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THE WHITE HOUSE

WASHINGTON

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December 31, 1984

NATIONAL SECURITY DECISION
DIRECTIVE NUMBER 154

U.S.-JAPAN TRADE POLICY RELATIONS (X)

Trade policy issues constitute our most important bilateral economic problem with Japan and are a major problem in Japan's economic relationship with the rest of the world. Japan has an extremely low ratio of manufactured goods imports to GNP. It has not shown a propensity to increase such imports. One adverse result has been the buildup of protectionist pressures in the U.S. The key to alleviating this problem will be policy changes in Japan which increase Japan's receptivity to imports of manufactured goods. We need an effective strategy to bring about such changes. (X)

To put such a strategy in place, I have approved an approach with the following components:

- At our meeting on January 2, 1985 I will inform Prime Minister Nakasone that we believe a severe problem exists and that its solution requires active and substantial changes in Japanese policy. Such changes must lead to a greater Japanese propensity to import manufactured goods. (X)
- At the meetings I will seek the Prime Minister's agreement to begin intensive U.S.-Japan negotiations on opening the Japanese market to imports in several manufacturing sectors. I will recommend negotiations that are more comprehensive, more intensive and conducted at a higher level than any such negotiations in the past. (X)
- To initiate these sector negotiations, I also will seek Prime Minister Nakasone's agreement that they will focus initially on four particular sectors: telecommunications, electronics, forest products, and medical equipment and pharmaceuticals. At the same time, I will make clear that we would expect this list to expand at a later date. (X)
- To reinforce this sector-selective approach, I will urge that Prime Minister Nakasone work with his bureaucracy to set an internal goal for a significant increase in overall imports of manufactured goods. (X)

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-- During the discussions, I will caution the Prime Minister that, should there be insufficient progress on the Japanese side within a reasonably short time, we in the Administration will likely face severe domestic political pressures for discriminatory measures against Japan -- pressures which we may find it difficult to resist. (X)

I intend that this strategy should govern our trade policy relations with Japan in 1985. Its implementation, on the basis of agreements which Prime Minister Nakasone and I reach in Los Angeles on January 2, should be a major priority of the Administration's trade policy agencies. As set forth in NSDD 151, I will look to the Senior Interdepartmental Group-International Economic Policy (SIG-IEP) as the Cabinet level body to integrate the various components of U.S.-Japan economic relations. The SIG-IEP should receive periodic reports on the implementation of our trade policy approach to Japan, advising me on problems and progress. (X)

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