

Chronology: Japan-U.S. Relations during Reagan Administration

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'81

Jan. 20

Republican Ronald Reagan is sworn in as the 40th president of the United States. In an inaugural address, Reagan pledges to revitalize the U.S. economy.

May 1

U.S. Trade Representative William Brock and Japanese Minister of International Trade and Industry Rokusuke Tanaka, meeting in Tokyo, discuss Japan's restraints on car exports to the U.S. and agree that: 1) Japanese automakers will limit their exports to the U.S. to 1,680,000 units for one year starting in April 1981, 2) the ceiling will be raised in the second year depending on U.S. market trends, and 3) Japan and the U.S. will review the limit in the third year.

May 6-8

Japanese Prime Minister Zenko Suzuki holds summit talks with U.S. President Reagan in Washington. A joint statement that is issued at the end of the meeting states explicitly for the first time that Japan and the U.S. are allies and that Japan will make efforts to achieve a defense buildup.



Photo: Kyodo News Service

Aug. 11

cluding peanut butter as part of measures to liberalize its market.

Japan and the U.S. reach agreement on the 1983-1987 quota for Japanese fishing boats in the U.S. economic zone. The accord gives the U.S. the right to unilaterally set the catch quotas.

Oct. 1

Japanese Defense Agency Director General Soichiro Ito and U.S. Defense Secretary Caspar Weinberger agree in talks in Washington to deploy 40 to 50 F-16 fighter-bombers at the Misawa Air Base in Japan's Aomori Prefecture over four years starting in 1985.

Nov. 26

Yasuhiro Nakasone takes office as prime minister following his election as president of the ruling Liberal Democratic Party (LDP). On Nov. 29 U.S. Ambassador to Japan Mike Mansfield delivers a personal message from President Reagan to Nakasone, urging increased Japanese efforts to liberalize its market and build up its defense.

Dec. 14

Prime Minister Nakasone tells a session of the House of Representatives Budget Committee that Japan's defense spending could exceed the long-standing ceiling of 1% of the nation's GNP in the near future. In that case, he says, a new ceiling would be necessary.

The same day, the U.S. Senate Foreign Affairs Committee passes a resolution urging Japan to increase its defense expenditure. The move is followed by a resolution passed by a Senate plenary session urging Japan to maintain sufficient capabilities to defend itself.

'83

Jan. 18-19

Prime Minister Nakasone and U.S. President Reagan hold talks in Washington and agree that their two countries constitute a Pacific Rim community bound together by a common destiny.

Jan. 26

The U.S. Commerce Department announces that the U.S. trade deficit in 1982 as a whole totaled a record \$42,700 million and its trade deficit with Japan the same year totaled \$18,965 million, also a record.

'82

Jan. 28

The U.S. Commerce Department announces that the U.S. trade deficit with Japan in 1981 totaled a record \$18,080 million, up by nearly 50% over the previous year.

May 20

Japan's Ministerial Council on Overall Security Affairs agrees to raise the nation's capability to defend sea-lanes up to a distance of 1,000 miles from Japan and in waters up to several hundred miles off the Japanese coast.

May 28

Japan decides to lower tariffs on 198 items of industrial goods including computers and 17 items of farm goods in-

Excerpts, Insights, Highlights

President Reagan's inaugural address (Jan. 20, 1981)

In the days ahead I will propose removing the roadblocks that have slowed our economy and reduced productivity. . . . It is time to reawaken this industrial giant, to get government back within its means, and to lighten our punitive tax burden. And these will be our first priorities, and on these principles there will be no compromise. . . .

To those neighbors and allies who share our freedom, we will strengthen our historic ties and assure them of our support and firm commitment. We will match loyalty with loyalty. We will strive for mutually beneficial relations. We will not use our friendship to impose on their sovereignty, for our own sovereignty is not for sale.

Joint Communiqué by Prime Minister Suzuki and President Reagan (May 8, 1981)

The Prime Minister and the President, recognizing that the alliance between Japan and the United States is built upon their shared values of democracy and liberty, reaffirmed their solidarity, friendship and mutual trust.

Prime Minister Nakasone's speech at inaugural press conference (Nov. 27, 1982)

Over the past years Japan has obtained its defense on the cheap, as compared with Western European countries and the U.S. Considering those countries' defense efforts in the past, it can hardly be said that Japan has made strong and sufficient efforts. The level of Japan's defense efforts has been such that it has deserved the criticism it received. Japan must cooperate, albeit within certain limitations,

with the U.S. and Western European nations and help maintain the unity of the free world nations. To meet this requirement it is necessary to develop an appropriate relationship of cooperation.

President Reagan's statement on the occasion of Prime Minister Nakasone's visit to the U.S. (Jan. 19, 1983)

I am pleased that we have made some important first steps: In the area of trade, something of utmost significance to the economic well-being of both our peoples and to the economic health of the Western world, we are encouraged by the recent commitments to further open Japan's markets. I am aware of political sensitivity in Japan to the tariff reductions on a number of products as well as to the prime minister's decision to conduct a com-

- Feb. 12** — Japanese MITI Minister Sadanori Yamanaka tells visiting U.S. Trade Representative Brock that Japan will voluntarily restrict its car exports to the U.S. in fiscal 1983 to 1,680,000 units, the same as in the previous year.
- Nov. 1** — Japanese MITI Minister Sousuke Uno and U.S. Trade Representative Brock discuss an extension of Japan's voluntary restraints on car exports to the U.S. and agree to set the fiscal 1984 limit at 1,850,000 units.
- Nov. 9-12** — U.S. President Reagan visits Japan as a state guest and holds talks with Prime Minister Nakasone. They agree that close cooperation between their two countries is essential for world peace. On economic matters, they agree to establish a consultative body to adjust the yen-dollar rate and to prepare for new multilateral trade negotiations to follow the Tokyo Round.
- '84**
- April 7** — Japanese Minister of Agriculture, Forestry and Fisheries Shinjiro Yamamura and U.S. Trade Representative Brock reach an agreement under which Japan will increase import quotas for U.S. high-grade beef by 6,900 tons a year, oranges by 11,000 tons and orange juice by 500 tons, all by fiscal 1987.
- June 13** — Japan and the U.S. reach agreement on Japan's voluntary restraints on exports of four items of textiles to the U.S.
- Dec. 6** — In steel trade negotiations in Washington, Japan and the U.S. agree to limit the share of Japanese steel—including semifinished goods—in the U.S. market to 5.8% starting in 1985.
- '85**
- Jan. 2** — Japanese Prime Minister Nakasone and U.S. President Reagan hold talks in Los Angeles. Nakasone supports Reagan's stance on the U.S.-Soviet nuclear disarmament talks. As to the U.S. strategic defense initiative (SDI), Nakasone shows understanding concerning the research phase of SDI, but he indicates that he has reservations about its development and deployment.

- March 1** — President Reagan decides not to seek an extension of Japan's voluntary restraints on its car exports to the U.S., due to expire at the end of March. He issues a statement emphasizing that his decision is based on the principle of free and fair trade and seeks Japan's opening of its markets for telecommunications, forestry products, electronics and pharmaceuticals and medical equipment.

The Japanese government for its part decides to extend the voluntary car export restraint for another year, with the ceiling set at 2,300,000 units.



Photo: Kyodo News Service

- March 28** — The U.S. Senate unanimously adopts a resolution urging President Reagan to take retaliatory measures against Japan.
- June 11** — The U.S. Congress passes a resolution charging Japan with failing to fulfill its duty as a U.S. ally to build up its defense capability and be able to defend sea-lanes up to 1,000 miles from its shores and to boost its air defenses by the end of the 1980s.
- June 14** — The U.S. Semiconductor Industry Association appeals to the U.S. Trade Representative's Office to help American semiconductor makers hard hit by what it considers to be unfair transactions by the Japanese semiconductor industry backed by Japanese government policy.
- June 25** — The External Trade Policy Promotion Headquarters, jointly organized by the Japanese government and the ruling LDP, decides to abolish tariffs on 72 items and to lower tariffs by 20% on 1,790 other items across the board as part of a market-opening action program.

prehensive review of their standards and certification systems. Yet nothing would better prove to the American people the good intentions of our Japanese trading partners than tangible progress in revising relevant Japanese certification laws and regulations to remove the obstacles which currently impair some of our manufactured exports to Japan.

Washington Post editorial (Nov. 8, 1983) on President Reagan's visit to Japan

The long wrangle over the fourth year of American quotas on imported Japanese cars was concluded last week—bad economic policy but, to look on the sunny side, at least a temporary removal of a longstanding irritant. . . . It is quite true that the United States itself has profited from the growth of Japanese prosperity. But enlightened self-interest has not always guided nations when the balance of economic power was shifting.

Yomiuri Shimbun editorial (March 30, 1985) on U.S. Congressional resolution

U.S. criticism of Japan seems to be escalating to the point where it cannot be ignored any longer. Japan must act quickly to defuse the situation. One thing that must be done above all is to take dramatic steps to open up the domestic market. . . . Congressional sentiment has been deteriorating rapidly, yet Japan has been overly optimistic. Clearly there exists a communication gap. . . . Of course, the U.S. is responsible for its large trade deficit, which stems from the gigantic budget deficit and resultant high interest rates, the overvalued dollar, a lack of export promotion efforts and weakened international competitiveness of U.S. products. It is wrong to put all the blame on Japan while ignoring these problems. But it is true that Japan cannot do without the cooperation of the U.S. and other friendly nations. Accordingly, Japan should humbly accept foreign criticism and take immediate and

concrete action to liberalize the domestic market. It is high time that the country shook off its complacency.

Maekawa Report (April 7, 1986)

The main thrust of the recommendations is to achieve expanded equilibrium of the Japanese economy and concomitant growth of imports in order to maintain and strengthen the free trade system and to ensure sustainable and stable growth of the world economy. . . . The highest priority is to expand domestic demand effectively so as to produce multiplier effects on economic growth and stimulate individual consumption, with a view toward restructuring the export-dependent economy of Japan into a more vigorous economy led by domestic demand.

Statement by Chief Cabinet Secretary Gotoda (Dec. 30, 1986)

The decision made by the Miki Cabinet in

'86

- Jan. 10** In Japan-U.S. market-oriented sector-selective (MOSS) negotiations in Washington, Japanese Foreign Minister Shintaro Abe and U.S. Secretary of State George Shultz reach a final agreement under which Japan will open its market in four sectors covering telecommunications, electronics, forestry products, and pharmaceuticals and medical equipment.
- Feb. 13** Japanese MITI Minister Michio Watanabe announces that Japan will continue for another year to restrain its car exports to the U.S. to 2,300,000 units.
- April 12-15** Prime Minister Nakasone and U.S. President Reagan hold talks in Washington dominated by the huge U.S. trade deficit with Japan, running at an annual rate of \$50 billion. Nakasone pledges that Japan will make its economy more oriented toward domestic demand in order to correct the nation's trade surplus.
- June 3** MITI issues an annual trade white paper emphasizing the need for Japan to increase its direct overseas investment, expand imports and become less dependent on exports.
- July 3** In negotiations in Washington, Japan and the U.S. reach an agreement on semiconductor trade. Under the agreement, the U.S. will refrain from invoking an antidumping law, while Japan will watch export price trends and ensure increased imports of U.S.-made semiconductors.
- Sept. 9** The Japanese government decides to participate in the research phase of SDI.
- Nov. 24** Japanese and U.S. officials reach agreement and initial a document on Japan's voluntary restraints on exports of machine tools to the U.S. for five years starting in January 1987.
- Dec. 30** The Japanese government adopts an austere fiscal 1987 budget calling for a miniscule 0.07% increase over the initial budget for fiscal 1986. However, defense spending is made an exception, being allowed to rise 5.2% over the previous fiscal year. It accounts for 1.004% of the nation's GNP, topping for the first time the 1%-of-GNP ceiling set in 1976.

'87

- Jan. 25** The Japanese Finance Ministry announces that Japan's trade balance in 1986 registered a record surplus of \$92,659 million and the current account also marked a record surplus of \$85,966 million.
- Jan. 27** MITI announces that Japanese automakers will continue to voluntarily restrain their exports to the U.S. in fiscal 1987 to the previous year's level of 2,300,000 units.
- Jan. 30** The U.S. Commerce Department announces that the U.S. trade deficit in 1986 totaled a record \$169.8 billion and its trade deficit with Japan a record \$58.6 billion.
- April 17** The U.S. government accuses Japan of violating a bilateral semiconductor trade agreement and issues a presidential statement announcing a decision to impose in retaliation a 100% tariff on personal computers, color television sets and power tools. The Japanese government protests that the U.S. action is a violation of GATT rules and proposes the holding of bilateral negotiations.
- April 30-May 1** Japanese Prime Minister Nakasone holds summit talks with U.S. President Reagan in Washington and pledges to adopt a ¥5 trillion package aimed at expanding domestic demand for correcting the trade imbalance. A joint statement issued at the end of the talks says a further decline in the dollar's value would adversely affect the two countries' economies and that they will closely cooperate with each other in stabilizing exchange rates.
- May 15** MITI announces that it will ban Toshiba Machine Co., a subsidiary of Toshiba Corp., from exporting its products to the Communist bloc for one year as a punitive measure against its illegal exports to the Soviet Union of machine tools used for milling submarine propellers.
- Oct. 2** Japanese Defense Agency Director General Yuko Kurihara and U.S. Secretary of Defense Weinberger agree in Washington that a next-generation support-fighter for Japan's Air Self-Defense Force will be jointly developed by Japan and the U.S. through a modification of the U.S. F-15 or F-16.

1976 to limit defense spending to 1% or less of the GNP has served as an important guideline for defense buildup expenditures. However, this measure (which will exceed the 1% limit) is unavoidable for fiscal 1987 in order to carry out the Mid-Term Defense Buildup Plan.

The government will continue to uphold the principle of self-reliant defense and hereby reaffirms that Japan will not become a military power that would pose threats to other nations, and that the policy of civilian control will be firmly maintained.

Policy speech by Prime Minister Takeshita (Nov. 27, 1987)

I believe that Japan should establish its position as a "country contributing to the global community" and use its wealth and vitality for the common good of the world. From this point of view I will continue and develop the basic policy lines of previous Cabinets.

Senator Rockefeller's remarks at the first session of the 100th Congress (Dec. 17, 1987)

... Mr. President, the recently announced Japanese decision to forgo development and production of an indigenous air-defense fighter replacement for the F-1 must be seen as a positive contribution to U.S.-Japan relations and sound defense policy... The decision to proceed with joint development of an advanced F-16 is good news for Japan's defense and for our mutual relations. A potentially divisive point of confrontation has been turned into an opportunity to expand U.S.-Japanese technology exchange and defense cooperation.

Business Week editorial (Dec. 28, 1987)

"Japan does its part—How about Germany?" Tokyo has fulfilled the commitment it made two years ago to boost spending at home. Japanese consumers are pouring out yen for apartment remodeling, new construction, and a cornucopia of electronic gadgets rang-

ing from rice cookers to high-tech kitchens.

That's the good news. The bad news is that Japan's domestic boom is helping other countries more than the U.S. In November, for instance, the EC had a 60% increase in exports to Japan, followed by Southeast Asia with a 50% increase. The U.S. was in third place with a 40% increase—healthy, but not enough to make a significant dent in the \$50 billion U.S.-Japan trade deficit. By helping Asian economies to grow, however, Japan is making that part of the world far less likely to contribute to a world recession.

Asahi Shimbun editorial (Jan. 15, 1988) on Prime Minister Takeshita's U.S. visit

The Takeshita administration has undertaken difficult tasks as a result of Takeshita's visit to the U.S. . . . There are problems crying out for urgent solutions involving the systems, mechanisms and practices that have continued in Japanese society for many years. . . . Ja-

Nov. 6 Noboru Takeshita is named Japan's 74th prime minister by the Diet following his election as president of the ruling LDP, succeeding Yasuhiro Nakasone.

Nov. 21 The Japanese government decides to shoulder payment of allowances of Japanese employees at U.S. military bases in Japan through a revision of the Japan-U.S. Status of Forces Agreement in order to lessen the burden on the U.S. government.

Dec. 22 The U.S. Congress passes a fiscal 1988 spending bill containing retaliatory provisions against Japan. They include a ban on the U.S. Defense Department buying products of the Toshiba group and the barring of Japanese companies from the U.S. construction market in retaliation for Japan's perceived refusal to allow American companies to participate in construction work on the new Kansai International Airport.

'88

Jan. 13 Prime Minister Takeshita holds talks with President Reagan in Washington for the first time since assuming his post. They reaffirm the importance of bilateral cooperation in the economic, defense, nuclear disarmament and all other fields. A joint statement issued at the end of the talks also clarifies their decision to set up a new scheme to enable the U.S. monetary authorities to support the dollar in currency markets in order to prevent a further decline in the dollar's value.

Jan. 29 The Japanese government announces that Japanese automakers will continue to voluntarily restrain their exports to the U.S. at 2,300,000 units in fiscal 1988.

March 3 The Washington Metropolitan Area Transit Authority refuses to give a joint venture of an American firm and the U.S. unit of Kajima Corp. a contract for the construction of a subway tunnel and station in Washington D.C. The action is taken under a law enacted in December 1987 to shut out Japanese companies from public works projects in the U.S.

March 29 Japan and the U.S. reach a final agreement on U.S. participation in the Japanese construction market following prolonged negotiations. The accord, reached between Japanese Deputy Chief Cabinet Secretary Ichiro Ozawa and U.S. Trade Representative Clayton Yeutter in Washington, provides access for U.S. firms to seven major projects directly financed by government funds, including construction of airport terminals.

April 27 The U.S. Senate follows the House of Representatives in passing an omnibus trade bill providing, among other things, for sanctions against the Toshiba group and firmer retaliatory measures against unfair trade practices, and also urging Japan's liberalization of its farm market. But President Reagan vetoes the bill on May 24.

June 20 Japan and the U.S. reach an agreement calling for full liberalization of Japan's beef and orange markets by fiscal 1992. Under the agreement, signed by Japanese Minister of Agriculture, Forestry and Fisheries Takashi Sato and U.S. Trade Representative Yeutter in Tokyo, Japan's imports of beef and oranges will be liberalized in fiscal 1991 and orange juice in fiscal 1992. During a three-year transitional period, Japan will increase its imports of beef and oranges in stages.

Aug. 3 The U.S. Senate passes the revised version of the omnibus trade bill which the House passed July 13. President Reagan signs the legislation into law on Aug. 23.



pan has reached the stage where it must take strong measures even if they involve severe domestic frictions. Such measures should be considered as the "necessary cost" the country must pay not only as the possessor of the world's largest trade surplus but also from the viewpoint of internationalizing Japan. . . . Considering that Japan-U.S. relations are becoming increasingly interdependent, it is no longer enough that the prime minister of Japan goes to Washington with "gifts" for his host. It is also necessary to promote routine dialogue at the highest level of government.

**Business Week editorial (Jan. 18, 1988)
"Tokyo kept its half of the Bargain"**

Until now a Japanese prime minister who came to Washington had to listen to stern lectures: Japan needs to stimulate its economy to draw in more U.S. goods. Japan needs to spend more on defense. Japan needs to help develop-

ing nations. Japan needs to reduce its dependence on exports.

Now things are different. . . . Defense spending, which hovers around 1% of GNP compared with 6.7% for the U.S., still needs improvement, though U.S. companies are winning some arms contracts. Takeshita may even offer to increase the amount that Japan pays to keep U.S. troops in Japan. Dependence on exports has declined to about 10% of GNP, compared with 27% for West Germany. Even the U.S.-Japanese trade imbalance, though it remains uncomfortably lopsided, appears to have peaked.

So despite continuing friction over U.S. agricultural exports and access to Japan's construction market, the Reagan administration has fewer reasons to lecture Takeshita. In fact, the roles are reversed. Washington is asking him to help sustain the dollar and maintain financial stability.

The Japanese agreed to stimulate their

economy in return for a pledge that the U.S. would wrestle its budget deficit under control. Now is the time to get on with the job of meeting that pledge. If that doesn't happen, we may one day see an American President going to Tokyo, hat in hand.

President Reagan's statement on the revised version of the omnibus trade bill (Aug. 3, 1988)

I am pleased the Senate has . . . joined the House by quickly approving—by an overwhelming bipartisan vote—a responsible trade bill that includes repeal of the windfall profits tax and many of the elements proposed as part of my 1987 competitiveness initiative. While this bill is not perfect . . . on balance it will strengthen America's international competitiveness. The bill therefore merits my approval when it reaches my desk.