SECRET

MEMORANDUM FOR: THE PRESIDENT

FROM: HENRY A. KISSINGER PETER G. PETERSON

SUBJECT: U.S.-Japan Joint Economic Committee Meeting

Attached, but not necessarily for your review today, are memoranda from the Secretary of State (Tab A) and a CIEP paper (Tab B), both of which relate to the Eighth U.S.-Japan Joint Economic Committee meeting scheduled for September 9 and 10.

Based on these memoranda, we recommend that you approve the following decision memorandum:

The President has reviewed the Secretary of State's memorandum of September 1, 1971 on this subject, as well as the CIEP paper of August 24, 1971.

The President has directed that in the ECONCOM meetings, the U.S. Delegation be guided by the following principal points:

1. Throughout the meetings, as proposed by the Secretary of State, we should endeavor to reestablish in the minds of the Japanese the significance and closeness of the U.S.-Japanese relationship through a series of forthcoming political and psychological measures. We should:

   -- Assure the Japanese that shortly after the ECONCOM meeting the President will send the Agreement for Reversion of Okinawa to the Senate with a strong recommendation for its early ratification.

   -- Reaffirm our offer to explore with Japan and other countries the possibility of selling them classified U.S. technology for use in a gaseous diffusion plant in a third country for enrichment of uranium.

SECRET
---Indicate our desire for closer scientific collaboration in seeking solutions to common problems in the fields of transportation and ecology.

---Indicate willingness to support election of a Japanese Chairman of the GATT this November.

---Indicate our desire to work within the OECD High Level Group to prepare the way for a major multilateral attack on trade barriers.

---Indicate our desire to develop international procedures for adjudicating investment disputes in developing countries.

2. The U.S. new economic policy, with special emphasis on our balance of payments goals, should be clearly explained to the Japanese delegation. We should state strongly that it is our conviction that a reasonably balanced trade account between our two countries is necessary and feasible by the end of 1973. It should be pointed out that, as we understand Japanese balance of payments and trade projections, they are incompatible with our objectives. It should be proposed that we work together to achieve mutually agreed compatible balance of payments goals.

3. The overriding U.S. objective is to obtain a revaluation of the currencies of our major trading partners, which will include a substantial revaluation of the yen. While negotiations on the exact amount of yen revaluation sought should be carried out multilaterally, Secretary Connally is authorized privately, if he wishes, to inform the Japanese Ministers that a revaluation in the range of 15 to 20 percent is necessary.

4. We should indicate that we would only remove the 10 percent surcharge when our external position is assured.
5. Beyond this, we wish to achieve our balance of payments goals primarily through trade liberalization and we expect the Japanese to remove quotas and other import restrictions illegal under the GATT. We are particularly interested in prompt removal of quotas on agricultural items, computers, aircraft, and integrated circuits.

6. We should welcome the Japanese eight-point program, commend their efforts so far, and urge them to go further.

7. It should be made clear to the Japanese that we still seek a negotiated voluntary restraint agreement for textiles but will be prepared to solve the problem in other ways if an agreement is not forthcoming. Our continuing need for a voluntary restraint agreement for steel exports should also be made clear.

8. We should stress our desire for even closer economic cooperation in the future. To this end, we should propose periodic meetings with the Japanese, starting with a special interagency mission to Japan by next January to assess with the Japanese specific progress toward agreed upon balance of payments goals, compatible economic policies and the eight-point program, to identify remaining or emerging trade problems, and to work out constructive, timely solutions to common economic problems.

9. In discussing lower priority economic objectives, including increased Japanese defense procurement in the United States, increased aid on softer terms, and investment liberalization, our delegates should make clear our wishes in low key, relating such secondary points to our overall balance of payments goals.

Attachments
Tabs A and B
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