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(provisional translation)

External Economic Measures

- Recent Decisions and Future Policy Direction -

Ministerial Conference  
for Economic Measures  
April 9, 1985

In view of the recent developments surrounding us and the position we occupy in the world economy, it is our important responsibility to seek an achievement of economic growth led by domestic demand and to make vigorous efforts for the maintenance and strengthening of the free trading system, the promotion of harmonious external economic relations and the vitalization of the world economy.

It is with this perspective that we have implemented a series of external economic measures. The Government has just received a report from the Advisory Committee for External Economic Issues composed of informed people in the private sector. The Committee report gives a comprehensive evaluation of the measures taken so far and examines the medium-term issues to be considered in our future external economic policy.

The Government has taken this report into consideration to the fullest extent possible in view of the difficult international environment presently surrounding the Japanese economy, and, while seeking to

tackle external economic issues from the medium-term viewpoint in order to discharge Japan's responsibilities, it has recognized the importance of carrying out the measures more forcefully for the improvement of market access, encouragement of imports, liberalization of financial and capital markets, increased economic assistance, promotion of mutual investment, etc. It has accordingly decided upon the following as measures to be implemented in the present context.

I. Response to the Report of the Advisory Committee for External Economic Issues

1. In managing its policies toward the future, the medium-term policy recommendations put forward in the Report of the Advisory Committee for External Economic Issues will be taken into full consideration by the Government. These include recommendations for the further improvement of market access, sustained economic growth led by domestic demand, increased investment and industrial cooperation as well as measures toward the developing countries.

2. The Action Program for improving market access which was included in these recommendations will be prepared and implemented along the following basic guidelines.

(1) The Government will prepare an Action Program as proposed in the Report of the Advisory Committee for External Economic Issues and follow up its implementation.

(2) The Action Program will, in principle, be implemented for a period up to three years. It will be drawn up as soon as possible, and its outline will be decided by July this year.

(3) In preparing the Action Program and following up its implementation, opinions of informed people at home and abroad will be heard as part of an effort to ensure transparency.

## II. Immediate Measures and Policy Program

### 1. Improvement of Market Access and Encouragement of Import

#### (1) Reduction of tariff rates, etc.

1) Japanese tariff levels are already lower than those of other countries due to such factors as reduction of tariff rates by successive external economic measures. Measures such as reduction of tariff rates on certain items, advanced implementation of staged reduction of tariff rates in the Tokyo Round Agreements, and improvements in the Generalized System of Preferences, all of which were announced last year, have been implemented since April 1 this year. Furthermore, in accordance with an agreement between Japan and the U.S.A., mutual elimination of tariffs on semiconductors has been implemented since March 1 this year.

2) For the purpose of recovering vitality of domestic forests, forestry, and wood forest industries, budgetary, financial and other necessary measures will be especially taken for the next five years for the time being, with particular emphasis on aiming at (i) increasing the demand

for wood products, (ii) strengthening the structure of forest industries, and (iii) revitalizing domestic forests and forestry through thinning, tendering, and other methods. While observing the developments of such measures, the government intends to positively consider reduction of tariffs on softwood and hardwood plywood and other panel products, approximately from the third year.

3) Decision on reduction of tariff rates on other items will be made within the first half of this year.

(2) Improvement of standards and certification systems and import testing procedures, etc.

1) In order to contribute to the improvement of standards and certification systems, the Government will continue its review on the actual state of implementation of the measures of March 26, 1983, taken by the Liaison and Coordination Headquarters on Standards and Certification Systems, etc. and endeavor for the improvement of the standards and certification systems.

2) When pharmaceuticals and medical equipments are submitted for the examination for approval under the Pharmaceutical Affairs Law, foreign clinical test data shall be accepted for medical equipments and in vitro diagnostic reagents in case they are immune to ethnic differences. Also, in order to ensure transparency of the process of the examination for approval, firms applying for approval, including foreign firms, shall be given

opportunities to hear instructions directly from and explain their comments directly to the Central Pharmaceutical Affairs Council.

3) Standards and certification systems and import testing procedures for individual issues will be further improved, and passage of high-cube containers will be permitted under certain conditions. (See appendix)

(3) Encouragement of Manufactured Imports

The Japanese economy cannot attain further development without increase in imports from abroad including manufactured goods. Encouraging imports including manufactured goods is indispensable for achieving balanced trade expansion and the harmonious formation of external economic relations and is important in internationalizing the Japanese economy.

For these purposes, the Government has been making such efforts as promoting understanding of the general public on imported goods as well as providing relevant information to them, increasing opportunities for foreign firms to export manufactured goods to Japan, improving import conditions through import finance by Export-Import Bank of Japan, etc. In view of the present situation, the Government will further strengthen and expand the various measures it has been taking to date, and will widely ask the enterprises concerned and the general public for their efforts to encourage manufactured imports.

- 1) Request to enterprises concerned for their efforts to import manufactured goods, etc.

The business community is requested to extend its cooperation in the efforts to increase imports including manufactured goods, with a full recognition that export alone can neither expand trade nor form a harmonious external economic relations.

- 2) Holding and supporting of import fairs and other events

Large scale import fairs will be held in various parts of the nation through such means as active use of JETRO, and necessary support will be provided to trade fair activities sponsored by foreign governments.

- 3) Promotion of the Specified Products Trade Expansion Program

In FY 1984, research on sales promotion strategy in Japan with regard to wine and furnitures was already made in accordance with the Specified Products Trade Expansion Program (STEP). Promotion of the STEP will be continued in FY 1985.

- 4) Expansion of Import Credit on Manufactured Goods

In order to encourage further import of manufactured goods, the Export-Import Bank of Japan will reduce the interest rate for the import credit on manufactured goods.

5) Implementation of campaign to encourage import

An intensive campaign through advertisements on newspaper, magazines, posters and on the streets and in TV programs will be carried out for appeal to the Japanese people and firms to encourage their efforts to expand import of foreign manufactured goods.

2. Improvement of Market Access in the High Technology Sector

(1) Telecommunications

On April 1, 1985, the Telecommunications Business Law, Nippon Telegraph and Telephone Corporation Law and other related legislation entered into force, and the Japanese telecommunications market which had been under monopoly control for more than a century, has come under a new system on the same day with the fully-fledged introduction of the competitive principle.

In view of the objectives of the institutional changes, which is to inject vitality into the telecommunications business by mobilizing the creative originality and ingenuity of the private entrepreneurs, the new system shall be implemented under the principles of non-discrimination, simplicity, transparency and market opening.

1) Procurement by Nippon Telegraph and Telephone Corporation (NTT)

While the Nippon Telegraph and Telephone Public Corporation has been privatized, the GATT Government



Procurement Code and the Japan-U.S. NTT Procurement Arrangements will remain applicable to NTT procurement for the life of the said Arrangements, i.e. through December 31, 1986, the original date of termination. Furthermore, efforts will be made on the continual basis so that there will be increased opportunities for foreign enterprises to participate in the procurement.

2) Type II Telecommunications Business

Type II telecommunications business is free from foreign capital restrictions with the adoption of the non-discrimination principle. The procedures of registration and notification have been made simple and transparent.

Data processing using telecommunications lines had been free, not requiring notification or other procedures. This remains unchanged after the Telecommunications Business Law entered into force and thus neither registration nor notification is required.

3) Fair Competition in Telecommunications Business

As safeguards against cross-subsidization by Type I telecommunications carriers including NTT, necessary provisions have been included in the Accounting Regulations.

4) Standards and Certification of Telecommunications Terminal Equipment

Technical standards for terminal equipment have already been very much simplified, but a study will take place promptly with a view to simplifying of these

standards aiming mainly at prevention of harm to the network.

The technical standards compliance approval of terminal equipment shall be conducted by an impartial, neutral and independent approval agency, on the basis of foreign test data, in cases of foreign supplies, and by document inspection.

5) Transparency

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 national serving in a foreign-affiliated firm in the Telecommunications Advisory Council.

6) Purchase of Communications Satellites

With the entering into force of the Telecommunications Business Law, private enterprises can now purchase communications satellites and engage in telecommunications business. The Government has made available import financing by the Export-Import Bank of Japan with regard to purchase by private enterprises of foreign communications satellites. The Government will also address the question of frequency allocation as expeditiously as possible.

(2) Electronics

1) To ensure appropriate protection of intellectual property rights in the field of electronics, the Government of Japan has decided at Cabinet meetings to propose to the Diet a bill concerning the legal protection of semiconductor chips and an amendment of the Copyright Law concerning the legal protection of computer programs. The Government will make its best efforts to seek their legislation in the present session of the Diet.

2) On March 1st, 1985, mutual elimination of semiconductor tariffs were implemented, in accordance with the agreement between Japan and the U.S.A. In order to promote free and open trade in electronics products, further consultations shall be held with the U.S.A. and other industrialized countries with a view to expanding this concept of mutual tariff elimination in the field of electronics.

3. Promotion of the Liberalization of Financial and Capital Markets and the Internationalization of the Yen.

(1) With a view to promoting liberalization of Japan's financial and capital markets and internationalizing the Yen, such measures have already been taken as licensing foreign banks to deal in public bonds, relaxing regulations on Euroyen CDs and announcing the criteria of participation of foreign banks in the trust banking activities.

(2) By the beginning of April this year, further measures had been taken such as introduction of Money Market Certificates (MMC), further relaxation of conditions for issuing CDs, of Euroyen bond issues and Euroyen lending, and of Yen-denominated bonds issued by non-residents.

(3) At present, concrete schemes for the establishment of Yen-denominated banker's acceptance market and bond forward market are in the course of preparation.

(4) The liberalization of financial and capital markets and internationalization of the Yen shall be steadily promoted, along with adjustments of the financial environment, in line with the Ministry of Finance report "Current Status and Future Prospects for the Liberalization of Financial and Capital Markets and the Internationalization of the Yen" and the "Yen/Dollar Meeting Report".

#### 4. Ensuring Moderate Exports

With the basic policy of promoting balanced expansion of trade, efforts will continue to be made to ensure moderate exports to avoid concentration of specific products in specific regions while expediting the improvements in market access.

#### 5. Enhancement of Economic Cooperation

In order to secure harmonious development of world economy and to positively contribute to the international community, Japan will continue its efforts to steadily

increase its Official Development Assistance (ODA), setting a new medium-term target for the period after 1986. In so doing, it will endeavor, to the greatest extent possible, to improve the quality of ODA through such steps as expanding bilateral grant aid and technical assistance and responding positively to requests for contributions to international financial institutions.

6. Promotion of mutual investment, etc.

Mutual investment will be encouraged in order to further internationalize the Japanese economy, to deepen the interdependency with other countries, and to vitalize other economies.

1) On industrial cooperation, the Headquarters for Promotion of Industrial Cooperation have been established within Japan External Trade Organization (JETRO) in order to strengthen its role to provide information. Starting FY1985, special service on industrial cooperation will be provided by the JETRO.

2) In order to encourage foreign enterprises to directly invest in Japan, vigorous support will be extended on a continued basis to local administrative bodies for their efforts in inviting foreign investments.

7. Foreign Lawyers' Activities in Japan

On the question of foreign lawyers' activities in Japan, the Japan Federation of Bar Associations made a

basic policy decision on March 15, 1985, to accept foreign lawyers subject to the principle that reciprocity be practically maintained and the principle that the foreign lawyers will subscribe to the autonomy of the Japan Federation of Bar Associations. The Government will work to have an appropriate solution materialized as early as possible through full exchange of views with the Federation.

Improvement in Standards and Certification Systems,  
Import Testing Procedures, etc.

1. Permission for Passage of High-Cube Containers

With regard to marine containers 40 feet long and 9 feet 6 inches high, permission shall be granted for their passage through the predesignated routes, with such conditions attached as are necessary to secure safety, while taking account of the state of the roads and the volume of traffic involved.

2. Simplification of Procedures for the Notification of Imported Foods, etc.

(1) Necessary steps shall be taken to introduce anew a prior notification system.

(2) Necessary steps shall also be taken to extend the validity time of certificates for continues imports of tablewares, cooking utensils and food-producing machines.

(3) Accompanying documents for the import notification shall be simplified.

3. Simplification of the Methods of Indication of Foodstuffs Used Solely as Processing Materials

Necessary steps shall be taken to simplify the methods of indication of food sanitation with respect to foodstuffs used solely as processing materials.

4. Establishment of Standards for Mineral Water

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5. Simplification and Expedition of Approval and Licensing Procedures for Pharmaceuticals, etc.

(1) Application documents shall be simplified when the applicant for an import license is holder of a license for manufacture.

(2) With regard to approvals for manufacture and import, the scope of approval authority to be delegated to the Prefectural Governors was expanded on April 1, 1985 in order to expedite examination.

6. Permission for Use and Sale of High-Priced Medical Devices Imported for the Purpose of Clinical Trials

In case medical devices imported for the purpose of clinical trials are high-priced or their disposal or recovery may cost much, their use and sale shall be permitted on the condition that they conform to the requirements for approval.

7. Simplification and Rationalization of Licencing Procedures for Cosmetics

With regard to licencing procedures for cosmetics, simplification and rationalization such as issuance of licences allowing some latitude in the rate of combination of coloring agents were made on April 1, 1985.

8. Permission of Joint Use of Testing Facilities for Import Licences for Cosmetics

Joint use of testing facilities shall be permitted.

9. Institution of Plant Quarantine on Holidays at New Tokyo International Airport

Necessary steps are being taken to institute plant quarantine on Saturday afternoon and holidays at New Tokyo International Airport from April, 1985 by increasing the number of quarantine officers.

Attachment

Japan-U.S. Four-Sector Consultations

- A Progress Report -

The four-sector, high-level consultations between Japan and the U.S., initiated pursuant to the meeting between Prime Minister Nakasone and President Reagan in January, have been vigorously pursued. Although there are differences in the degree of progress among the sectors, this is mainly because the telecommunications consultations have been conducted in an expeditious manner in view of the fact that the telecommunications business was scheduled to be opened to the private sector from April 1. The fruits of the consultations will benefit not only the U.S. but also a broad spectrum of other foreign countries. A description of the progress hitherto made and the stance of the Japanese Government concerning future consultations follows.

1. Telecommunications

(1) Various issues between Japan and the U.S. concerning telecommunications have been resolved under the spirit of equity in market opportunity and equitable regulatory process, and as from April 1 the Telecommunications Business Law and the related Cabinet and Ministerial Ordinances are being enforced, the prime purpose of which is to introduce non-discriminatory competition in the

Japanese telecommunications market. Following are the main points of understanding between Japan and the U.S. :

(i) The distinction between General Type II and Special Type II telecommunications businesses has been made clear-cut, and the notification/registration procedures have been made simple and transparent. Data processing using telecommunications lines had been free, not requiring notification or other procedures. This remains unchanged after the Telecommunications Business Law entered into force and thus neither registration nor notification is required.

(ii) With regard to technical standards and requirements of terminal equipment, a study by experts of Japan and the U.S. will be started promptly so as to obtain earliest possible conclusions within 60 days with a view to further simplifying the present items of technical standards and requirements. This will be done with an aim of making the regulatory process equitable between Japan and the U.S., and will be based on the principle that the choice of terminal equipment and telecommunications protocols should be left to the users.

(iii) The technical standards compliance approval of terminal equipment shall be conducted by an impartial, neutral and independent approval agency, on the basis of foreign test data, in the case of foreign suppliers, and by document inspection.

(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 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 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 legal protection of semiconductor chips and (ii) an amendment of the Copyright Law concerning the legal protection of computer programs (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

(2) In order to secure transparency of the approval/examination process, companies applying for approval, including foreign companies, shall be given opportunities to hear instructions directly from and explain their comments directly to the Central Pharmaceutical Affairs Council.

(3) As for other issues, too, study is in progress and the Government of Japan will positively address them at the next consultation with the U.S. side.

### 4. Forest products

Following the first consultation, a working-level meeting was held and information exchanged concerning broad issues related to forest products both in Japan and

the U.S. The Government of Japan wishes to hold the second consultation as soon as possible and to discuss from a broad perspective every problem related to forest products.

For the purpose of recovering vitality of domestic forests, forestry, and wood forest industries, budgetary, financial and other necessary measures will be especially taken for the next five years for the time being, with particular emphasis on aiming at (i) increasing the demand for wood products, (ii) strengthening the structure of forest industries, and (iii) revitalizing domestic forests and forestry through thinning, tendering, and other methods. While observing the developments of such measures, the government intends to positively consider reduction of tariffs on softwood and hardwood plywood and other panel products, approximately from the third year.



It is the policy of the Government of Japan to further push forward the internationalization and efficiency of the Japanese economy through market opening and other measures, while urging the U.S. to make necessary efforts in rectifying the high value of the Dollar and in increased exports to Japan. The Government will actively address the issues with the understanding and cooperation of related industries and of the broad spectrum of the Japanese people.

accept NATO cruise missiles on Dutch soil.

The Netherlands has designated Nov. 1 as the date for a final decision on the issue.

Asked whether he thought the Soviet freeze was intended to put pressure on the Dutch government and drive a wedge between it and other NATO allies, van den Broek said he "could not read the minds of the Soviet authorities."

Some of NATO's cruise and Pershing 2 medium-range missiles have already been deployed in Great Britain, West Germany, Italy and Belgium.

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By CLIFF HAAS=

AP Economics Writer=

WASHINGTON (AP) - The Reagan administration offered muted praise today for Prime Minister Yasuhiro Nakasone's plans to increase sales of U.S. goods in Japan, but officials emphasized that results are what count.

Vice President George Bush welcomed Nakasone's appeal to Japanese consumers and businesses to buy more imports.

"This took a good deal of courage, it took a good deal of leadership," Bush said in a speech to a bankers conference sponsored by the Export-Import Bank of the United States.

"What's important, however, is what follows on, what actually happens in terms of access to market, in terms of entry of American products into the Japanese market," Bush said.

Bush also warned those in Congress and elsewhere who would turn to protectionism and a trade war to force the Japanese to do more.

"Whatever walls we dream of building, it's not walls we'd get if we started to live out a nightmare like that," Bush said. "It's a cliff, and we'd find ourselves falling straight down into chaos."

"... Everyone, everywhere, if we go the trade-war route, would be worse off, including us," Bush said.

Bush also reiterated President Reagan's call for a new round of international trade talks, adding, "the sooner, the better."

Meanwhile, Treasury Secretary James A. Baker III echoed Bush's cautious statement backing Nakasone's moves, saying, "I don't think you can say we are disappointed because, quite frankly ... we haven't really had a chance to study them in detail."

"I think the test of whether we'd be disappointed or not will depend on whether or not they're implemented," Baker said on NBC-TV's "Today" show.

Baker also declined to say how long the United States should wait to see the results of the trade measures announced today.

Before Nakasone made his announcement, William E. Brock, the outgoing U.S. trade representative, said the massive federal budget deficit bears much of the blame for the U.S. trade imbalance with Japan.

"When you have this much fiscal deficit, it has to have an effect upon our ability to compete internationally," said Brock, who Reagan has nominated to be labor secretary. "It has to cause to some degree of pressure on our interest rates. It puts price pressure on American products."

According to Brock, up to three-quarters of the \$37 billion trade deficit with Japan is the responsibility of the United States.

"We've been acting like a dry sponge, pulling in imports," Brock said Monday in an interview on PBS's "MacNeil-Lehrer Newshour." He noted that the strong dollar has meant a substantial lowering of prices for foreign goods.

However, Brock also faulted Japan for failing to allow measures of trade liberalization to be translated into increased American sales.

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