATE WASHDC IMMEDIATE 7305

INFO SECDEF WASHINGTON DC// IMMEDIATE
CINCPAC HONOLULU HAWAII// PRIORITY
COMUSJAPAN YOKOTA AB JAPAN// PRIORITY

~~CONFIDENTIAL~~ SECTION 01 OF 04 TOKYO 04800

CINCPAC ALSO FOR POLAD
E.O. 12065: XDS-4 03/18/01 (BARRACLOUGH, W.) DR-M
TAGS: MPDL, MARR, JA, US
SUBJECT: SUZUKI GOVERNMENT AND DEFENSE
REF: (A) TOKYO 4096, (B) TOKYO 4091, (C) STATE 66168(NOTAL)
1. (A - ENTIRE TEXT.)

2. SUMMARY. DESPITE POLITICAL AND FISCAL CONSTRAINTS, SUZUKI GOVERNMENT'S BASIC DEFENSE POLICIES REPRESENT CONTINUATION OF THOSE FOLLOWED BY HIS PREDECESSORS. JAPAN CONTINUES TO MAKE STEADY PROGRESS IN DEFENSE AREA; HOWEVER, PRIME MINISTER MAY NOT BE COMPLETELY CONVINCED THAT LARGER, MORE COMPLEX AND MORE IMMEDIATE MILITARY THREAT REQUIRES MORE SUBSTANTIAL EFFORTS THAN THOSE TO DATE. USG SHOULD USE UPCOMING MEETINGS WITH FOREIGN MINISTER AND PRIME MINISTER AS PART OF AN EDUCATIVE PROCESS TO CONVINCCE GOJ OF SERIOUSNESS OF SITUATION, OF PRESENT INABILITY OF JAPAN'S FORCES TO FULFILL THEIR DEFENSIVE ROLES AND OF NEED FOR MORE EQUITABLE SHARING OF DEFENSE BURDEN. WE SHOULD ALSO REASSURE THEM THAT USG DOES NOT SEEK REMILITARIZED JAPAN, REVISED CONSTITUTION OR PROBLEMATICAL REGIONAL JAPANESE MILITARY ROLE.
END SUMMARY.

3. PURPOSE OF THIS CABLE IS TO REVIEW RECENT DEFENSE SCENE AND TO RECOMMEND APPROACHES WE MIGHT TAKE IN

***** WHSR COMMENTS *****

RA NAN COL VP
EA,ASIMET,DEPOL

DECLASSIFIED

NLS FOO-037/1 #61

BY WJ NARA, DATE 7/24/08

PSN:044656

DTG:180953

TOR:0771249

SENSITIVE

SITUATION: CHECK
 SUBJECT CATEGORY: LIST

MESSAGE / ANNOTATION:

COMING DISCUSSIONS.

4. DIET PROCEEDINGS HAVE BEEN CENTER OF ATTENTION HERE OVER PAST SIX WEEKS. MOST SIGNIFICANT SECURITY-RELATED ITEMS TO EMERGE DURING DEBATE WERE PROBING ATTENTION GIVEN TO JOINT PLANNING PROCESS; DISCLOSURE TO MEDIA OF COMPLETED JDA STUDY OF LEGAL AND ADMINISTRATIVE PROBLEMS INVOLVED WITH EMERGENCY SDF DEPLOYMENT; GOJ RE-ITERATION THAT 1976 NATIONAL DEFENSE OUTLINE PLAN, A CABINET APPROVED PLAN CALLING FOR A CONSIDERABLY LARGER (SEE P. 269 OF 1980 WHITE PAPER) REPRESENTED "MINIMUM" PEACETIME DEFENSE LEVEL AND JDA PUBLIC COMMITMENT TO PARTICIPATE IN RIMPAC '82. FOR MORE DETAIL, SEE REFTEL A.

5. DEFENSE ISSUE HAS CONTINUED TO OCCUPY A SUBSTANTIAL DEGREE OF MEDIA AND PUBLIC ATTENTION. SEVERAL PAPERS HAVE CARRIED STORIES ON MIDDLE EAST, SOVIET BUILD-UP AND AT LEAST ONE PLANS TO RUN SERIES ON US-JAPAN SECURITY RELATIONSHIP. CURRENT FOCUS IS ON HOW PRIME MINISTER AND FOREIGN MINISTERS WILL HANDLE DEFENSE MATTERS DURING THEIR FORTHCOMING MEETINGS WITH US LEADERS. AMBASSADOR MANSFIELD'S MARCH 9 PRESS CONFERENCE OBSERVATION THAT JAPAN NEEDED TO BUILD UP ITS AIR DEFENSES AND ITS CAPABILITIES OF DEFENDING ITS HOME WATERS IN VIEW OF US COMMITMENTS ELSEWHERE (REFTEL B), RAISED SPATE OF SPECULATIVE STORIES AND COMMENTS ABOUT USG AND GOJ THINKING, PREPARATIONS AND WAYS IN WHICH JAPAN COULD ASSUME LARGER SHARE OF DEFENSE RESPONSIBILITIES, INCLUDING POSSIBLE ADVANCING OF P-3C AND F-15 PROCUREMENT SCHEDULES (JDA DIRECTOR GENERAL THREW COLD WATER ON THIS ITEM BY OBSERVING MARCH 14 THAT SUCH ACTION WOULD NOT BE EASY IN VIEW OF PM'S DETERMINATION TO KEEP DEFENSE SPENDING WITHIN 1 PERCENT OF GNP).

6. THERE IS WIDE RECOGNITION THAT DEFENSE WILL BE KEY TOPIC FOR MEETINGS WITH US LEADERS AND THAT USG WILL BE EXPECTING JAPAN TO ASSUME GREATER RESPONSIBILITIES FOR ITS OWN DEFENSE. MOFA VICE MINISTER TAKASHIMA UNDERLINED THIS FEB 26 WHEN HE TOLD PM SUZUKI THAT JAPAN WOULD BE EXPECTED TO EXPLAIN FROM A LONG-TERM POINT OF VIEW JUST HOW IT WAS PLANNING TO STRENGTHEN ITS DEFENSES.

7. WHILE NONE OF THIS CAN BE CHARACTERIZED AS BREAK-THROUGH OF ANY SORT, PAST TWO MONTHS HAVE SEEN CONTINUATION OF THE TYPE OF STEADY PROGRESS WE HAVE BEEN OBSERVING OVER PAST TWO YEARS:

-- GOJ CONTINUES TO STRENGTHEN SDF. ALTHOUGH EARLY MTOE ACHIEVEMENT HAS NOW BECOME UNLIKELY, EQUIPMENT

SENSITIVE

PAGE 36

SITUATION(S) MESSAGE(S) LISTING

DATE 04/07/81//097

SITUATION: CHECK
SUBJECT CATEGORY: LIST

MESSAGE / ANNOTATION:

PROCUREMENT PLANS IN GENERAL ARE MOVING FORWARD
SMOOTHLY IN BOTH ASW AND AIR DEFENSE AREAS. ASDP LTG
RECENTLY HEADED AIR DEFENSE MISSION TO US INTER ALIA
TO SEEK COMPATIBILITY OF BADGE-X AND OTHER ITEMS WITH
US SYSTEMS AND TO URGE WIDER SHARING OF OPERATIONAL
CONCEPTS SO AS TO MAXIMIZE INTER-OPERABILITY OF US AND
JAPANESE FORCES.

BT

SENSITIVE

SENSITIVE

PAGE 37

SITUATION(S) MESSAGE(S) LISTING

DATE 04/07/81//097

SITUATION: CHECK
SUBJECT CATEGORY: LIST

MESSAGE / ANNOTATION:

MESSAGE:
IMMEDIATE

0 180953Z MAR 81
FM AMEMBASSY TOKYO

TO SECSTATE WASHDC IMMEDIATE 7306

INFO SECDEF WASHINGTON DC// IMMEDIATE
CINCPAC HONOLULU HAWAII// PRIORITY
COMUSJAPAN YOKOTA AB JAPAN// PRIORITY

~~C O N F I D E N T I A L~~ SECTION 02 OF 04 TOKYO 04800

-- JDA STUDIES ON SDF DEPLOYMENT INDICATE THAT JAPAN IS TACKLING SUCH STICKY ISSUES AS NEED TO REVAMP SDF COMMAND STRUCTURE AND TO REVISE DOMESTIC LAWS PERTAINING TO EMERGENCY SDF DEPLOYMENT, LONG RECOGNIZED AS MAJOR WEAKNESSES OF JAPAN'S FORCES.

-- MILITARY COOPERATION CONTINUES TO EXPAND. JOINT PLANNING PROCESS OF REFINING EXISTING DEFENSE PLAN IS SERVING TO EDUCATE FURTHER SDF ON NEED FOR MILITARY COOPERATION AND COMBINED OPERATIONS AND EXERCISES. FOR EXAMPLE, US-JAPAN EXERCISES NUMBERED 12 IN FOUR FISCAL YEARS UP TO 1978; THEY AMOUNTED TO 13 IN JFY-1979 ALONE, AND MAY TOTAL EVEN MORE IN JFY-1980. GOJ HAS NOW PUBLICLY AFFIRMED ITS INTENTION TO PARTICIPATE IN RIMPAC '82.

-- GOJ HAS ELL BUT PUBLICLY RECOGNIZED USE OF NAHA PORT FOR BACK-UP OF US FORCES IN INDIAN OCEAN AREA, A CONSIDERABLE STEP FORWARD FOR A COUNTRY WHICH ONLY FEW YEARS AGO WAS POLITICALLY UNABLE TO COME TO GRIPS WITH REGIONAL ROLE OUR JAPAN BASES FULFILL.

-- DEFENSE DEBATE CONTINUES CONSTRUCTIVELY. DSP AND KOMIITO POSITIONS CONTINUE TO MODERATE AND THERE ARE DEEP DIVISIONS WITHIN JSP RE WISDOM OF PARTY'S MAKING HOARY "UNARMED NEUTRALITY" PLANK CENTERPIECE OF JSP PLATFORM. (ALTHOUGH JSP CHAIRMAN ASUKATA REITERATED CRITICISM OF US-JAPAN SECURITY RELATIONSHIP DURING

PSN:044677

DTG:180953

TOR:0771251

SENSITIVE

SITUATION: CHECK
 SUBJECT CATEGORY: LIST

MESSAGE / ANNOTATION:

RECENT VISIT TO DPRK.) DIET DEBATE SHOWS SHARPER FOCUS ON RELEVANT SECURITY CONCERNS RATHER THAN IDEOLOGICAL POSTURING THAT HAS UP UNTIL RECENTLY RETARDED PRODUCTIVE DISCUSSION.

8. IT MAY BE THAT IN OUR PREOCCUPATION WITH OUTCOME OF LAST YEAR'S BUDGET NEGOTIATIONS WE LOST SIGHT OF EXTENT OF CONTINUITY OF SUZUKI GOVERNMENT'S BASIC DEFENSE POLICIES WITH THOSE OF ITS PREDECESSORS. THESE REMAIN INTACT--STRENGTHENING OF SDF, MOVING FORWARD ON DEFENSE COOPERATION FRONT WITH US (INCLUDING COST SHARING) AND ACHIEVING WIDER PUBLIC CONSENSUS ON DEFENSE POLICY. FACT IS THAT JAPAN CONTINUES TO MAKE PROGRESS, AND TRENDS HERE CONTINUE TO MOVE IN THE RIGHT DIRECTION. EVEN JFY-1981 BUDGET, WHILE A SEVERE DISAPPOINTMENT TO ALL OF US, NONETHELESS DID REPRESENT A SLIGHT IMPROVEMENT OVER PREVIOUS YEAR AND, IN CONTEXT OF FISCAL AUSTERITY, WAS VIEWED HERE AS AN EXCEPTIONAL EFFORT. THE PROBLEM IS THAT THE PACE OF JAPAN'S PROGRESS IS NOT AS RAPID AS THE INTERNATIONAL SITUATION WARRANTS. THE MAJOR IMMEDIATE IMPEDIMENTS TO A MORE INTENSIVE JAPANESE DEFENSE EFFORT ARE:

- (A) A THREAT PERCEPTION AMONG GENERAL PUBLIC WHICH, WHILE MORE SOPHISTICATED THAN A FEW YEARS AGO, IS STILL SIGNIFICANTLY LOWER THAN IN EUROPE;
- (B) POWERFUL LINGERING PACIFIST AND ANTI-MILITARY SENTIMENT, THE LEGACY OF JAPAN'S DEFEAT IN WORLD WAR II, CONTINUALLY FANNED BY LARGE SEGMENTS OF THE MEDIA;
- (C) A FISCAL AND BUDGETARY SITUATION PERCEIVED AS GRAVE AND OF MORE IMMEDIACY THAN THE MILITARY THREAT;
- (D) POLITICAL OPPOSITION OF JSP AND JCP WHICH, ALTHOUGH ATTENUATED IN FORMER'S CASE, STILL APPEARS TO WORRY CONSENSUS-MINDED GOJ LEADERS.

9. ANOTHER TEMPORARY BUT NONETHELESS PROBLEMATIC IMPEDIMENT IS PRIME MINISTER SUZUKI'S RELATIVE UNFAMILIARITY WITH SECURITY ISSUES. UNTIL HE BECAME PM LAST JULY, SUZUKI'S EXPERIENCE WAS LARGELY CONFINED TO DOMESTIC MATTERS (ALTHOUGH HIS FISHERIES RESPONSIBILITIES DID PROVIDE HIM WITH LIMITED FOREIGN AFFAIRS BACKGROUND AS A RESULT OF NEGOTIATIONS WITH THE SOVIETS). AS A POLITICIAN, SUZUKI'S MAIN OBJECTIVE HAS BEEN TO ACHIEVE CONSENSUS THROUGH BEHIND-THE-SCENES NEGOTIATIONS AND TRADE-OFFS OF ONE SORT OR ANOTHER. HIS FORTE, IN FACT, HAS BEEN A REPUTATION FOR MANAGING TO ACHIEVE AGREEMENT AND "HARMONY" AMONG PEOPLE OF DIFFERING VIEWS AND INTERESTS. NOT SURPRISINGLY, HIS MAJOR INTEREST NOW IS PRESERVING "HARMONY" WITHIN THE LDP COALITION WHICH

SENSITIVE

PAGE 39

SITUATION(S) MESSAGE(S) LISTING

DATE 04/07/81//097

SITUATION: CHECK
SUBJECT CATEGORY: LIST

MESSAGE / ANNOTATION:

KEEPS HIM IN POWER AND THIS ACCOUNTS IN LARGE MEASURE FOR HIS RELUCTANCE TO CONFRONT DISRUPTIVE ISSUES SUCH AS THE DEFENSE BUDGET INCREASE LATE LAST YEAR. HE APPARENTLY FELT THAT AN ACROSS-THE-BOARD CUT WOULD BE MANAGEABLE WITH THE COALITION BUT EVIDENTLY REASONED THAT HE WOULD FACE A TOUGH AND POTENTIALLY DIVISIVE BATTLE TO INCREASE DEFENSE SIGNIFICANTLY AT EXPENSE OF WELFARE

BT

SENSITIVE

SENSITIVE

PAGE 40

SITUATION(S) MESSAGE(S) LISTING

DATE 04/07/81//097

SITUATION: CHECK
SUBJECT CATEGORY: LIST

MESSAGE / ANNOTATION:

MESSAGE:
IMMEDIATE

0 180953Z MAR 81
FM AMEMBASSY TOKYO

TO SECSTATE WASHDC IMMEDIATE 7307

INFO SECDEF WASHINGTON DC// IMMEDIATE
CINCPAC HONOLULU HAWAII// PRIORITY
COMUSJAPAN YOKOTA AB JAPAN// PRIORITY

~~C O N F I D E N T I A L~~ SECTION 03 OF 04 TOKYO 04800

AND OTHER ITEMS, ESPECIALLY AT A TIME WHEN MANY CONSERVATIVE POLITICIANS WERE CONCERNED ABOUT CONSTITUENT REACTION TO THE INTRODUCTION OF NEW TAXES AND OTHER UNPOPULAR MEASURES.

10. RECENT STATEMENTS FROM U.S. ADMINISTRATION AND CONTINUED ATTENTION HERE TO DEFENSE MATTERS HAVE MADE PM BEGIN TO REALIZE CENTRAL NATURE OF SECURITY ISSUE. WHAT HE DOES NOT SEEM TO HAVE GRASPED IS FACT THAT EVEN HIS EFFORTS TO CARRY THROUGH POLICIES OF HIS PREDECESSORS ARE NO LONGER ADEQUATE IN A WORLD FACING A LARGER, MORE COMPLEX AND MORE IMMEDIATE MILITARY THREAT. OBVIOUSLY JAPAN'S EFFORTS OVER PAST TWO YEARS ARE NOT ADEQUATE IN SCALE TO ACHIEVE THE DEGREE OF SECURITY WE BOTH SEEK. PM SUZUKI NEEDS TO BE MADE AWARE THAT DEFENSE DEMANDS A HIGHER PRIORITY THAN HE HAS UP TO NOW ASSIGNED TO IT.

11. JDA VICE MINISTER TOLD US RECENTLY THAT THE LATE PM OHIRA HAD INITIALLY DEMONSTRATED A VERY LUKEWARM ATTITUDE TOWARDS PROVIDING JDA WITH RESOURCES NEEDED. HE SAID THAT JDA, MOFA, AND SOME IN LDP HAD WORKED DILIGENTLY TO CONVINCe OHIRA OF URGENT NEED FOR ACTION IN DEFENSE AREA. IT WAS, HE SAID, ONLY TOWARDS MIDDLE OF 1980, SHORTLY BEFORE HIS DEATH, THAT OHIRA FINALLY INDICATED HE WAS WILLING TO REORDER HIS PRIORITIES, RECOGNIZING SEVERITY OF JAPAN'S INTERNATIONAL SECURITY

PSN:044670

DTG:180953

TOR:0771253

SENSITIVE

SITUATION: CHECK
 SUBJECT CATEGORY: LIST

MESSAGE / ANNOTATION:

POSITION. NOW, VICE MINISTER RUEFULLY OBSERVED, PROCESS HAS HAD TO BEGIN ANEW WITH SUZUKI. HE SAID THAT PM HAD BEEN PREOCCUPIED WITH DOMESTIC PROBLEMS IN HIS FIRST FIVE MONTHS IN OFFICE AND HAD SIMPLY NOT BEEN PREPARED FOR TYPE OF CABINET AND DIET CONFRONTATION THAT WOULD HAVE BEEN NECESSARY TO PROVIDE JDA IN LATE DECEMBER WITH RESOURCES IT NEEDED. HE HAD HIGH REGARD FOR PM'S POLITICAL ABILITIES, HOWEVER, AND WAS CONVINCED THAT PM WOULD BECOME FORCEFUL DEFENSE ADVOCATE ONCE HE IS PROPERLY MOVED.

12. WE AGREE WITH VICE MINISTER THAT KEY TO GETTING RESULTS FROM SUZUKI IS IN EDUCATIVE PROCESS AND THAT UPCOMING ROUND OF TALKS IN WASHINGTON SHOULD BE DIRECTED TOWARDS CONVINCING HIM OF SERIOUSNESS OF INTERNATIONAL SITUATION, GAPS EXISTING IN JAPAN'S DEFENSES AND NEED TO SHARE SECURITY BURDEN MORE EQUITABLY. ITO HAS SUZUKI'S CONFIDENCE AND IS WELL-SUITED TEMPERAMENTALLY TO CONVEYING USG POSITION TO PM. (FOR MORE PRECISE PERSONAL PICTURE OF ITO, SEE REFTEL B.) ITO WAS PERHAPS STRONGEST SUPPORTER OF INCREASED DEFENSE SPENDING IN CABINET LAST YEAR AND ON SEVERAL OCCASIONS REPORTEDLY MADE STRONG PRESENTATIONS TO PM TO ACHIEVE LARGEST POSSIBLE DEFENSE BUDGET, STRESSING NEED FOR HARMONIOUS BILATERAL RELATIONS WITH U.S. ITO'S ACTIONS ARE ALL THE MORE ADMIRABLE WHEN ONE RECALLS THAT HE SUFFERED THROUGH A PARTICULARLY BITTER AND DISTASTEFUL WARTIME MILITARY EXPERIENCE AS A YOUNG SOLDIER IN IMPERIAL ARMY.

 13. ON DEFENSE, ITO WILL LIKELY EXPRESS DESIRE TO REACH ACCORD WITH U.S. ADMINISTRATION REGARDING INTERNATIONAL SITUATION AND WILL EXPRESS JAPAN'S DETERMINATION TO FULFILL SECURITY ROLE AS MEMBER OF WESTERN ALLIANCE. HE MAY SUGGEST CONSULTATIONS WITH U.S. ON VARIOUS LEVELS AS MEANS OF DEFINING SECURITY ROLES MORE PRECISELY AND TO FORMULATE MORE EXACTLY JOINT U.S.-JAPAN DEFENSE STRUCTURE. MORE SPECIFICALLY, HE MAY EXPRESS GOJ'S INTENTION TO CONTINUE TO FOCUS EFFORTS ON STRENGTHENING AIR DEFENSE AND ANTI-SUBMARINE WARFARE CAPABILITIES, INCLUDING INTRODUCTION OF BADGE-X IN JFY 1982.

14. DESPITE THE FAVORABLE TRENDS IN JAPAN AND THE CONTINUITY OF GOJ POLICIES, WE RECOGNIZE THE DESIRABILITY OF QUICKENING THE PACE OF JAPAN'S DEFENSE EFFORTS. FRANK PRESENTATIONS BY TOP U.S. LEADERS OF OUR OVERALL SECURITY CONCERNS TO ITO AND SUZUKI SHOULD INCREASE THEIR REALIZATION OF THE IMMEDIACY AND URGENCY OF THE SECURITY ISSUE, OF PRESENT INABILITY OF JAPAN'S FORCES TO FULFILL THEIR

SENSITIVE

PAGE 42

SITUATION(S) MESSAGE(S) LISTING

DATE 04/07/81//097

SITUATION: CHECK
SUBJECT CATEGORY: LIST

MESSAGE / ANNOTATION:

DEFENSIVE ROLES AND OF NEED FOR MORE EQUITABLE SHARING OF DEFENSE BURDEN. RATHER THAN SEEK SOME PERSONAL COMMITMENT FROM SUZUKI AS TO SPECIFICS OF JAPANESE DEFENSE SPENDING, WE WOULD BE WELL ADVISED TO HEIGHTEN HIS AWARENESS OF WHY IT IS IN JAPAN'S NATIONAL SELF INTEREST TO DO MORE IN THIS FIELD. WE MUST ALSO REASSURE SUZUKI THAT IN CALLING FOR IMPROVEMENTS IN JAPAN'S DEFENSE POSTURE, WE ARE NOT SEEKING CONSTITUTIONAL REVISION, REMILITARIZATION OF JAPAN OR PROBLEMATIC REGIONAL MILITARY ROLE. THESE ASSURANCES ARE ESSENTIAL IF PM IS TO GAIN SUPPORT OF JAPANESE BODY POLITIC FOR GREATER DEFENSE EFFORT.
15. AT THE SAME TIME, WE MUST NOT HOLD UNREALISTIC

BT

SENSITIVE

SENSITIVE

PAGE 43

SITUATION(S) MESSAGE(S) LISTING

DATE 04/07/81//097

SITUATION: CHECK
SUBJECT CATEGORY: LIST

MESSAGE / ANNOTATION:

MESSAGE:
IMMEDIATE

Q 180953Z MAR 81
FM AMEMBASSY TOKYO

TO SECSTATE WASHDC IMMEDIATE 7308

INFO SECDEF WASHINGTON DC// IMMEDIATE
CINCPAC HONOLULU HAWAII// PRIORITY
COMUSJAPAN YOKOTA AB JAPAN// PRIORITY

~~C O N F I D E N T I A L~~ SECTION 04 OF 04 TOKYO 04800

EXPECTATIONS THAT JAPAN WILL SOMEHOW NARROW THE GAP THAT EXISTS BETWEEN U.S. BY QUANTUM LEAPS. CURRENT CONSTRAINTS IN THE FISCAL AREA AND LINGERING ANTI-MILITARY SENTIMENT LOOM LARGE TO THE JAPANESE, WHO, IN ANY EVENT, ARE DEEPLY SUSPICIOUS BY NATURE OF SUDDEN CHANGE. VIEW OF JAPANESE LEADERSHIP THAT STEADY ACCUMULATION OF EFFORT RATHER THAN DRAMATIC CHANGE IS THE KEY TO SIGNIFICANT PROGRESS IS WIDELY SUPPORTED BY ONE OF THE MOST CONSERVATIVE AND CAREFUL ELECTORATES ANYWHERE IN THE WORLD. WHAT THE U.S. MUST DO IS TO INSURE THAT THIS STEADY ACCUMULATION ACCUMULATES FASTER IN THE FUTURE THAN IT HAS IN THE PAST. WE MUST, HOWEVER, REMAIN MINDFUL THAT A GROUNDSWELL FOR DRAMATIC INCREASES IN DEFENSE SPENDING IS UNLIKELY. IN FACT, WHATEVER FUTURE PACE OF JAPANESE DEFENSE SPENDING, IT IS NOT LIKELY TO BE AS RAPID AS U.S. DESIRES.

16. MOST PRODUCTIVE COURSE, IN OUR VIEW, WOULD BE TO STRESS BASIC ELEMENTS OF U.S. POLICY AS IT IS NOW DEVELOPING (REFTEL C), TO ADVISE JAPAN WHAT IT MUST DO TO ACHIEVE ITS SECURITY, TO REASSURE JAPAN'S LEADERS OF WHAT IT IS WE ARE NOT SEEKING AND PERHAPS TO ENGAGE THEM IN DISCUSSION OF HOW AND WHEN THEY PLAN TO ACHIEVE THE NECESSARY CAPABILITIES. IN DOING SO, FOLLOWING ITEMS MAY BE RELEVANT:

-- FROM OUR VANTAGE POINT, ESSENCE OF DEFENSE ISSUE IS

PSN:044664

DTG:180953

TOR:0771254

SENSITIVE

SENSITIVE

PAGE 44

SITUATION(S) MESSAGE(S) LISTING

DATE 04/07/81//097

SITUATION: CHECK
SUBJECT CATEGORY: LIST

MESSAGE / ANNOTATION:

NOT A "U.S. REQUEST" AT ALL, BUT AN INTERNATIONAL TENSION WHICH DEMANDS THAT JAPAN STRENGTHEN ITS OWN CAPABILITIES FOR SELF-DEFENSE.

-- STRONGER JAPANESE DEFENSES WOULD STRENGTHEN DETERRENT VALUE OF U.S.-JAPAN ALLIANCE AND WOULD SERVE TO REINFORCE JAPAN'S INTERNATIONAL POSITION, FOR INSTANCE, IN ITS DEALINGS WITH USSR.

-- U.S. DOES NOT SEEK TO INTERVENE IN SUCH DOMESTIC POLITICAL ISSUES AS DESIRABILITY OF AMENDMENT OF THE JAPANESE CONSTITUTION, MAINTENANCE OF ITS THREE NON-NUCLEAR PRINCIPLES, OR CONTINUATION OF ITS POLICY OF ESCHEWING AN AGGRESSIVE REGIONAL MILITARY ROLE.

-- JAPAN'S FORCES NOW FALL SHORT OF THE GOALS GOJ HAS SET FOR ITSELF IN THE NATIONAL DEFENSE PROGRAM OUTLINE, THAT IS, DEALING WITH LIMITED SMALL-SCALE AGGRESSION.

-- JAPAN HAS PROBLEMS IN FISCAL AREA BUT THESE ARE NOT NEARLY AS SEVERE AS THE ECONOMIC PROBLEMS FACING THE U.S.

-- A NATIONAL CONSENSUS SUPPORTING DEFENSE POLICIES NEEDS TO BE DEVELOPED IN JAPAN BUT MORE EFFECTIVE DEFENSE MEASURES CANNOT AWAIT FULL DEVELOPMENT THEREOF BUT MUST PROCEED NOW.

-- THERE IS A NEED FOR A MORE PRECISE DEFINITION OF SECURITY ROLES, AND USG IS NOW REFINING THESE. BILATERAL CONSULTATIONS ON THIS MATTER WOULD BE PRODUCTIVE, BUT NO MATTER WHAT ROLES MAY EMERGE, JAPAN'S FORCES WILL REQUIRE THE MILITARY RESOURCES (SHIPS, PLANES, MEN) TO FULFILL THESE AS SOON AS POSSIBLE.

-- STRENGTHENING THE SDF AND GOJ DEFERRAL OF U.S. FORCES COSTS ARE BOTH NECESSARY TO THE U.S.-JAPAN DEFENSE POSTURE. IMPROVEMENTS IN ONE AREA NEED NOT BE AT THE EXPENSE OF THE OTHER.

MANSFIELD

BT

SENSITIVE

SENSITIVE

PAGE 46

SITUATION(S) MESSAGE(S) LISTING

DATE 04/07/81//097

SITUATION: CHECK
SUBJECT CATAGORY: LIST

MESSAGE / ANNOTATION:

MESSAGE:
IMMEDIATE

O 181015Z MAR 81
FM AMEMBASSY TOKYO

TO SECSTATE WASHDC IMMEDIATE 7312

INFO AMEMBASSY BEIJING 6313
AMEMBASSY MOSCOW 5725
AMEMBASSY SEOUL 3625
AMEMBASSY CANBERRA 4304
AMEMBASSY WELLINGTON 2555
AMEMBASSY BANGKOK 0435
AMEMBASSY MANILA 1902
AMEMBASSY JAKARTA 5090
AMEMBASSY KUALA LUMPUR 3628
AMEMBASSY SINGAPORE 2395
USMISSION USNATO 0697

~~SECRET~~ TOKYO 04802

EXDIS
E.O. 12065: RDS-1, 3/18/01, (BARRACLOUGH, W.), DR-M
TAGS: MNUC, PARM, JA
SUBJECT: SOVIET DEMARCHE ON FAR EAST CONFIDENCE
BUILDING MEASURES
REF: STATE 64975

1. (S) - ENTIRE TEXT
2. EMOBPF CONVEYED TO MOFA SOVIET DIVISION DIRECTOR AND HIS DEPUTY MARCH 17 USG VIEWS (REFTEL) CONCERNING SOVIET PROPOSAL FOR CONFIDENCE BUILDING MEASURES (CBM) AND INQUIRED ABOUT JAPANESE ASSESSMENT.
3. MOFA OFFICIALS SAID THAT MAIN PURPOSE OF SOVIET AMBASSADOR POLYANSKII'S MARCH 15 MEETING WITH FOREIGN MINISTER ITO WAS TO READ A NON-PAPER ON CBM PROPOSAL. POLYANSKII'S PRESENTATION URGED JAPAN TO JOIN USSR AND OTHER COUNTRIES IN FAR EAST IN TAKING STEPS TO ESTABLISH PEACE AND STABILITY BY NEGOTIATING REGIONAL CBMS,

***** WHSR COMMENTS *****

RA NAN COL VP
EA, PRC, EURE, NUCUN

DECLASSIFIED
NLS - FOO-037/1#62
BY LOT NARA, DATE 7/24/06

PSN:044709

DTG:181015

TDR:0771329

SENSITIVE

SENSITIVE

PAGE 47

SITUATION(S) MESSAGE(S) LISTING

DATE 04/07/81//097

SITUATION: CHECK
SUBJECT CATEGORY: LIST

MESSAGE / ANNOTATION:

TAKING UNIQUENESS OF AREA INTO CONSIDERATION. HE NOTED SUCCESSFUL IMPLEMENTATION OF CBM'S IN EUROPE (PRIOR NOTIFICATION AND EXCHANGE OF OBSERVERS FOR LARGE-SCALE MILITARY EXERCISES). HE SAID SIMILAR DEMARCHES HAD BEEN MADE TO PRC AND DPRK, AS WELL AS TO THE U.S., BECAUSE OF OUR MILITARY FACILITIES IN THE AREA. POLYANSKII ASKED JAPANESE TO CAREFULLY STUDY THE SOVIET PROPOSALS AS WELL AS POSSIBLE MEASURES TO IMPLEMENT THEM AND THEN TO EXCHANGE VIEWS OFFICIALLY WITH SOVIETS ON ANY LEVEL THEY DESIRED.

4. ITO TOLD POLYANSKII THAT WHILE SOVIETS TALKED ABOUT BUILDING CONFIDENCE AND IMPROVING BILATERAL RELATIONS, THEY WERE AT SAME TIME RESPONSIBLE FOR SUCH PROBLEMS AS NORTHERN TERRITORIES, THE ABSENCE OF A PEACE TREATY BETWEEN JAPAN AND THE USSR AND SOVIET MILITARY BUILDUP IN THE REGION, ALL OF WHICH SERVED TO INCREASE TENSION IN THE AREA AND UNDERMINE MUTUAL CONFIDENCE.

5. MOFA BELIEVES THAT SOVIETS DELIVERED NON-PAPER RATHER THAN PERSONAL LETTER FROM BREZHNEV BECAUSE PROPOSALS MADE TO JAPANESE WERE NOT AS DETAILED OR COMPLEX AS ONES MADE TO EUROPEANS.

6. MOFA BELIEVES THAT SOVIET PROPOSAL REQUIRES A REPLY, BUT HAS NOT YET DETERMINED ITS CONTENTS. MOFA, HOWEVER, FULLY AGREES WITH OUR CONCERN THAT THE SOVIET INITIATIVE NOT BE PERMITTED TO DRIVE WEDGE BETWEEN WESTERN ALLIES AND IT HAS PROMISED TO CONSULT WITH US BEFORE REPLYING TO PROPOSAL. MANSFIELD

BT

SENSITIVE

UNCLASSIFIED UPON REMOVAL OF CLASSIFIED ENCLOSURE(S)

*MJH
1/14/04*

RECEIVED 18 MAR 81 17

TO ALLEN

FROM POATS

DOCDATE 18 MAR 81

POATS

19 MAR 81

ALLEN

21 MAR 81

KEYWORDS: ECONOMICS

SUBJECT: AUTO TASK FORCE RPT FOR CABINET MTG ON 19 MAR

ACTION: FOR INFORMATION

DUE:

STATUS C

FILES PA

FOR ACTION

FOR COMMENT

FOR INFO

ALLEN

COMMENTS

REF#

LOG

NSCIFID

(V / D)

ACTION OFFICER (S)

ASSIGNED

ACTION REQUIRED

DUE

COPIES TO

C 3/24

*add on noted by
since 3 copies*

DO ✓

DISPATCH

W/ATTCH FILE

(C)

UNCLASSIFIED UPON REMOVAL OF
CLASSIFIED ENCLOSURE(S)

RECEIVED 18 MAR 81 1/

TO ALLEN

FROM POATS

*WJN
1/14/04*

DOCDATE 18 MAR 81

POATS

19 MAR 81

ALLEN

21 MAR 81

KEYWORDS: ECONOMICS

SUBJECT: AUTO TASK FORCE RPT FOR CABINET MTG ON 19 MAR

ACTION: FOR INFORMATION

DUE:

STATUS C

FILES PA

FOR ACTION

FOR COMMENT

FOR INFO

ALLEN

COMMENTS

duplicate profile

REF#

LOG

NSCIFID

(V / D)

ACTION OFFICER (S)

ASSIGNED

ACTION REQUIRED

DUE

COPIES TO

C 3/19

*Allen sgd memo
to Meese & Baker.*

PO

DISPATCH

Review done by WH

W/ATTCH

FILE

(C) *dam*

~~CONFIDENTIAL~~

MEMORANDUM

1312 (add-on)

NATIONAL SECURITY COUNCIL

[Handwritten initials]

~~CONFIDENTIAL~~

INFORMATION

March 19, 1981

MEMORANDUM FOR: RICHARD V. ALLEN

FROM: RUTHERFORD POATS *RP*

SUBJECT: Automobile Task Force Report *(u)*

The President received an oral report from the task force this morning and withheld his final decision on the import restraint issue. He plans to discuss this issue further with a small group, including Haig, Meese, and possibly others, with a view to instructing Haig on the automobile trade position that he is to express to Ito here next week. *(u)*

In the meantime, at Vice President Bush's suggestion and subject to Haig's review (he was represented by Clark), Mansfield will be instructed to warn Ito before departure from Tokyo that if Japan does not adopt a meaningful voluntary import restraint program it faces almost certain legislated quota limits that would be much more damaging to Japan and to our mutual interest in an open trading system. Mansfield will not state specific US import restraint objectives. *(u)*

Thus the basic decision to seek real Japanese restraint without overtly negotiating for it seems to have been made. *(u)*

There is to be no disclosure of the substance of the task force report or the options being considered by the President until something firm can be said about Japan's decision on export restraint. The initiative should be seen as coming from Japan and the Congress, so as to minimize the unraveling of the Administration's economic policy in response to other US industry and political pressures and so as to resist protectionist impulses in Europe. *(u)*

I see the remaining decisions to be made by the President as matters of degree: How much voluntary Japanese restraint is enough to stall the Congressional rush toward statutory import quotas and to induce the UAW and management to make sacrifices matching the Administration's concessions to the industry? How to get the Japanese Government to act without an overt USG request at a particular restraint level? *(u)*

~~CONFIDENTIAL~~
Review on
March 19, 1987

DECLASSIFIED

NLS FOO-037/1#63

BY hst NARS, DATE 7/24/06

*JD & BN
have
seen*

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

[Handwritten initials]

NATIONAL SECURITY COUNCIL

~~CONFIDENTIAL~~
INFORMATION

March 19, 1981

MEMORANDUM FOR: RICHARD V. ALLEN
FROM: RUTHERFORD POATS *RP*
SUBJECT: Automobile Task Force Report (X)

The President received an oral report from the task force this morning and withheld his final decision on the import restraint issue. He plans to discuss this issue further with a small group, including Haig, Meese, and possibly others, with a view to instructing Haig on the automobile trade position that he is to express to Ito here next week. (X)

In the meantime, at Vice President Bush's suggestion and subject to Haig's review (he was represented by Clark), Mansfield will be instructed to warn Ito before departure from Tokyo that if Japan does not adopt a meaningful voluntary import restraint program it faces almost certain legislated quota limits that would be much more damaging to Japan and to our mutual interest in an open trading system. Mansfield will not state specific US import restraint objectives. (X)

Thus the basic decision to seek real Japanese restraint without overtly negotiating for it seems to have been made. (X)

There is to be no disclosure of the substance of the task force report or the options being considered by the President until something firm can be said about Japan's decision on export restraint. The initiative should be seen as coming from Japan and the Congress, so as to minimize the unraveling of the Administration's economic policy in response to other US industry and political pressures and so as to resist protectionist impulses in Europe. (X)

I see the remaining decisions to be made by the President as matters of degree: How much voluntary Japanese restraint is enough to stall the Congressional rush toward statutory import quotas and to induce the UAW and management to make sacrifices matching the Administration's concessions to the industry? How to get the Japanese Government to act without an overt USG request at a particular restraint level? (X)

~~CONFIDENTIAL~~
Review on
March 19, 1987

DECLASSIFIED
NLS FOO-037/1#63
BY hst NARA DATE 7/24/06

*JD & BN
have
seen*

~~CONFIDENTIAL~~

THE WHITE HOUSE
WASHINGTON

This was sent
on to Baker
& Messer.

THE WHITE HOUSE
WASHINGTON

NEEDS SHU 1000

~~CONFIDENTIAL ATTACHMENT~~

March 19, 1981

MEMORANDUM FOR ED MEESE
JAMES BAKER

FROM: RICHARD V. ALLEN

SUBJECT: Auto Task Force Report

As you know, I have refrained from participating in the deliberations concerning automobile imports.

However, Rutherford Poats of the NSC staff has prepared a useful memorandum (Tab I), with the concurrence of NSC staff member Henry Nau, on the matter. I believe you will find the analysis and the questions raised to be helpful as the matter is considered.

~~CONFIDENTIAL ATTACHMENT~~

MJA
1/4/84

~~CONFIDENTIAL~~

MEMORANDUM

NATIONAL SECURITY COUNCIL

alk 1312
~~THIS WAS SEEN~~

~~CONFIDENTIAL~~

ACTION

March 18, 1981

MEMORANDUM FOR: RICHARD V. ALLEN
FROM: RUTHERFORD POATS *RP*
SUBJECT: Auto Task Force Report ~~(U)~~

You may wish to give the President on Thursday morning the suggestions stated in the recommendation section below, for use in tomorrow's Cabinet meeting. ~~(U)~~

The principal economic policy advisers to the President -- Secretary Regan, Director Stockman and Chairman Weidenbaum -- jointly presented to the Auto Task Force Tuesday a three-point program for the auto industry's recovery. Point one and two were adopted. The program, as presented, would:

- 1) rely largely on the President's general economic program to stimulate sales investment and productivity growth in the automobile industry;
- 2) accelerate regulatory relief to reduce capital costs by \$4.2 billion over the next five years and lower producer and user costs of US autos and trucks by \$10 billion per year; and
- 3) reject auto import restraints while aggressively seeking to open foreign markets for US automobiles and parts and to reduce barriers to other US exports. ~~(U)~~

The advocates of this program contend it will generate an additional \$26 billion in the US industry's revenues over the next five years and reemploy 375,000 of the half million currently idled workers in auto and related industries by the end of 1982 and all of them by late 1983. The economic and policy arguments are summarized at Tab A. ~~(U)~~

The program was generally acknowledged to be politically vulnerable. It excludes earlier suggestions for special tax relief for the auto industry. It rejects import restraints for reasons spelled out in Tab B, and its major concession to the automobile industry is premised on the early success of the general recovery program, about which some Congressional skepticism may be expected. ~~(U)~~

For these reasons, the pressure for import restraints will continue. The task force agreed to make a unanimous report on

~~CONFIDENTIAL~~
Review on
March 18, 1987

~~CONFIDENTIAL~~

DECLASSIFIED
NLS FOO-037/1 #64
BY WET NARA, DATE 7/24/06

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

2

the other issues when it meets with the President on Thursday, but it will present orally several options on the import restraint issue:

- 1) continued free trade and accelerated export drive;
- 2) a formally negotiated restraint agreement;
- 3) USTR compromise intended to hold Japan to about the current annual rate of 1.8 million units without a formal agreement. (C)

The last two options ultimately would not be significantly different. The USTR compromise is likely to produce all the adverse effects of a formal restraint agreement without getting sufficiently explicit assurances from the Japanese to satisfy Congressional concern, and it may be vulnerable to anti-trust suits. (C)

RECOMMENDATION:

A. That the President be advised to raise these foreign policy questions in discussion of the trade options:

-- If he decides on the free trade option, what can we reasonably require from the Japanese in return, either in the automotive or broader economic area or in other US-Japan relations? (C)

-- If he chooses some form of restraint option, what will it cost us in the economic or the broader political/security area with Japan? ... with Europe? (C)

B. That the President be advised to require confidential consultation with the Japanese Government and key members of Congress on any trade restraint plan before he makes his final decision. (C)

Concurrence: Henry Nau

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

Good Economics

- o By reducing costs this positive program will save auto and truck buyers as much as \$10 billion annually (approximately \$830 per vehicle);
- o Lower the CPI by perhaps 0.2 to 0.6 percentage points;
- o Eliminate inefficient and intrusive government regulation;
- o Yield added efficiencies of fair international trade;
- o Maintain competitive market pressure for managerial and labor efficiencies; and
- o Confirm expectations for success of the Administration's Economic Recovery Program.

Good Policy

- o Restore economic decisionmaking to the marketplace;
- o Preserve Administration discretion to negotiate advantageous trade initiatives;
- o Prevent the Japanese from capitalizing on one-sided trade policies, but at the same time avoid picking on a major trading partner and ally;
- o Reaffirm the Administration's commitment to a policy of free and open competition;
- o Avoid unwarranted concessions to special interest pleading, which might establish a dangerous precedent

The Bottom Line

This positive program of economic recovery, accelerated regulatory relief, and trade reform is a structural response to a structural problem. Any other approach would be dealing with symptoms, not with causes.

DECLASSIFIED
NLS FOO-037/1 #65
BY LDT, NARA DATE 7/24/06

WHY NOT ADD IMPORT RESTRAINT
TO THE AUTO RECOVERY PROGRAM?

Summary

- o Import restraint, at best, would add only marginally to the relief afforded the auto industry by the Administration's economic recovery, regulatory relief and trade reform programs, and, at worst, jeopardize the success of these policies. (See table.)
- o The underlying philosophy of import restraint is inconsistent with the Administration's programs for economic recovery and regulatory relief. It implies more rather than less government intervention in the marketplace.
- o Import restraint would offer only temporary relief and could inhibit rather than promote the industry's structural reforms. By contrast, regulatory and trade reforms offer permanent benefits and maintain competitive incentives.

Non-Controversial Issues

- o Success of the President's Economic Recovery Program is critical to the U.S. auto industry. No action should jeopardize this program.
- o Even a successful recovery program may not generate sufficient capital to enable the industry to meet changing customer demands, increasingly stringent government regulations, and competition from abroad.
- o Structural change takes time: the industry must have "breathing room" to effect needed changes.

The Critical Question

- o How to provide the capital and breathing room the industry needs without jeopardizing the President's Economic Recovery Program?

One Answer: Import Restraints on Japanese Automobiles

By limiting Japanese imports to 1.6 million units per year for three years, U.S. consumers would be forced to buy U.S. autos (or do without), thus generating more than \$2 billion in added cash flow for domestic firms and providing funds for needed structural change.

DECLASSIFIED
NLS FOO-037/1#66
BY LET, NARA, DATE 7/24/06

A Better Answer: Accelerated Regulatory Relief and Trade Reform

- o By eliminating unnecessary regulations and by deferring desirable, but postponable, regulatory goals, the capital needs of the industry will be cut by \$4.2 billion or more over the next few years and provide the industry with necessary breathing room.
- o By insisting that a U.S. policy of free and unrestricted trade be matched by similar policies on the part of its trading partners, new markets will be opened for U.S. products and a pattern of healthier trade relationships established.

Why Not Both?

- o Import restraint would provide a temporary increase in cash flow and would buy time; but it would also constitute:
 - BAD BUSINESS - Import restraint would invite a Japanese invasion of the high-profit, luxury small car market and reduce pressure for the management and labor reforms so critical to the domestic industry.
 - BAD ECONOMICS - Import restraint would cost consumers between \$2-3 billion per year, signal a return to Federal policies which "nickel and dime" the CPI into double digits, and threaten the credibility of the President's economic programs.
 - BAD POLICY - Import relief would set a precedent for further government intervention in the marketplace, set back trade policy, and reduce the political pressures for much-needed regulatory relief in this industry.
- o A program of accelerated regulatory relief and trade reform would provide a permanent reduction in cash needs, buy time for the industry, and also constitute:
 - GOOD BUSINESS - U.S. producers could focus their time and money on satisfying real consumer needs and beating foreign competition in the showroom rather than in Washington.
 - GOOD ECONOMICS - Regulatory relief would save consumers perhaps \$10 billion annually, lower the CPI by perhaps 0.3 - 0.6 percentage points, and affirm the Administration's determination to spur economic recovery by reducing wasteful regulation.
 - GOOD POLICY - Accelerated regulatory relief and trade reform would reduce government involvement in all markets (foreign and domestic), advance international economic relations while preserving Administration discretion, and avoid precedent-setting relief programs that are inconsistent with the President's economic philosophy.