

## Trade Review by Renée Sigerson

### A military version of GATT

*"Guns-no-butter" proponents want to use Japan as the example for "linkage" between trade and defense.*

The same circles grouped around Brent Scowcroft who oppose Ronald Reagan's program for development of defensive high-energy beam weapons, would like to call into being an organization modeled on the General Agreement on Trade and Tariffs (GATT). Its purpose would be to regulate Western countries' trade in conventional defense goods.

According to one of Scowcroft's close associates, who works with the Georgetown University Center for Strategic and International Studies (CSIS), Japan would be the most likely OECD country to go along with such a policy of "linkage" between defense and trade.

"There is a slowly evolving consensus in Japan," a CSIS associate stated in a private discussion, "that they must do more now for their own defense. . . . Trade and defense are inseparable in relations with Japan. . . . The Japanese now realize that the animosity in the U.S.," arising from Japan's \$20 billion trade surplus, "just isn't worth it."

The spokesman took note of the growing Japanese concern over possible Soviet redeployment of SS-20s now stationed in the European theater into Asia.

The Scowcroft circle hopes to take advantage of such concerns to convince the Japanese to replace their traditional policy of co-production of defense goods with the United States. In its place, they suggest, Japan should import U.S. defense hardware as a means for offsetting its trade surplus.

In 1982, U.S. Commerce Undersecretary for International Affairs Lionel Olmer issued a report urging the Japanese to eliminate co-production of defense goods, charging that Japan has used its imports of U.S. military aircraft to bolster its civilian aircraft technologies.

Such a shift in Japanese policy, according to the CSIS proponents, would be the precedent for eliminating "co-production" in favor of export-import programs throughout the alliance.

Intrinsic to this policy, of course, is the enmity of Scowcroft, et al. toward advanced technology development—both in the defense and civilian arenas. The GATT structure could quickly become an instrument for obstructing Western nations' ability to jointly deliberate on and share breakthroughs in the plasma and laser applications which are already in advanced testing stage for military purposes.

Fortunately, the CSIS crowd is grossly overstating Japanese willingness to enter into such trade regulatory schemes.

Changes are currently under way in U.S.-Japanese trade relations, but from evidence so far, these changes are moving in a different direction than the CSIS circle supports.

Ever since the January 1983 visit to the United States of Japanese Prime Minister Nakasone, consistent efforts have been made by the White House to improve relations between the two countries, especially to improve rela-

tions on the sensitive trade issue.

When Nakasone arrived, he announced that Japan would implement an exceptional policy toward the United States, for the first time allowing Japanese export to U.S. firms of technologies relevant to defense applications. Japan allows such exports to be made to no other country.

More recently, around the Williamsburg summit, the Japanese Trade Ministry announced that it will initiate selective tax incentives to encourage imports of machinery. That represented a major concession to U.S. business cries against what they term unfair protectionism.

These concessions were by no means unilateral. On the eve of the summit, U.S. administration background papers on economic policy had included harsh attacks on Japan, accusing it, for example, of being "most aggressive in exporting manufactures when domestic demand falters." Before the summit opened, however, the White House had the offensive comments in the background papers removed, and Reagan sent a letter to Nakasone expressing his regret that the comments had been allowed into print (see article, page 4).

In addition, a senior official in the U.S. Trade Representative's office gave a pre-summit interview to Japan's JJI press service, in which he voiced disagreement with public attacks issued by Commerce Secretary Malcolm Baldrige against Japan's industrial policy.

Soon afterward, the Commerce Department issued a statement denying that Baldrige had ever made the remarks. In these official relations between the two countries, there is no evidence so far of pressure on Japan to formally "link" trade and defense along the lines urged by the Georgetown strategists.