

Ronald Reagan Presidential Library  
Digital Library Collections

---

This is a PDF of a folder from our textual collections.

---

**Collection:** Driggs, Michael A.: Files  
**Folder Title:** Japan: Japan's Trade Announcement  
(04/09/1986) (3 of 5)  
**Box:** OA 12243

---

To see more digitized collections visit:

<https://reaganlibrary.gov/archives/digital-library>

To see all Ronald Reagan Presidential Library inventories visit:

<https://reaganlibrary.gov/document-collection>

Contact a reference archivist at: [reagan.library@nara.gov](mailto:reagan.library@nara.gov)

Citation Guidelines: <https://reaganlibrary.gov/citing>

National Archives Catalogue: <https://catalog.archives.gov/>

*Last Updated: 03/03/2023*

CONFIDENTIAL  
WHITE HOUSE SITUATION ROOM

Kagawa  
Yoshihara

PAGE 01 OF 04 TOKYO 7162  
SIT733 AN003075

DTG: 090811Z APR 85 PSN: 018003  
TOR: 099/0845Z

-----  
DISTRIBUTION: KIMM /001  
-----

OP IMMED  
UTS5187  
DE RUEHKO #7162/02 0990816  
O 090811Z APR 85 ZFF4  
FM AMEMBASSY TOKYO

Stalwager  
BY dh DATE 2/12/2000

TO SECSTATE WASHDC NIACT IMMEDIATE 9562

INFO USDOC WASHDC IMMEDIATE  
USDA WASHDC IMMEDIATE  
US TREASURY WASHDC IMMEDIATE

~~CONFIDENTIAL~~ SECTION 02 OF 03 TOKYO 07162

WHITE HOUSE SITUATION ROOM DELIVER TO JACK SPAHN AT  
- 7:30 A.M. YOUR TIME  
DEPARTMENT PASS USTR  
USDA FOR FAS/ITP

E.O. 12356: DECL: OADR  
TAGS: ETRD, JA  
SUBJECT: ECONOMIC MEASURES BY JAPAN: JAPAN-U.S.

- (IV) IN DRAFTING TECHNICAL STANDARDS, ETC.,
- TRANSPARENCY SHALL BE SECURED BY ANNOUNCING
- THE SCHEDULES AS EARLY AS POSSIBLE TO INTERESTED
- PARTIES BOTH DOMESTIC AND FOREIGN, AND THROUGH
- VARIOUS MEANS INCLUDING SOLICITING OF VIEWS ON
- THE DRAFTS FROM INTERESTED PARTIES BOTH DOMESTIC
- AND FOREIGN, AND PARTICIPATION OF A JAPANESE

~~CONFIDENTIAL~~

# WHITE HOUSE SITUATION ROOM

PAGE 02 OF 04 TOKYO 7162

DTG: 090811Z APR 85 PSN: 018003

- NATIONAL SERVING IN A FOREIGN-AFFILIATED FIRM  
- IN THE TELECOMMUNICATIONS ADVISORY COUNCIL.  
-

- (V) IN ORDER TO PREVENT CROSS-SUBSIDIZATION  
- BY TYPE I TELECOMMUNICATIONS CARRIERS INCLUDING  
- NTT, NECESSARY PROVISIONS HAVE BEEN INCLUDED  
- IN THE ACCOUNTING REGULATIONS, THEREBY  
- SAFEGUARDING FAIR COMPETITION.  
-

- (VI) SHOULD THERE BE ASPECTS IDENTIFIED IN  
- THE PROCESS OF IMPLEMENTATION OF THE NEW LAW  
- AS SERIOUS AND ACTUAL BARRIERS TO MARKET  
- ENTRY, WE WOULD PROPOSE, IF NECESSARY,  
- AMENDMENTS TO THE DIET IN ACCORDANCE WITH THE  
- PROVISION OF THE LAW. IF THERE ARE ASPECTS  
- OF THE CABINET AND MINISTERIAL ORDINANCES  
- WHICH ARE IDENTIFIED AS BARRIERS TO ENTRY TO  
- THE MARKET, THE RELEVANT ORDINANCES WILL BE  
- AMENDED TO CORRECT THESE DEFICIENCIES.  
-

(2) THE GOVERNMENT OF JAPAN WILL ENSURE THAT THE  
SYSTEM WILL BE IMPLEMENTED IN THE ENFORCEMENT PHASE  
OF THE LAW WITH FULL RESPECT TO NON-DISCRIMINATION,  
SIMPLICITY, TRANSPARENCY, AND MARKET-OPENING.  
-

(3) WITH REGARD TO PURCHASE BY THE PRIVATE SECTOR  
OF FOREIGN COMMUNICATIONS SATELLITES, IMPORT  
FINANCING BY THE EXPORT-IMPORT BANK OF JAPAN HAS  
ALREADY BEEN MADE AVAILABLE. IN ADDITION, THE  
QUESTION OF FREQUENCY ALLOCATION WILL BE ADDRESSED  
AS EXPEDITIOUSLY AS POSSIBLE.  
-

## 2. ELECTRONICS

-

(1) NINE POINTS OF INTEREST HAVE BEEN RAISED BY

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~  
WHITE HOUSE SITUATION ROOM

PAGE 03 OF 04 TOKYO 7162

DTG: 090811Z APR 85 PSN: 018003

THE U. S. SIDE, AND PRODUCTIVE DISCUSSIONS HAVE TAKEN PLACE. IN RELATION TO THESE ISSUES, THE GOVERNMENT OF JAPAN HAS ALREADY DECIDED UPON IN CABINET MEETINGS (I) A BILL CONCERNING THE PROTECTION OF SEMICONDUCTOR CHIP RIGHTS, AND (II) AN AMENDMENT OF THE COPYRIGHT LAW CONCERNING THE PROTECTION OF COMPUTER PROGRAM RIGHTS (N.B. 50 YEAR COPYRIGHT PROTECTION AND NO COMPULSORY LICENSING), AND WILL DO ITS UTMOST TO SEEK THEIR LEGISLATION IN THE PRESENT SESSION OF THE DIET. IN ADDITION TO THESE, (III) THE GOVERNMENT OF JAPAN HAS PROPOSED TO THE U. S. SIDE THAT THE TWO GOVERNMENTS CONSIDER THE POSSIBILITY OF MUTUAL ELIMINATION OF TARIFFS IN THE ELECTRONICS SECTOR.

(2) WITH REGARD TO THE OTHER ISSUES, TOO, THE GOVERNMENT OF JAPAN WILL ACTIVELY PROMOTE THE FREE EXCHANGE OF TRADE, INVESTMENT, AND TECHNOLOGY IN THE AREA OF ELECTRONICS, RECOGNIZING THAT THIS AREA HOLDS A GREAT DEAL OF PROMISE AND, THEREFORE, THAT THE EXISTENCE OF A FREE MARKET IN AND BETWEEN JAPAN AND THE U. S. IS OF UTMOST IMPORTANCE.

3. PHARMACEUTICALS AND MEDICAL EQUIPMENTS

SEVEN POINTS OF INTEREST HAVE BEEN RAISED BY THE U. S. SIDE AS QUESTIONS TO BE ADDRESSED FOR THE TIME BEING, AND SERIOUS STUDIES ARE UNDER WAY TO MAKE THE APPROVAL AND LICENSING PROCEDURES SIMPLE AND TRANSPARENT. ACCORDINGLY SOME PROGRESS IS IN THE MAKING. AMONG THEM:

(1) FOREIGN CLINICAL TEST DATA SHALL BE ACCEPTED FOR MEDICAL EQUIPMENTS AND IN VITRO DIAGNOSTIC REAGENTS IN CASE THEY ARE IMMUNE TO ETHNIC DIFFERENCES; AND  
BT

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

WHITE HOUSE SITUATION ROOM

PAGE 04 OF 04 TOKYO 7162

DTG: 090811Z APR 85 PSN: 018003

~~CONFIDENTIAL~~

WHITE HOUSE SITUATION ROOM

PAGE 01 OF 04 TOKYO 7205  
SIT723 AN003065

DTG: 091131Z APR 85 PSN: 017919  
TOR: 099/1205Z

-----  
DISTRIBUTION: KIMM SIT SPHN USTR /005 **SIGU**  
-----

OP IMMED  
UTS5587  
DE RUEHKO #7205/01 0991152  
O 091131Z APR 85 ZFF4  
FM AMEMBASSY TOKYO

TO SECSTATE WASHDC NIACT IMMEDIATE 9600

INFO USDOC WASHDC  
USDA FAS WASHDC

UNCLAS SECTION 01 OF 04 TOKYO 07205

PASS USTR

WHITE HOUSE SITUATION ROOM FOR SPAHN AT 7:30 A.M. EST

E.O. 12356: NA

TAGS: JA, ETRD

SUBJECT: PRIME MINISTER NAKASONE APPEALS TO  
JAPANESE PEOPLE, INDUSTRY

1. SUMMARY: IN A COMPLETE DEPARTURE FROM TRADITION, PRIME MINISTER NAKASONE DISCARDED HIS PREPARED TEXT AND GAVE A FREE-WHEELING, HARD-HITTING, AND PERSUASIVE 20-MINUTE SPEECH ON THE INTERNATIONAL TRADE SITUATION, THE BENEFITS JAPAN HAS DERIVED FROM FREE TRADE, AND WHY JAPAN MUST OPEN ITS MARKETS TO PROTECT THE FREE TRADE SYSTEM. THE SPEECH WAS PRECEDED BY THE HANDING

UNCLASSIFIED

OUT OF A PREPARED STATEMENT. EMBASSY'S INFORMAL TRANSLATION OF PREPARED STATEMENT FOLLOWS SUMMARY OF PRIME MINISTER'S REMARKS BELOW. END SUMMARY.

2. REFERRING ONLY TO NOTES AND CHARTS BEHIND HIM, NAKASONE GAVE A 20-MINUTE TELEVISION PRESENTATION ON JAPAN'S ECONOMIC POSITION IN THE WORLD, AND MEASURES IT MUST TAKE TO ASSURE CONTINUATION OF THE FREE TRADE SYSTEM FROM WHICH IT HAS BENEFITTED SO GREATLY SINCE WORLD WAR II. REPEATING THE STANDARD LINE THAT WITH NO NATURAL RESOURCES . JAPAN WAS FORCED TO IMPORT RAW MATERIALS AND EXPORT FINISHED GOODS, HE SAID THAT JAPAN HAD SUCCEEDED BEYOND ALL REASONABLE EXPECTATIONS AND WAS NOW EXPORTING TOO MUCH. IN FACT, JAPAN HAD A 44 BILLION DOLLAR TRADE SURPLUS LAST YEAR. HE POINTED OUT THAT THE JAPANESE MARKET HAD MANY UNFAIR ASPECTS AND THAT DEMANDS WERE GROWING IN FOREIGN COUNTRIES FOR LOWER TAXES, MORE EQUAL TREATMENT AND OTHER MEASURES. HE SAID THAT SOME COUNTRIES WERE EVEN THREATENING TO TAKE ACTIONS TO PREVENT JAPANESE IMPORTS, WHICH COULD IF ACTUALLY IMPLEMENTED RESULT IN SERIOUS UNEMPLOYMENT. HE STRESSED AGAIN THAT JAPAN WAS THE GREATEST BENEFICIARY OF THE BENEFITS OF THE FREE TRADING SYSTEM, AND THAT IN RECOGNITION OF THIS JAPAN HAD ALREADY REDUCED TARIFFS TO LEVELS LOWER THAN THE U.S. AND THE EC AND REDUCED THE NUMBER OF QUOTAS. NEVERTHELESS, HE SAID, THERE REMAINED ONEROUS PROCEDURAL PROBLEMS AND A LACK OF TRANSPARENCY OF REGULATIONS APPLYING TO STANDARDS, ETC.

3. POINTING TO GRAPHS DISPLAYING U.S.-JAPAN TRADE RESULTS AND UNEMPLOYMENT STATISTICS FOR JAPAN, THE

U. S. AND EUROPE, NAKASONE SAID THAT CRITICISM OF JAPANESE POLICIES HAD GROWN A GREAT DEAL RECENTLY. HE SAID THIS WAS MANIFEST IN THE UNANIMOUS SENATE RESOLUTION AND LARGE VOTE IN THE HOUSE IN FAVOR OF A RESOLUTION AIMED AT JAPAN. IF THE PRESIDENT WERE FORCED TO TAKE THESE ACTIONS, NAKASONE SAID THERE WOULD BE INCREASED UNEMPLOYMENT AND BANKRUPTCIES IN JAPAN. THEREFORE, JAPAN HAD TAKEN DRAMATIC STEPS.

4. IN THE MIDST OF HIS CATALOG OF EXTERNAL CIRCUMSTANCES, NAKASONE REASSURED HIS AUDIENCE THAT JAPAN WAS NOT ALL BAD. IN FACT, JAPAN HAD PRODUCED GOOD PRODUCTS THAT WERE IN DEMAND AROUND THE WORLD, AND SOME OF THE PROBLEMS WERE CAUSED BY THE HIGH VALUE OF THE DOLLAR. HE NOTED THAT SOME HAD SAID THAT FOREIGN BUSINESSMEN DID NOT TRY HARD ENOUGH IN JAPAN AND OFTEN LACKED THE REQUISITE LANGUAGE SKILLS AND JAPANESE-LANGUAGE CATALOG. HE ADMONISHED THE U. S. TO REDUCE THE VALUE OF THE DOLLAR AND TRY HARDER.

5. NAKASONE STRESSED THAT FOREIGN BUSINESSMEN MUST BE GIVEN A FAIR CHANCE AND THAT WAS JAPANESE POLICY. JAPAN MUST ALSO RECOGNIZE THAT THERE WERE BARRIERS

TO TRADE. HE NOTED THAT THE SYSTEM WAS DIFFERENT.

FOR EXAMPLE, IF SOMEBODY WERE INJURED DUE TO A DEFECT IN TELECOMMUNICATIONS OR MEDICINE, ETC., THE GOVERNMENT IS HELD RESPONSIBLE IN JAPAN. THEREFORE, THE GOVERNMENT WAS VERY CAREFUL IN ITS TESTING PROCEDURES AND WAS SEEN TO "INTERFERE" IN THE MARKETPLACE. ON THE OTHER HAND, HE SAID, THE WORLD ACCUSES JAPAN OF TOO MUCH INTERFERENCE AND WANTS TO



WHITE HOUSE SITUATION ROOM

PAGE 04 OF 04 TOKYO 7205

DTG: 091131Z APR 85 PSN: 017919

LET CONSUMERS AND THE MARKET MAKE THEIR OWN DECISIONS.  
THEREFORE, LET'S BECOME MORE LIKE THE WORLD AND  
LEAVE MORE DECISIONS UP TO THE CONSUMER. SO THEREFORE  
WE HAVE TAKEN THESE DRAMATIC MEASURES TO MOVE TOWARDS  
BT

UNCLASSIFIED

WHITE HOUSE SITUATION ROOM

PAGE 01 OF 04 TOKYO 7205  
SIT724 AN003066

DTG: 091131Z APR 85 PSN: 017922  
TOR: 099/1207Z

-----  
DISTRIBUTION: KIMM SIT SPHN SIGU USTR /006  
-----

OP IMMED  
UTS5593  
DE RUEHKO #7205/02 0991153  
O 091131Z APR 85 ZFF4  
FM AMEMBASSY TOKYO

TO SECSTATE WASHDC NIACT IMMEDIATE 9601

INFO USDOC WASHDC  
USDA FAS WASHDC

UNCLAS SECTION 02 OF 04 TOKYO 07205

PASS USTR

WHITE HOUSE SITUATION ROOM FOR SPAHN AT 7:30 A.M. EST

E. O. 12356: NA

TAGS: JA. ETRD

SUBJECT: PRIME MINISTER NAKASONE APPEALS TO

WORLD STANDARDS OR EXCEED THEM.

6. OUR POLICIES FROM NOW WILL BE DIVIDED IN TWO:  
ONE FOR THE PRESENT AND ONE OF MEDIUM-TERM. THE  
NEAR-TERM POLICY WILL BE AS ANNOUNCED BY THE  
CHIEF CABINET SECRETARY: I.E., THE FOUR SECTORS  
APPROACH; THE LAWYERS PROBLEM, COPYRIGHT PROTECTION  
FOR SOFTWARE, A DRAMATICALLY INCREASING DOMESTIC

UNCLASSIFIED

DEMAND, AND TO LIMIT CONCENTRATED EXPORTS TO A SINGLE COUNTRY. MEDIUM-TERM POLICIES WILL BE CARRIED OUT OVER A PERIOD OF THREE YEARS OR LESS, AND THE BASIC OUTLINE OF THESE POLICIES WILL BE FORMULATED DURING APRIL, AND IN CARRYING THIS OUT NAKASONE SAID THE GOVERNMENT HAD ESTABLISHED SEVERAL PRINCIPLES. THE FIRST IS THAT TRADE MUST EXPAND BUT AT THE SAME TIME BE BALANCED. TO THIS END JAPAN MUST EXPAND IMPORTS. THE SECOND PRINCIPLE IS THAT PROCEDURES MUST BE SIMPLE, TRANSPARENT, NON-DISCRIMINATORY, AND MARKET-OPENING. REGARDING TRANSPARENCY, THIS WOULD ENTAIL HAVING JAPANESE REPRESENTATIVES OF FOREIGN COMPANIES PARTICIPATING IN ADVISORY COUNCILS ON STANDARDS AND LEGISLATION. THE THIRD PRINCIPLE IS THAT ALL NATIONS MUST BE TREATED EQUALLY.

7. LASTLY, THE PRIME MINISTER NOTED THAT SOME ENTERPRISES WOULD BE HARMED BY THESE MEASURES BUT GAVE ASSURANCES THAT THE GOVERNMENT WOULD TAKE MAXIMUM COMPENSATORY STEPS TO ALLEVIATE THEIR DIFFICULTIES. HE STRESSED, HOWEVER, THAT THIS WOULD BE GOOD FOR CONSUMERS. HE ENCOURAGED THE JAPANESE TO BUY FOREIGN PRODUCTS AND POINTED TO THE SUCCESS OF THE RECENT AMERICAN FAIR IN NAGOYA. TO UNDERSCORE THIS POINT, THE PRIME MINISTER REFERRED TO A GRAPH THAT DRAMATICALLY DISPLAYED THE DIFFERENCES OF PER CAPITA IMPORTS OF MANUFACTURED GOODS AMONG THE INDUSTRIALIZED COUNTRIES.

*WE COULD  
USE THIS  
IN STATEMENT*

8. IN CLOSING NAKASONE CALLED FOR A NEW ROUND OF TRADE NEGOTIATIONS IN THE GATT, NOTING HOW VERY DELICATE THE FREE TRADE SYSTEM WAS, AS EXEMPLIFIED IN THE FORMATION OF TRADE BLOCS IN THE 1930'S THAT CONTRIBUTED TO THE START OF WORLD WAR II. JAPAN

MUST LEARN FROM THE EXPERIENCE OF WORLD WAR II AND PROMOTE FREE TRADE. FINALLY, NAKASONE ASKED FOR THE UNDERSTANDING AND COOPERATION OF THE JAPANESE PUBLIC.

9. TEXT OF PRIME MINISTER'S OFFICIALLY-RELEASED BUT UNDELIVERED WRITTEN STATEMENT.

BEGIN TEXT

WITH THE PASSAGE OF 40 YEARS SINCE THE END OF THE WAR, OUR COUNTRY TODAY ACCOUNTS FOR 10 PERCENT OF THE WORLD ECONOMY. THIS IS THE RESULT OF THE PEOPLE'S WISDOM AND EFFORT. BUT AT THE SAME TIME, IT IS ALSO THE RESULT OF ENJOYING THE BENEFITS OF THE FREE TRADE SYSTEM UNDER THE IMF AND THE GATT STRUCTURES.

TODAY, HOWEVER, THE WORLD ECONOMY FACES UNPRECEDENTED MOUNTING PROTECTIONISM AGAINST A BACKGROUND OF LAGGING STRUCTURAL ADJUSTMENT, HIGH-LEVEL UNEMPLOYMENT, AND LARGE-SCALE CURRENT ACCOUNT IMBALANCES. THE FREE TRADE SYSTEM ITSELF IS IN DANGER. AS A RESULT OF TECHNOLOGICAL ADVANCES, THE WORLD ECONOMY IS NOW ON THE POINT OF A NEW AGE. HOWEVER, THE EMERGENCE OF PROTECTIONISM MAY NIP IN THE BUD THE REALIZATION OF

THIS PROMISE. IN ORDER TO STRENGTHEN FREE TRADE AND TO OPEN THE WAY FOR NEW DEVELOPMENT IN THE WORLD ECONOMY, IT IS NECESSARY FOR OUR COUNTRY TO PLAY A ROLE BEFITTING ITS ECONOMIC WEIGHT IN THE WORLD.

2. TODAY, THE GOVERNMENT RECEIVED A REPORT FROM THE "EXTERNAL ECONOMIC PROBLEMS ADVISORY COMMITTEE," COMPOSED ... OF PERSONS OF KNOWLEDGE AND LEARNING, ON A

UNCLASSIFIED

PAGE 04 OF 04 TOKYO 7205

DTG: 091131Z APR 85 PSN: 017922

MEDIUM-TERM POLICY FOR THE FURTHER PROMOTION OF THE INTERNATIONALIZATION OF OUR COUNTRY'S ECONOMY. THE GOVERNMENT ALSO TODAY DECIDED ON ITS EXTERNAL ECONOMIC POLICY MEASURES.

WITH REGARD TO THE ADVISORY COMMITTEE'S REPORT, THE GOVERNMENT WILL RESPECT AND IMPLEMENT ITS POLICY ADVICE TO THE MAXIMUM EXTENT POSSIBLE.

ESPECIALLY IN REGARD TO IMPROVING MARKET ACCESS, THE  
BT

UNCLASSIFIED

WHITE HOUSE SITUATION ROOM

PAGE 01 OF 04 TOKYO 7205  
SIT726 AN003068

DTG: 091131Z APR 85 PSN: 017927  
TOR: 099/1209Z

-----  
DISTRIBUTION: KIMM SIT SPHN SIGU USTR /006  
-----

OP IMMED  
UTS5599  
DE RUEHKO #7205/03 0991155  
O 091131Z APR 85 ZFF4  
FM AMEMBASSY TOKYO

TO SECSTATE WASHDC NIACT IMMEDIATE 9602

INFO USDOC WASHDC  
USDA FAS WASHDC

UNCLAS SECTION 03 OF 04 TOKYO 07205

PASS USTR

WHITE HOUSE SITUATION ROOM FOR SPAHN AT 7:30 A.M. EST

E.O. 12356: NA  
TAGS: JA, ETRD  
SUBJECT: PRIME MINISTER NAKASONE APPEALS TO

GOVERNMENT WILL ACCEPT THE COMMITTEE'S ADVICE TO RESPECT  
"FREEDOM IN PRINCIPLE, AND RESTRICTIONS ONLY AS AN  
EXCEPTION," AND WILL KEEP THESE "EXCEPTIONS," TO A  
MINIMUM. UNDER THE POLICY OF LESSENING GOVERNMENT  
INTERVENTION AS MUCH AS POSSIBLE, AND "TO LEAVE MATTERS  
TO THE CHOICE AND RESPONSIBILITY OF THE CONSUMERS," THE  
GOVERNMENT WILL FORMULATE AN ACTION PROGRAM AT THE  
EARLIEST POSSIBLE TIME, AND WILL CARRY IT OUT WITHOUT  
DELAY.

UNCLASSIFIED

3. OUR COUNTRY HAS BEEN EARNESTLY CONSULTING WITH THE US ON THE FOUR SECTORS OF TELECOMMUNICATIONS, ELECTRONICS, PHARMACEUTICALS AND MEDICAL EQUIPMENT, AND FORESTRY PRODUCTS, AGREED TO AT THE JAPAN-US SUMMIT TALKS IN JANUARY.

AS REGARDS TELECOMMUNICATIONS, THE NIPPON TELEGRAPH AND TELEPHONE PUBLIC CORPORATION WAS TRANSFERRED TO PRIVATE MANAGEMENT, AND THE LIBERALIZATION OF THE TELECOMMUNICATIONS BUSINESS WAS IMPLEMENTED. AS REGARDS THE TECHNICAL STANDARDS FOR TERMINAL EQUIPMENT, A LARGE-SCALE SIMPLIFICATION WAS CARRIED OUT, AND IT HAS BEEN DECIDED THAT, IN THE FORMULATION OF STANDARDS, ETC., TRANSPARENCY WILL BE SECURED THROUGH THE PARTICIPATION IN THE TELECOMMUNICATIONS DELIBERATION COUNCIL OF PERSONS FROM FOREIGN-CAPITAL-AFFILIATED ENTERPRISES. LIBERALIZATION IN THE MOST ADVANCED SECTOR WILL LEAD THE WAY OF ECONOMIC DEVELOPMENT TOWARDS THE 21ST CENTURY. IT IS EPOCH-MAKING NOT ONLY FOR OUR COUNTRY, BUT WILL CONTRIBUTE GREATLY TO THE EXPANSION OF WORLD TRADE AND TECHNOLOGICAL INTERCHANGE.

IN THE ELECTRONICS SECTOR, A BILL FOR THE PROTECTION OF THE RIGHTS FOR SEMI-CONDUCTOR CHIP DESIGN AND A BILL FOR THE REVISION OF THE COPYRIGHT LAW FOR THE PROTECTION OF RIGHTS CONCERNING COMPUTER PROGRAMS, WERE DECIDED BY THE CABINET, AND IT HAS BEEN DECIDED THAT THE APPROPRIATE PROTECTION OF INTELLECTUAL PROPERTY RIGHTS WILL ALSO BE SECURED. ALSO, FOLLOWING THE MUTUAL ABOLITION OF TARIFFS ON SEMI-CONDUCTORS FROM MARCH 1 OF THIS YEAR BETWEEN JAPAN AND THE US, OUR COUNTRY INTENDS TO HOLD CONSULTATIONS WITH THE US AND OTHER ADVANCED NATIONS TO PROMOTE THE MUTUAL ABOLITION OF TARIFFS IN THE ELECTRONICS SECTOR.

AS REGARDS PHARMACEUTICALS AND MEDICAL EQUIPMENT, IT HAS BEEN DECIDED THAT FOREIGN CLINICAL TEST DATA WILL BE ACCEPTED, ON INSPECTION FOR APPROVAL, IN REGARD TO MEDICAL EQUIPMENT AND PHARMACEUTICALS FOR EXTERNAL DIAGNOSIS, WHICH ARE UNRELATED TO RACIAL DIFFERENCES. IN THE FUTURE, TOO, FURTHER SIMPLIFICATION AND SPEEDING UP OF THE AUTHORIZATION AND APPROVAL PROCEDURES, ETC., WILL BE PUSHED.

AS FOR FORESTRY PRODUCTS ... (THE SPEECH TEXT PROVIDED EMBASSY AT 4 P.M. APRIL 9 CONTAINED A BLANK ON THIS SUBJECT. SEPARATELY THE FOREIGN MINISTRY HAS INFORMED US THE MISSING WORDS ARE " TARIFFS ARE TO BE REDUCED BY STAGES OVER THREE YEARS BEGINNING IN 1987. ).

THE CONSULTATIONS IN THE ABOVE-MENTIONED FOUR SECTORS WERE HELD WITH THE US. HOWEVER, THEIR RESULTS WILL BE SHARED, NOT ONLY WITH THE US ALONE, BUT ALSO EQUALLY WITH THE WHOLE WORLD.

4. NEXT, IN REGARD TO OTHER MEASURES, TOO, FULL CONSIDERATION HAS BEEN GIVEN TO ADVANCED NATIONS OTHER THAN THE US, AND ALSO TO THE DEVELOPING NATIONS, SUCH AS THE VARIOUS ASIAN NATIONS, WHICH HAVE CLOSE RELATIONS WITH OUR COUNTRY. ESPECIALLY IN REGARD TO DECISIONS PERTAINING TO THE LOWERING OF TARIFFS ON SPECIFIC ITEMS, IT HAS BEEN DECIDED THAT IT WILL BE MADE DURING THE FIRST HALF OF THIS YEAR. ALSO, FURTHER IMPROVEMENT OF THE PROCEDURES FOR STANDARDS/CERTIFICATION, INSPECTIONS FOR IMPORTS, ETC., WILL BE PUSHED, AND EFFORTS WILL BE MADE TO PROMOTE IMPORTS OF MANUFACTURED PRODUCTS AND MUTUAL INVESTMENTS.

AS REGARDS THE LIBERALIZATION OF THE FINANCIAL AND CAPITAL MARKETS AND THE INTERNATIONALIZATION OF THE YEN, THEY HAVE BEEN PROMOTED PURSUANT TO THE AGREEMENT REACHED



WHITE HOUSE SITUATION ROOM

PAGE 04 OF 04 TOKYO 7205

DTG: 091131Z APR 85 PSN: 017927

AT THE JAPAN-US YEN-DOLLAR COMMITTEE, WHILE MAKING CLEAR  
FUTURE PROSPECTS. IN THE FUTURE, TOO, EFFORTS WILL BE  
MADE FOR THEIR STEADY PROMOTION.

BT

UNCLASSIFIED

WHITE HOUSE SITUATION ROOM

PAGE 01 OF 03 TOKYO 7205  
SIT727 AN003069

DTG: 091131Z APR 85 PSN: 017929  
TOR: 099/1210Z

-----  
DISTRIBUTION: KIMM SIT SPHN SIGU USTR /006  
-----

OP IMMED

UTS5604

DE RUEHKO #7205/04 0991156

O 091131Z APR 85 ZFF4

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC NIACT IMMEDIATE 9603

INFO USDOC WASHDC

USDA FAS WASHDC

UNCLAS SECTION 04 OF 04 TOKYO 07205

PASS USTR

WHITE HOUSE SITUATION ROOM FOR SPAHN AT 7:30 A.M. EST

E.O. 12356: NA

TAGS: JA, ETRD

SUBJECT: PRIME MINISTER NAKASONE APPEALS TO

AS FOR OFFICIAL DEVELOPMENT AID, A NEW MEDIUM-TERM TARGET WILL BE ESTABLISHED FOR FISCAL 1986 AND AFTER, AND CONTINUING EFFORTS WILL BE MADE FOR THE STEADY EXPANSION OF ODA. AT THE SAME TIME, EFFORTS WILL BE MADE FOR AS MUCH IMPROVEMENT AS POSSIBLE IN THE FIELD OF QUALITY.

5. THE FOREGOING MEASURES DECIDED TODAY ARE THE RESULT OF CONCENTRATED STUDIES, TAKING INTO ACCOUNT THE DELIBERATIONS OF THE EXTERNAL ECONOMIC PROBLEMS ADVISORY

UNCLASSIFIED

COMMITTEE AND THE REQUESTS OF FOREIGN COUNTRIES. THEY WERE ALSO DECIDED AFTER OVERCOMING VARIOUS DOMESTIC DIFFICULTIES. NEEDLESS TO SAY, THE GOVERNMENT WILL CONTINUE TO MAKE EFFORTS FOR ECONOMIC GROWTH CENTERED ON DOMESTIC DEMAND ON THE ONE HAND, WHILE AIMING AT AN EXPANDED BALANCE OF TRADE ON THE OTHER, THROUGH THE FURTHER IMPROVEMENT OF MARKET ACCESS AND THE POSITIVE PROMOTION OF IMPORTS. ESPECIALLY IN REGARD TO VARIOUS DOMESTIC SYSTEMS, STARTING WITH ADMINISTRATIVE PROCEDURES, WE INTEND TO CONDUCT THOROUGH AND CONTINUAL REVIEWS TO ACHIEVE SIMPLICITY, TRANSPARENCY, NON-DISCRIMINATION INTERNALLY AND EXTERNALLY, AND MARKET

LIBERALIZATION. THESE EFFORTS MUST BEFIT OUR COUNTRY'S LEADERSHIP ROLE IN A FREE AND OPEN INTERNAL ECONOMIC SYSTEM.

AS REGARDS DIFFICULT DOMESTIC PROBLEMS WHICH MAY ARISE. WE THINK THAT THEY MUST BE TACKLED IN A POSITIVE WAY IN ORDER TO SHOULDER RESPONSIBILITY AND COSTS FOR THE MAINTENANCE AND STRENGTHENING OF THE FREE TRADE SYSTEM, WHICH IS THE FOUNDATION FOR OUR COUNTRY'S ECONOMY. WE WILL MAKE EVEN GRATER EFFORT TO PROMOTE A NEW GATT ROUND.

6. I WOULD LIKE TO APPEAL TO YOU, THE PEOPLE. EVER SINCE THE END OF THE WAR, OUR COUNTRY MADE THE PROMOTION OF EXPORTS AN IMPORTANT EXTERNAL ECONOMIC OBJECTIVE. HOWEVER, THE PROMOTION OF EXPORTS IS NO MORE THAN ONE WAY FOR MAKING THE NATIONAL ECONOMY MORE AFFLUENT. THE PROMOTION OF IMPORTS AND THE EXPANSION OF CHOICE IS ALSO A MEANS OF MAKING THE NATIONAL ECONOMY AFFLUENT.

I ASK YOU, THE PEOPLE, TO ACCEPT FROM YOUR SIDE, FOREIGN MANUFACTURED PRODUCTS, IN ORDER TO MAKE YOUR OWN LIFE RICHER AND MORE AFFLUENT. I ALSO EXPECT THAT THE MEMBERS OF INDUSTRIAL CIRCLES WILL RECOGNIZE FULLY THAT

# WHITE HOUSE SITUATION ROOM

PAGE 03 OF 03 TOKYO 7205

DTG: 091131Z APR 85 PSN: 017929

NEITHER A BALANCED EXPANSION OF TRADE NOR THE FORMATION OF HARMONIOUS EXTERNAL ECONOMIC RELATIONS CAN BE REALIZED BY EXPORTS ALONE, AND THAT THEY WILL WORK TO EXPAND IMPORTS OF MANUFACTURED PRODUCTS.

LASTLY, I WOULD LIKE TO MAKE AN APPEAL TO THE INTERNATIONAL SOCIETY. WHETHER OR NOT WE CAN TRANSMIT TO FUTURE GENERATIONS THE DEVELOPMENT AND PROSPERITY WHICH THE WORLD HAS SEEN, HINGES ON OUR BOLD DECISION TODAY. JAPAN WILL FULFILL ITS ROLE AND RESPONSIBILITY, BEFITTING ITS ECONOMIC POWER. I STRONGLY HOPE THAT THE INTERNATIONAL SOCIETY WILL NOT YIELD TO THE TEMPTATION OF PROTECTIONIST TRADE, AND THAT IT WILL CONTINUE TO WALK THE ROAD OF STABILITY AND PROSPERITY, THROUGH FREE AND EXPANDING INTERCHANGE AND CO-OPERATION.

MANSFIELD

BT

UNCLASSIFIED

~~CONFIDENTIAL~~

THE WHITE HOUSE  
WASHINGTON

April 9, 1985

Auth: State Univ  
BY: dlb 01/12/2020

MEMORANDUM FOR DONALD T. REGAN

FROM: JOHN A. SVAHN

SUBJECT: Japan's Trade Announcement

The Ministerial Conference on External Economic Measures, which is the committee of the Japanese Cabinet responsible for foreign economic policy, met on April 9 from 4:00 to 6:00 p.m. Tokyo time (2:00 to 4:00 a.m., Washington) to decide on the final contents of a package of trade related announcements. The Prime Minister and members of the Cabinet then held a televised press conference at 6:00 p.m. and made the package public.

The package includes four major documents:

- I. A statement by Prime Minister Nakasone on external economic policy;
- II. A report of the so-called Okita Advisory Committee;
- III. A statement announcing the decisions made by the Ministerial Conference.
- IV. A status report from their perspective on the MOSS negotiations.

Summary

I. Prime Minister's Statement

The most unusual element of the package was the Prime Minister's statement which was made on a nationwide TV broadcast. He discarded the prepared text and instead talked from notes and charts. This was the first time a Prime Minister made such a statement about trade issues and a trade package on TV. Earlier packages were accompanied by written statements by the Prime Minister.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

In his extemporaneous TV talk, the Prime Minister made the following significant points. Japan is now exporting too much. Some countries are threatening to restrict imports from Japan. This could cause serious unemployment in Japan. While Japan has liberalized tariffs, the Japanese market still has many unfair aspects, including onerous procedures and lack of transparency of regulations. He pointed to Congressional resolutions calling for actions against Japan. He said that if the President had to take these actions, bankruptcies and increased unemployment would result in Japan. Therefore, Japan had taken dramatic steps. He noted that some of the problems were not Japan's fault: the strong dollar, foreign businessmen not trying hard enough. But Japan must recognize that it has barriers to trade. Therefore, Japan must decrease government interference and leave more decisions to the consumer.

He described a new approach of medium-term policies, along with the announced near-term policies in the four MOSS sectors and other specifics, including lawyers, software, etc. He used a graph that dramatically displayed the differences between Japan and other industrialized countries in manufactured imports' share of GNP. He encouraged the Japanese to buy foreign products, saying that this would benefit Japanese consumers. While some industries would be harmed, the government would compensate them. He closed by calling for a New Round of multilateral trade negotiations. He pointed out how fragile the free trade system was, and that Japan must learn from the experience of World War II and promote free trade.

The prepared statement (approved by the Cabinet) stresses the importance of Japan's role in the world economy and the responsibilities she bears. It states that Japan's basic principle is that free trade is the rule and government restrictions the exception. The statement mentions specific steps Japan is taking in the four MOSS sectors. It also contains a new commitment that forest products tariffs are to be reduced by stages over three years, beginning in 1987. (No specific percentage is cited, although press reports have said the duties will be reduced to 7 percent from the present 12-15 percent level. This is not confirmed. The U.S. industry's response to this will be lukewarm at best.)

The most notable element of the statement is the Prime Minister's direct appeal to the Japanese people and to Japanese business to be more receptive to foreign products.

## II. The Report of the Okita Committee

The Committee is an advisory group set up late last year by the Prime Minister and charged with preparing a report to the Ministerial Conference on External Economic Measures. This is that report. Its adoption was one of the major decisions of the Ministerial Conference. The major recommendations of the Committee are:

~~CONFIDENTIAL~~

1. Improvement of market access

Japan's basic approach in internationalizing its economy should be one of freedom in principle and restrictions as exceptions to the rule. Japan should formulate an action program for the medium-term (three years) aimed at improved market access. The decision of the Ministerial Conference states that such a program will be drawn up as soon as possible. However, the only time-specific commitment made is that an outline of the action program will be decided in July. The action program should address tariffs, import restrictions, standards and certification procedures, government procurement, financial and capital markets, and services.

2. Expansion of domestic demand

Sustained economic growth should be centered on domestic demand. This should be furthered by deregulation, by promoting the five-day work week and shorter working hours. Priority social capital should be improved by using private sector vitality. And the tax system should be revised in order to contribute to economic growth buoyed by domestic demand.

3. Expanded investment and industrial cooperation

Revitalization of the world's industrial economies should be helped by investment, industrial cooperation, and technology exchange.

4. Promotion of the New Round

Japan should play a leadership role in preparations for the New Round. It should state its readiness to eliminate all industrial tariffs in concert with the other advanced industrialized countries, and should improve its GSP provisions for less developed countries.

The report also includes several less significant recommendations. Of greater relevance is its reference to the dollar and to Japan's current account surplus. It states that that surplus with the U.S. is due to the dollar's excessive strength as a result of high U.S. interest rates and to the strong economic recovery in the U.S. It stresses Japan's role as a capital exporter. And it urges Japan to ask the U.S. to bring the dollar back into line by lowering real interest rates.

III. Decisions of the Ministerial Conference

Seven decision areas are noted.

~~CONFIDENTIAL~~

1) Market Access and Import Promotion

a) Tariffs

A list of tariff reductions will be drawn up by June. No details are given.

b) Standards and Certification

Japan will accept foreign test data for both drugs and medical devices in cases where the race of the patient is not relevant to the test. Foreigners will have access to the process for product approval by the Central Pharmaceutical Council. American-sized shipping containers ("high cube") will be permitted on Japanese roads under certain conditions.

c) Promotion of Manufactured Imports

A statement urging Japanese industries to import manufactured goods is made. Japan will hold an import fair. An import penetration promotion study in the wine and furniture industries was carried out in 1984 (with no noticeable impact).

2) Market Access in High Technology

The statement reviews steps Japan will take in telecommunications and electronics as a result of the MOSS talks. A new item concerns satellites. Imports of communications satellites will be eligible for low interest loans. And the issue of satellite broadcast frequency allocation will be resolved. The statement does not open the market for public sector satellites, which is much larger than the private market.

3) Financial and Capital Markets

Statement refers to the implementation of the yen/dollar agreement. It states that Japan has already taken a number of measures to liberalize capital and financial markets and to internationalize the yen. Beginning April of this year, further measures were taken such as introducing money market certificates, relaxing conditions for issuing CD's, and for yen denominated bonds issued by non-residents.

4) Prudent Exports

Statement refers to Japan's intention to exercise prudence in exporting certain products to avoid concentration of specific products in specific regions.

5) Economic Cooperation and Development Aid

These will be improved in quality and quantity.

~~CONFIDENTIAL~~



6) Foreign Investment

Mutual investment will be promoted.

7) Foreign Lawyers

The Japanese Government urges the Japan Federation of Bar Associations to resolve the issue with a view to enabling foreign lawyers to provide their services to clients in Japan as soon as possible. This is not new. It appears to reiterate the Japanese Governments past statements to the same effect.

IV. Report on the MOSS negotiations

They characterized more positively than we would the ongoing negotiations in the four sectors. In some important respects, the language in this report is weaker than that in the statement of the decisions of the Ministerial Conference. The latter says Japan will aim at reducing standards on telecommunications terminal equipment to those necessary to prevent harm to the network, while the progress report only uses the language of the Koyama letter.

Analysis

This is the seventh Japanese "trade package" since President Reagan took office. Each of the preceding six has made commitments to market opening. But the share of manufactured imports in the Japanese economy has grown very little as a result (from 2.7% of GNP in 1981 to 2.8% in 1983).

In many ways this package represents a different approach than Japan has taken in past such exercises. The most unusual aspect is the personal appeal made by the Prime Minister. It is unusual for a Prime Minister of Japan to make a televised appeal to his countrymen on any issue. In this appeal, he called for actions that go beyond reducing border barriers or bureaucratic obstacles. He made a call to Japan's consumers and corporations alike to buy more imports. The package commits the Japanese Government to carry out an intensive advertising campaign to convince the Japanese to buy more imports. The Prime Minister also said Japan should export less. He stated that it was in Japan's interest to open markets.

The package has three underlying elements. First it incorporates, as Japanese trade packages always do, a recitation of actions Japan has already taken. Second, it announces a number of specific trade concessions that have been the subject of long controversy. Some appear minor, such as that on lawyers. Some may, upon further analysis, be assessed as more significant -- such as that permitting foreign access to the deliberations of the Council that approves drugs. The third underlying element of

package is probably the most meaningful. The package appears designed to change Japanese attitudes rather than foreign views of Japan. As a result of these characteristics, the package includes little in the way of short-term gains in market opening. It is still too soon, of course, to access the longer term actions - and attitude changes - that may ensue.

The Japanese will argue that the Prime Minister's direct televised appeal and the adoption of an Action Program for imports are significant steps. They may be. Only time will tell whether and how much they affect the propensity of the Japanese, individuals and corporate consumers alike, to open up to imports.

The package is more about process than about specific progress. About 75 percent of its contents are addressed to the Japanese people rather than being focused on how to resolve specific bilateral trade problems.

There is very little new in the announcement that can be cited as offering specific improvements in United States access to the Japanese market now. As such, it will do little to stem the protectionist mood in Congress. Already, the early reports in Washington are characterizing it as "nothing new - nothing concrete."

Note: In meetings this morning, representatives of State, Commerce, USTR and NSC felt that for the Prime Minister to put himself personally into this on national television is remarkably unprecedented. This was a personal statement by the Prime Minister to the Japanese people telling them that it is to the benefit of Japan to have open markets and free trade. As such, it could be characterized as a first step toward eliminating the real barriers to consumption of imported goods - the attitudinal and cultural barriers.

Since Nakasone discarded his prepared text and gave a 20-minute speech characterized by the U.S. Embassy as "free-wheeling, hard-hitting and persuasive", we don't know what the impact will be in Japan. His televised remarks were not vetted through the usual channels and probably go a lot further than many would like.

It is, however, an internal appeal to change the Japanese system and attitudes. This is what we have been saying needs to be done.

It is the feeling of the interagency group that we have got to praise the Prime Minister for his leadership in telling the Japanese people that open markets are in their best interest. Nakasone has placed his personal prestige on the line and will need support. At the same time we have to recognize that there is nothing concrete in this package and only time will tell whether markets do in fact open. Progress has been made on telecommunications, but the Japanese have to recognize that the other areas are not moving fast enough.

~~CONFIDENTIAL~~

THE WHITE HOUSE

WASHINGTON

April 9, 1985

DECLASSIFIED  
Authority NBCI State Waivers  
BY dlr NAFADATE 2/12/2020

MEMORANDUM FOR DONALD T. REGAN

FROM: JOHN A. SVAHN

SUBJECT: Japan's Trade Announcement

The Ministerial Conference on External Economic Measures, which is the committee of the Japanese Cabinet responsible for foreign economic policy, met on April 9 from 4:00 to 6:00 p.m. Tokyo time (2:00 to 4:00 a.m., Washington) to decide on the final contents of a package of trade related announcements. The Prime Minister and members of the Cabinet then held a televised press conference at 6:00 p.m. and made the package public.

The package includes four major documents:

- I. A statement by Prime Minister Nakasone on external economic policy;
- II. A report of the so-called Okita Advisory Committee;
- III. A statement announcing the decisions made by the Ministerial Conference.
- IV. A status report from their perspective on the MOSS negotiations.

Summary

I. Prime Minister's Statement

The most unusual element of the package was the Prime Minister's statement which was made on a nationwide TV broadcast. He discarded the prepared text and instead talked from notes and charts. This was the first time a Prime Minister made such a statement about trade issues and a trade package on TV. Earlier packages were accompanied by written statements by the Prime Minister.

~~CONFIDENTIAL~~

In his extemporaneous TV talk, the Prime Minister made the following significant points. Japan is now exporting too much. Some countries are threatening to restrict imports from Japan. This could cause serious unemployment in Japan. While Japan has liberalized tariffs, the Japanese market still has many unfair aspects, including onerous procedures and lack of transparency of regulations. He pointed to Congressional resolutions calling for actions against Japan. He said that if the President had to take these actions, bankruptcies and increased unemployment would result in Japan. Therefore, Japan had taken dramatic steps. He noted that some of the problems were not Japan's fault: the strong dollar, foreign businessmen not trying hard enough. But Japan must recognize that it has barriers to trade. Therefore, Japan must decrease government interference and leave more decisions to the consumer.

He described a new approach of medium-term policies, along with the announced near-term policies in the four MOSS sectors and other specifics, including lawyers, software, etc. He used a graph that dramatically displayed the differences between Japan and other industrialized countries in manufactured imports' share of GNP. He encouraged the Japanese to buy foreign products, saying that this would benefit Japanese consumers. While some industries would be harmed, the government would compensate them. He closed by calling for a New Round of multilateral trade negotiations. He pointed out how fragile the free trade system was, and that Japan must learn from the experience of World War II and promote free trade.

The prepared statement (approved by the Cabinet) stresses the importance of Japan's role in the world economy and the responsibilities she bears. It states that Japan's basic principle is that free trade is the rule and government restrictions the exception. The statement mentions specific steps Japan is taking in the four MOSS sectors. It also contains a new commitment that forest products tariffs are to be reduced by stages over three years, beginning in 1987. (No specific percentage is cited, although press reports have said the duties will be reduced to 7 percent from the present 12-15 percent level. This is not confirmed. The U.S. industry's response to this will be lukewarm at best.)

The most notable element of the statement is the Prime Minister's direct appeal to the Japanese people and to Japanese business to be more receptive to foreign products.

## II. The Report of the Okita Committee

The Committee is an advisory group set up late last year by the Prime Minister and charged with preparing a report to the Ministerial Conference on External Economic Measures. This is that report. Its adoption was one of the major decisions of the Ministerial Conference. The major recommendations of the Committee are:

1. Improvement of market access

Japan's basic approach in internationalizing its economy should be one of freedom in principle and restrictions as exceptions to the rule. Japan should formulate an action program for the medium-term (three years) aimed at improved market access. The decision of the Ministerial Conference states that such a program will be drawn up as soon as possible. However, the only time-specific commitment made is that an outline of the action program will be decided in July. The action program should address tariffs, import restrictions, standards and certification procedures, government procurement, financial and capital markets, and services.

2. Expansion of domestic demand

Sustained economic growth should be centered on domestic demand. This should be furthered by deregulation, by promoting the five-day work week and shorter working hours. Priority social capital should be improved by using private sector vitality. And the tax system should be revised in order to contribute to economic growth buoyed by domestic demand.

3. Expanded investment and industrial cooperation

Revitalization of the world's industrial economies should be helped by investment, industrial cooperation, and technology exchange.

4. Promotion of the New Round

Japan should play a leadership role in preparations for the New Round. It should state its readiness to eliminate all industrial tariffs in concert with the other advanced industrialized countries, and should improve its GSP provisions for less developed countries.

The report also includes several less significant recommendations. Of greater relevance is its reference to the dollar and to Japan's current account surplus. It states that that surplus with the U.S. is due to the dollar's excessive strength as a result of high U.S. interest rates and to the strong economic recovery in the U.S. It stresses Japan's role as a capital exporter. And it urges Japan to ask the U.S. to bring the dollar back into line by lowering real interest rates.

III. Decisions of the Ministerial Conference

Seven decision areas are noted.

1) Market Access and Import Promotion

a) Tariffs

A list of tariff reductions will be drawn up by June. No details are given.

b) Standards and Certification

Japan will accept foreign test data for both drugs and medical devices in cases where the race of the patient is not relevant to the test. Foreigners will have access to the process for product approval by the Central Pharmaceutical Council. American-sized shipping containers ("high cube") will be permitted on Japanese roads under certain conditions.

c) Promotion of Manufactured Imports

A statement urging Japanese industries to import manufactured goods is made. Japan will hold an import fair. An import penetration promotion study in the wine and furniture industries was carried out in 1984 (with no noticeable impact).

2) Market Access in High Technology

The statement reviews steps Japan will take in telecommunications and electronics as a result of the MOSS talks. A new item concerns satellites. Imports of communications satellites will be eligible for low interest loans. And the issue of satellite broadcast frequency allocation will be resolved. The statement does not open the market for public sector satellites, which is much larger than the private market.

3) Financial and Capital Markets

Statement refers to the implementation of the yen/dollar agreement. It states that Japan has already taken a number of measures to liberalize capital and financial markets and to internationalize the yen. Beginning April of this year, further measures were taken such as introducing money market certificates, relaxing conditions for issuing CD's, and for yen denominated bonds issued by non-residents.

4) Prudent Exports

Statement refers to Japan's intention to exercise prudence in exporting certain products to avoid concentration of specific products in specific regions.

5) Economic Cooperation and Development Aid

These will be improved in quality and quantity.

6) Foreign Investment

Mutual investment will be promoted.

7) Foreign Lawyers

The Japanese Government urges the Japan Federation of Bar Associations to resolve the issue with a view to enabling foreign lawyers to provide their services to clients in Japan as soon as possible. This is not new. It appears to reiterate the Japanese Governments past statements to the same effect.

IV. Report on the MOSS negotiations

They characterized more positively than we would the ongoing negotiations in the four sectors. In some important respects, the language in this report is weaker than that in the statement of the decisions of the Ministerial Conference. The latter says Japan will aim at reducing standards on telecommunications terminal equipment to those necessary to prevent harm to the network, while the progress report only uses the language of the Koyama letter.

Analysis

This is the seventh Japanese "trade package" since President Reagan took office. Each of the preceding six has made commitments to market opening. But the share of manufactured imports in the Japanese economy has grown very little as a result (from 2.7% of GNP in 1981 to 2.8% in 1983).

In many ways this package represents a different approach than Japan has taken in past such exercises. The most unusual aspect is the personal appeal made by the Prime Minister. It is unusual for a Prime Minister of Japan to make a televised appeal to his countrymen on any issue. In this appeal, he called for actions that go beyond reducing border barriers or bureaucratic obstacles. He made a call to Japan's consumers and corporations alike to buy more imports. The package commits the Japanese Government to carry out an intensive advertising campaign to convince the Japanese to buy more imports. The Prime Minister also said Japan should export less. He stated that it was in Japan's interest to open markets.

The package has three underlying elements. First it incorporates, as Japanese trade packages always do, a recitation of actions Japan has already taken. Second, it announces a number of specific trade concessions that have been the subject of long controversy. Some appear minor, such as that on lawyers. Some may, upon further analysis, be assessed as more significant -- such as that permitting foreign access to the deliberations of the Council that approves drugs. The third underlying element of

~~CONFIDENTIAL~~

package is probably the most meaningful. The package appears designed to change Japanese attitudes rather than foreign views of Japan. As a result of these characteristics, the package includes little in the way of short-term gains in market opening. It is still too soon, of course, to access the longer term actions - and attitude changes - that may ensue.

The Japanese will argue that the Prime Minister's direct televised appeal and the adoption of an Action Program for imports are significant steps. They may be. Only time will tell whether and how much they affect the propensity of the Japanese, individuals and corporate consumers alike, to open up to imports.

The package is more about process than about specific progress. About 75 percent of its contents are addressed to the Japanese people rather than being focused on how to resolve specific bilateral trade problems.

There is very little new in the announcement that can be cited as offering specific improvements in United States access to the Japanese market now. As such, it will do little to stem the protectionist mood in Congress. Already, the early reports in Washington are characterizing it as "nothing new - nothing concrete."

Note: In meetings this morning, representatives of State, Commerce, USTR and NSC felt that for the Prime Minister to put himself personally into this on national television is remarkably unprecedented. This was a personal statement by the Prime Minister to the Japanese people telling them that it is to the benefit of Japan to have open markets and free trade. As such, it could be characterized as a first step toward eliminating the real barriers to consumption of imported goods - the attitudinal and cultural barriers.

Since Nakasone discarded his prepared text and gave a 20-minute speech characterized by the U.S. Embassy as "free-wheeling, hard-hitting and persuasive", we don't know what the impact will be in Japan. His televised remarks were not vetted through the usual channels and probably go a lot further than many would like.

It is, however, an internal appeal to change the Japanese system and attitudes. This is what we have been saying needs to be done.

It is the feeling of the interagency group that we have got to praise the Prime Minister for his leadership in telling the Japanese people that open markets are in their best interest. Nakasone has placed his personal prestige on the line and will need support. At the same time we have to recognize that there is nothing concrete in this package and only time will tell whether markets do in fact open. Progress has been made on telecommunications, but the Japanese have to recognize that the other areas are not moving fast enough.

~~CONFIDENTIAL~~



DRAFT STATEMENT

As President Reagan has said on numerous occasions, <sup>not all</sup> U.S.-Japan relations are critical to peace and stability in the Pacific region and, indeed, throughout the world. These relations are excellent in many respects, but, we have been increasingly concerned over Japan's failure to open its economy to imports - to allow competition in a free market.

Prime Minister Nakasone's statement today is an unprecedented appeal to the Japanese people to embark on the path to free trade. We applaud his personal leadership, and fully support his objectives ~~enunciated by the Japanese government~~. The effort to open Japan's markets requires more than just the elimination of specific barriers. It requires a change in attitudes toward foreign imports. In this respect today's appeal is an important and welcome step. Changing deeply entrenched habits and attitudes is not an easy task. We admire the willingness of Prime Minister Nakasone and his government to take ~~it~~ on, <sup>the</sup> as well as their recognition that these steps are in Japan's own interest as well as the interest of a free and open world trading system.

We are studying the details of the Prime Minister's speech, the recommendations of the Okita Commission, and the progress report on current negotiations. Although the package contains few new or immediate market opening measures, we understand that an outline of specific actions will be worked out by July by the Japanese government.

In addition, in the short run, the Prime Minister's statement reinforces his January commitment to successful resolution of <sup>the</sup> market access issues in the four sectoral negotiations ~~in~~ - telecommunications, medical equipment and pharmaceuticals, electronics and forest products. In recent weeks, significant progress has been made in the telecommunications sector, although more remains to be accomplished. Specific and concrete progress in all four areas is needed urgently and should result if the principles of the Prime Minister's statement are followed.

Signed off by:

Sigur - NSC  
Wolfowitz - State  
Murphy - USTR  
Wethington - Commerce

April 9, 1985

and  
the  
objectives  
of the  
Sectoral  
Agreement  
he announced

the  
challenge

THE WHITE HOUSE

Office of the Press Secretary  
(Santa Barbara, California)

For Immediate Release

April 9, 1985

STATEMENT BY THE CHIEF OF STAFF

As President Reagan has said on numerous occasions, U.S.-Japan relations are critical to peace and stability in the Pacific region and, indeed, throughout the world. These relations are excellent in many respects, but, we have been increasingly concerned over Japan's failure to open its economy to imports - to allow competition in a free market.

Prime Minister Nakasone's statement today is an unprecedented appeal to the Japanese people to embark on the path to free trade. We applaud his personal leadership, and fully support the objectives of the Japanese government that he enunciated. The effort to open Japan's markets requires more than just the elimination of specific barriers. It requires a change in attitudes toward foreign imports. In this respect today's appeal is an important and welcome step. Changing deeply entrenched habits and attitudes is not an easy task. We admire the willingness of Prime Minister Nakasone and his government to take on the challenge, as well as their recognition that these steps are in Japan's own interest as well as the interest of a free and open world trading system.

We are studying the details of the Prime Minister's speech, the recommendations of the Okita Commission, and the progress report on current negotiations. Although the package contains few new or immediate market opening measures, we understand that an outline of specific actions will be worked out by July by the Japanese government.

In addition, in the short run, the Prime Minister's statement reinforces his January commitment to successful resolution of market access issues in the four sectoral negotiations in telecommunications, medical equipment and pharmaceuticals, electronics and forest products. In recent weeks, significant progress has been made in the telecommunications sector, although more remains to be accomplished. Specific and concrete progress in all four areas is needed urgently and should result if the principles of the Prime Minister's statement are followed.

# # #

1189 upi 04-09-85 01:04 pes

(4grafld-picksup2ndgraf: Danforth is \_ State Department comment)

WASHINGTON (UPI) \_ The State Department said Tuesday that the package of trade reforms announced by the Japanese government are welcome, but it is not yet possible to say whether they will be sufficient to answer U.S. demands for freer access for U.S. exports.

The State Department spokesman, Edward Djerejian, said that it appears that the reform package is recognition that change is required.

"We welcome the prime minister's statement," the State Department said.

He said the department is now studying the details and awaiting more information to determine if the program is sufficient.

Sen. John Danforth, R-Mo., a critic of Japan, said the only thing that counts is the results.

Danforth is the sponsor of a bill passed by the Senate Finance Committee that would require President Reagan to impose restraints on Japanese imports if Tokyo does not expand access to its markets. He was commenting on a speech by Prime Minister Yasuhiro Nakasone urging the Japanese to buy more American goods and promising some tariff reductions.

"The problem with Japanese trade barriers will not be solved by a single Nakasone speech, announcement or package of promises," Danfort said in a statement. "The only thing that counts is results."

Danforth said Japan had pledged in 1980 to remove certain barriers against purchases of some telecommunications equipment, but the results were negligible.

"The United States should accept nothing less than real market access, as measured by additional sales of competitive products," Danforth said.

-----  
upi 04-09-85 01:04 pes

1197 upi 04-09-85 01:33 pes

WASHINGTON (UPI) \_ Here is the text of the statement made by the State Department Tuesday on Japan's new initiative to open its markets to foreign products.

The principles enunciated in the Japanese government's April 9 announcement on Japan's economy are commendable, especially those which recognize that drastic change of the Japanese trading system is needed in order to discharge Japan's international responsibilities and strengthen the world trade system.

We welcome the prime minister's statement that the Japanese market should be free and that government restrictions should be the exception and not the rule. We are studying the details of the prime minister's statement, the recommendations of the Okita Commission and the progress report on the four sectors and may have further comment later.

Specific policy formulations for the action program are to be

worked out by mid-July by the Japanese government, taking into account the views of Japan's trading partners. The prime minister and the government have shown leadership and broad recognition of Japan's international responsibilities. It is important that concrete results follow urgently on these announcements."

-----  
upi 04-09-85 01:33 pes

You are now awaiting stories not yet transmitted. Please wait or press BREAK to reenter a new story selection.