

State Department attempts sabotage of administration entente with Japan

by Richard Katz

A battle has broken out between the White House and the State Department over U.S. relations with Japan, and, in particular, what attitude to take toward Japan's controversial Prime Minister Yasuhiro Nakasone.

According to knowledgeable sources, angry infighting surfaced on the eve of the May 28-29 Williamsburg summit, when State Department officials tried to undercut weeks of close cooperation between Nakasone and President Reagan. The two heads of state had been in close consultation to get a solid Western front on security issues, particularly the Euro-missile. The State Department, however, tried to slip comments attacking Japan over trade issues, alleged "industrial targeting," etc., into "background papers." The Japanese Ambassador protested, and White House officials "blew up," fearing that the comments, which are handed out to the press, would become a focus of discussion during the bilateral Reagan-Nakasone meetings and at the summit itself. This would undercut the personal trust between the two heads of state. Instead of teamwork, the summit would seem a revival of emotion-laded bickering over trade issues that Reagan was trying to solve through other means.

After President Reagan ordered the deletion of the anti-Japan comments, senior State Department officials tried to pass off the incident as simply a "mistake" by lower level officials. But top White House officials say otherwise: in reality, the document was drafted by Secretary of State George Shultz's longtime friend, Undersecretary for Economic Affairs W. Allen Wallis. It took heated insistence by the White House to get the comments deleted.

The Wallis anti-Japan draft is only one facet of the State's and Commerce's moves against White House attempts to forge a new cooperative partnership with Japan. Working through the U. S. Embassy in Tokyo and a recent Kissinger-led meeting in Tokyo, the State Department has been spreading the word among the Japanese elite that they are very unhappy with Nakasone. This charge comes from repeated, but unconfirmed, reports that emanate from several normally reliable sources in Washington intelligence circles and the Republican Party. Some of these sources insist there is cable traffic between the Embassy and Foggy Bottom to this effect. Top officials at the State Department deny these reports.

Similar comments about Nakasone's predecessor, Zenko Suzuki, helped aid the latter's downfall. Nakasone is currently under serious political attack at home by more "establishment-oriented" Japanese with whom the State Department seems to feel more comfortable.

Proposed U.S.-Japan partnership

In contrast to State Department sniping, the White House staff and National Security Council (NSC) in particular are interested in solidifying cooperation with Japan and Nakasone. The most public signal of this was NSC Director of Planning Norman Bailey's May 17 speech in Brussels. He called for Western cooperation in using Reagan's March 23 proposal for defensive beam weapons as a technological kickboard to launch recovery, a proposal which needs a big capital base. According to authoritative sources, some senior White House planners are anticipating a wide-ranging economic deal with Japan, "which has the only exportable surplus of capital goods in the world," as one official commented. Other White House aides are thinking of Japanese-American joint ventures and/or Japanese investment in high-technology industries in the U. S.—proposals that would build up America's technology while keeping jobs here and easing trade frictions.

Simultaneously, some White House staffers want to downplay the emphasis on China as the center of U. S. Asia policy in favor of reviving the pre-Kissinger stress on economic and security partnership with Japan. During the May 17 speech, Bailey noted that "the economic center of gravity of the world is rapidly shifting to the Pacific Basin . . . a huge, poorly defended, and fabulously rich prize, and it is obvious that it would be to our benefit to continue to fill the military vacuum in close cooperation with the Japanese." (see *EIR*, June 7.)

The Kissinger crowd in the State and Commerce Departments has been not-so-subtly undercutting the President's initiatives in these areas, portraying him as a bit of a warmonger, downplaying the beam weapons issue, and attacking Japan for having an "industrial policy" of exactly the type that Bailey's proposal would imply for the United States. A weakening of Nakasone is therefore a weakening of Reagan.

Reagan-Nakasone team at Williamsburg

Despite the State Department sniping, at the summit President Reagan and Prime Minister Nakasone struck up an level of personal rapport and cooperation unprecedented between U.S. and Japanese heads of government. Nakasone—despite intense pacifist feeling at home and political advice to shed his “hawk” image—went out of his way to make the summit a success for Reagan. In bilateral meetings with European leaders, he repeatedly urged them to line up behind Reagan on the Euromissiles issue, i.e., to insist that if no arms agreement is reached with the Soviets, then the Pershings will be deployed as scheduled later this year. Presumably worried about the reaction back home, Nakasone later told Japanese reporters that he had not “urged” this course, but had only “agreed” with European leaders’ statements to that effect. Several authoritative European sources, however, confirmed to *EIR* the first version of the story.

In turn, Reagan lined up the entire seven-nation summit behind the stance that an Intermediate Nuclear Force (INF) agreement with the Soviets must be made conditional upon Soviet agreement to destroy any SS-20 missiles removed from Europe and *not* to transfer them to Asia. This is the first time European leaders have adopted this position; Reagan’s achievement met a request that Nakasone had made during a private meeting Friday morning, before the opening of the summit.

The two heads of state also moved quickly to try to ease trade tension. Just after the summit, a high official of the White House-based U.S. Trade Representative’s (USTR) office told Japan’s JIJI press that he disagreed with Commerce Secretary Malcolm Baldrige’s harsh attacks on Japanese industrial policy and with Baldrige’s call for an international rule governing each nation’s policy on this. The USTR official added that *the Reagan administration does not oppose industrial policy, only industrial targeting*. Industrial targeting is the codeword used by factioneers like Commerce Undersecretary Lionel Olmer and W. Allen Wallis to propose “retaliatory” measures against Japan. The official continued, “the USTR has yet to determine whether Japan has industrial targeting as part of its overall industrial policy,” JIJI paraphrased him as saying. Similarly, the White House has held up an official complaint to GATT (General Agreement on Trade and Tariffs, a regulator of international trade) against Japan’s farm import policy. According to Washington sources, the complaint will be held up at least until after the June 26 elections of the Upper House of the Japanese Diet—elections very important to Nakasone’s political future—and may be held up even longer.

In turn, the Nakasone administration has made some recent pledges of trade concessions which, if fulfilled, will make Reagan’s attempt to dampen protectionism somewhat easier. The Ministry of International Trade and Industry (MITI) has said it will promote greater import of manufactured goods by drawing up *tax incentives for selected imports*. Nakasone has also instructed Japan’s government-

owned high-technology powerhouse, Nippon Telegraph and Telephone, to purchase more high-technology goods from the United States.

Facing the Third World debt crisis

A final potential area of Reagan-Nakasone concord is on the issue of developing country debt. Certain White House advisers felt that a systematic solution to the debt problem should have been discussed at Williamsburg, but they lost out to the Shultz-Donald Regan line. The latter convinced Reagan to insist that the U.S. “recovery” and continued International Monetary Fund management will solve the problems. These White House advisers are known to feel that as the U.S. recovery softens and the debt crisis reemerges, they can reapproach the President with a different idea.

Of all the summit attendees, Nakasone is most attentive to the need for a systematic solution, as shown by a speech at Johns Hopkins given hours after his meeting with President Reagan—a speech virtually blacked out of the American press:

We have to formulate policies that will turn the still-fragile recovery into a long-term and sustainable growth for the world economy. . . . *For this purpose we can no longer rely solely on the standard economic policies or on existing domestic and international systems and institutions* [emph. added]. . . . We should improve the rules and institutions for the management of the world economy which are showing signs of fatigue. . . . I believe it is high time we cooperated further on a global basis in areas of trade, currency, finance and natural resources. Of course this task cannot be carried out in a confrontational atmosphere between developed and developing nations. . . . There can be no prosperity in the North [developed] countries without prosperity in the [developing] South.

The *Times of India* pointed to these Johns Hopkins passages as reflections of Nakasone’s talks with Indian Finance Minister Pranab Mukherjee days before the summit.

Nakasone has Reagan’s ear to some extent on this issue. His intervention led Reagan to publicly refer to letters he had received on the debt and development issues from Indian Prime Minister Indira Gandhi, the current chairman of the Non-Aligned movement, and from Colombian President Belisario Betancourt.

During the summit itself, Nakasone toned down any discussion of new institutions, including a Japanese-proposed Global Infrastructure Fund (GIF) for massive infrastructure projects in the developing countries. This is possibly because private emissaries had informed Nakasone that Reagan would react poorly at this time. However, the relationship Nakasone has gained with Reagan may mean that in this time of crisis, as the debt conjuncture grows more acute, Tokyo may have a channel in Washington it would not otherwise possess.