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PRIME MINISTER NAKASONE'S APPROACH TO THE VENICE SUMMIT**SUMMARY**

1. NAKASONE NEEDS A SUCCESSFUL SUMMIT TO SHORE UP HIS DOMESTIC POLITICAL POSITION. HE APPARENTLY HOPES THAT THE ECONOMIC MEASURES ANNOUNCED ON 29 MAY AND HIS WILLINGNESS TO SHOW SOLIDARITY WITH OTHER PARTICIPANTS ON THE POLITICAL ISSUES TO BE DISCUSSED AT VENICE WILL WARD OFF CRITICISM OF JAPAN'S ECONOMIC POLICIES. DESPITE HIS PROTESTATIONS TO THE CONTRARY, NAKASONE IS NOT WELL PLACED AT HOME TO IMPLEMENT ANY NEW UNDERTAKINGS ENTERED INTO AT THE SUMMIT.

DETAIL

2. PRIME MINISTER NAKASONE'S ATTENDANCE AT THE VENICE SUMMIT (AND HIS SUBSEQUENT OFFICIAL VISIT TO SPAIN) IS LIKELY TO BE HIS LAST TRIP ABROAD BEFORE THE EXPIRY OF HIS THIRD TERM AS PRESIDENT OF THE LIBERAL DEMOCRATIC PARTY (LDP) AND HENCE AS PRIME MINISTER, AT THE END OF OCTOBER. HE NEEDS A SUCCESSFUL SUMMIT FROM JAPAN'S POINT OF VIEW TO WARD OFF LATENT DOMESTIC POLITICAL PRESSURE FOR HIS RESIGNATION BEFORE THE FORMAL END OF HIS MANDATE.

3. NAKASONE'S DOMESTIC POPULARITY HAS SLUMPED DRAMATICALLY SINCE HE LED THE LDP TO A LANDSLIDE VICTORY IN LAST YEAR'S ELECTIONS. SUPPORT FOR HIS GOVERNMENT AS REGISTERED BY THE OPINION POLLS REACHED ROCK BOTTOM IN THE AFTERMATH OF THE LDP'S SETBACK IN THE APRIL LOCAL ELECTIONS. THE ABANDONMENT OF THE GOVERNMENT'S PLANS TO INTRODUCE A SALES TAX HAS WON BACK SOME SUPPORT. BUT NAKASONE STILL TRAILS WELL BEHIND HIS PARTY IN THE OPINION POLLS. IN THE LATEST ASAHI POLL CONDUCTED ON 20-21 MAY, ONLY 31% OF RESPONDENTS EXPRESSED SUPPORT FOR THE NAKASONE GOVERNMENT AGAINST 49% WHO WERE OPPOSED.

4. NAKASONE'S DOMESTIC POLITICAL POSITION HAS IMPROVED SOMEWHAT SINCE HIS VISIT TO WASHINGTON IN EARLY MAY. HIS POTENTIAL SUCCESSORS HAVE ACCEPTED THAT NAKASONE IS BEST PLACED TO FULFIL JAPAN'S COMMITMENT TO THE AMERICANS AND TO HER OTHER MAIN TRADING PARTNERS TO STIMULATE THE JAPANESE ECONOMY. NAKASONE PLAYED A CRUCIAL ROLE IN PUTTING THE FINISHING TOUCHES TO THE EMERGENCY ECONOMIC MEASURES ANNOUNCED ON 29 MAY. BARRING UNFORESEEN DEVELOPMENTS AT VENICE, THE MAJORITY OF THE LDP IS NOW WILLING TO SEE HIM REMAIN IN OFFICE AT LEAST UNTIL AN EXTRAORDINARY SESSION OF THE DIET, EXPECTED TO BE CONVENED INEARLY JULY, HAS PASSED A SUPPLEMENTARY BUDGET TO GIVE EFFECT TO THE LATEST PACKAGE OF ECONOMIC MEASURES. THIS COULD TAKE 2 OR 3 MONTHS.

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5. NAKASONE'S PRINCIPAL OBJECTIVE AT VENICE WILL BE TO CONVINCe JAPAN'S SUMMIT PARTNERS THAT JAPAN HAS DONE WHAT SHE CAN IN THE SHORT-TERM TO SUPPORT THE INTERNATIONAL ECONOMY AND MAKE SOME MOVES TOWARDS REDRESSING TRADE IMBALANCES BY MEANS OF THE LATEST ECONOMIC PACKAGE. BUT HE HAS ALSO SHOWN SOME SENSITIVITY TO CONTINUED FOREIGN CRITICISM OF THE CLOSED NATURE OF JAPAN'S MARKET IN SOME AREAS. HE HAS SOUGHT EVIDENCE FROM SOME OF US IN THE PAST WEEK AND MAY THEREFORE COME ARMED WITH A BRIEF DESIGNED TO SHOW HIS INTEREST IN FURTHER DE-REGULATION IN A NUMBER OF IMPORT PROCEDURES. IN AN INTERVIEW WITH JOURNALISTS FROM SUMMIT COUNTRIES ON 3 JUNE, NAKASONE POINTED OUT THAT THE LATEST DOLLARS 43 BILLION STIMULUS TO THE JAPANESE ECONOMY (EQUIVALENT TO 1.8% OF GNP) WAS UNPRECEDENTED. JAPAN ALONE COULD NOT REDRESS THE TRADE IMBALANCE. THE US ALSO NEEDED TO REDUCE THE FEDERAL DEFICIT WHILE EUROPE SHOULD PRESS AHEAD WITH THE REFORM OF ITS RIGID ECONOMIC STRUCTURE.

6. NAKASONE MUST HOPE THAT THE LATEST ECONOMIC MEASURES WILL BE SUFFICIENT TO TAKE THE SPOTLIGHT OFF JAPAN AT ENICE. HE WILL BE LOOKING TO PRESIDENT REAGAN TO PREVENT THE EMERGENCE OF AN ANTI-JAPANESE US/EUROPE AXIS. JUST AS AT PREVIOUS SUMMITS, NOTABLY WILLIAMSBURG, NAKASONE EVIDENTLY INTENDS TO APPEAL FOR WESTERN SOLIDARITY ON THE POLITICAL ISSUES TO BE DISCUSSED AT VENICE, ESPECIALLY EAST/WEST RELATIONS, NOT ONLY TO WIN FAVOUR WITH REAGAN BUT ALSO TO DULL, IF NOT TO ELIMINATE, CRITICISM OF JAPAN'S ECONOMIC POLICIES. ON INF, THE JAPANESE SHOULD HAVE NO DIFFICULTY IN SUPPORTING WHAT IS ACCEPTABLE TO THE OTHER SUMMIT PARTICIPANTS, PROVIDED THAT JAPAN'S INSISTENCE ON THE NEED FOR GLOBAL REDUCTIONS TO ZERO IN LRINF IS SAFEGUARDED. THE MAIN ELEMENT OF UNCERTAINTY ON THE POLITICAL SIDE IS THE POSSIBILITY THAT JAPAN MAY BE CALLED UPON TO DEMONSTRATE IN A CONCRETE WAY SOLIDARITY WITH THE AMERICANS IN UPHOLDING FREEDOM OF NAVIGATION IN THE GULF. CONSTITUTIONAL AND LEGAL CONSTRAINTS PREVENT JAPAN FROM MAKING ANY DIRECT CONTRIBUTION TO THE US NAVAL PRESENCE IN THE GULF. THE JAPANESE WILL DOUBTLESS BE HOPING THAT EUROPEAN RESERVATIONS ABOUT CLOSER INVOLVEMENT WITH THE AMERICANS WILL PREVENT THEM FROM BECOMING ISOLATED ON THIS ISSUE.

7. NAKASONE'S STRATEGY FOR THE SUMMIT CALLS FOR JAPAN TO KEEP IN CLOSE TOUCH WITH THE US AND THE FRG (AS THE OTHER PARTICIPANT LIKELY TO BE PUT IN THE DOCK OVER ITS ECONOMIC POLICY). NAKASONE HAS ARRANGED BILATERALS WITH REAGAN AND KHL FOR 8 JUNE. BY CONTRAST THE JAPANESE ARE A TRIFLE NERVOUS THAT MRS THATCHER MAY CHOSE TO LAUNCH A BROADSIDE AGAINST JAPAN, ALTHOUGH ON THE STRICTLY BILATERAL ISSUES THERE HAS BEEN SOME MOVEMENT IN RECENT WEEKS IN DIRECTIONS WHICH ARE HELPFUL TO US OVER CABLE AND WIRELESS AND FINANCIAL SERVICES. AND EVEN THE CRUDE VISITBLE TRADE BALANCE IN THE FIRST FOUR MONTHS OF CALENDAR 1987 SHOWS SIGNS OF DECREASING SLIGHTLY ON AN ANNUALISED BASIS BY COMPARISON WITH 1986. BUT NAKASONE'S GREATEST CONCERN IS THAT OTHER SUMMIT LEADERS WILL WRITE HIM OFF A LAME DUCK PRIME MINISTER. NOT UNEXPECTEDLY, NAKASONE HAS RESISTED ANY SUCH SUGGESTION. HE MAINTAINS THAT AS HE HAS NO PERSONAL AMBITIONS FOR THE FUTURE HE CAN AFFORD TO TAKE UNPOPULAR DECISIONS. THIS IS HOWEVER ONLY PARTIALLY VALID. AS THE FAILURE OF THE SALES /TAX

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TAX PROPOSALS INDICATED, NAKASONE IS POWERLESS IF HE CANNOT CARRY HIS PARTY WITH HIM. SECURING THE COOPERATION OF THE LDP IS LIKELY TO BECOME MORE DIFFICULT AS THE TIME FOR NAKASONE TO STEP DOWN APPROACHES. HE WILL THEREFORE BE RELUCTANT TO ACCEPT ANY SPECIFIC NEW OBLIGATIONS AT VENICE WHICH COULD PRIVE UNPALATABLE TO THE LDP.

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