UNITED STATES DEPARTMENT OF COMMERCE
The Under Secretary for Economic Affairs
Washington, D.C. 20230

DRAFT

MEMORANDUM FOR Under Secretary for International Trade

FROM: Under Secretary for Economic Affairs

SUBJECT: Departmental Review of The U.S.-Japan Nonnuclear R&D Agreement

Renegotiation of the U.S.-Japan Nonnuclear R&D Agreement presents the Department and the Administration with a unique opportunity to address both the terms of scientific exchange and the problems of trade and competitiveness between our countries. The proposed agreement does not presently help us obtain fair value from the Japanese in return for what they may gain from the agreement. The breadth of the Agreement gives the Japanese potential access to nearly all the U.S.' research and development physical plant and the technological know-how generated by the 55 billion dollars annually utilized in this plant. It is clear that the U.S. cannot indefinitely support this kind of implicit subsidy of Japanese industry given our current and prospective trade imbalance. Since the Japanese publicly acknowledged the benefits they derive from this access, which appears in part a consequence of the U.S.-Japan Agreement, we should feel justified in establishing conditions assuring a fair return to the U.S. in the renegotiation of the Agreement.

Furthermore, aggregate data establish that the Japanese do not invest anything near the U.S. level in creating new technical knowledge. It is reasonable to assume that their access to U.S. laboratories and know-how is indispensable to the development of new products and processes that the Japanese export world-wide. On the United States side we now have the Federal Technology Transfer Act. This gives the United States Government a strong bargaining lever. The U.S. Government can implement the Act to the advantage or disadvantage of the Japanese.

Accordingly, we propose that, as its first order of business, the Department Committee being created to review international science and technology agreements determine the measures we want the Japanese Government to take in exchange for Japanese access to the Federally-funded laboratories. We recommend that our target be Japanese Government actions as they bear on Japanese Government activities, not the more amorphous target of Japanese Government influence on Japanese industry. The Committee's objective should be to identify the steps that the Japanese Government could take--affecting Government agencies, procedures, regulations, and practices--that would affect the ability of American industry to exploit its technological advantage within the Japanese market. These should become the basis of the U.S. agenda in renegotiating the scientific agreement with Japan.

Some suggested examples for consideration are:

1) Tying this Agreement to the Japanese proposal to spend $35 billion on domestic programs to increase Japanese consumption.

2) Modifying Japanese patent office practices to expedite issuance of patents to U.S. applicants.

3) Creating an executive-level U.S.-Japan committee to examine the problems of access to Japanese scientific and technical information.

4) Requiring the Japanese Government to make all open scientific and technical reports produced by Japanese Government agencies and their contractors, available to U.S. researchers through a central source.

5) Requiring Nippon Telephone & Telegraph (NTT) to disclose network systems standards information comparable to that which U.S. telephone companies are required to disclose to Japan based companies in the U.S.