

## A Matter of Standards

In your November 1982 issue, Mr. Y. Nisaka provided an excellent progress report on market opening measures being taken by various ministries of the government of Japan. While he concentrated on actions taken to relieve acute "grievances" brought by foreign suppliers and governments, there are also some less spectacular but equally important steps being taken to address certain long range "chronic" trade problems.

The method of drafting standards in Japan has been of concern to standard specialists in all of Japan's trading partners. Our two major areas of concern have been (1) lack of advance information on standards being contemplated in Japan and (2) lack of foreign participation in Japanese standards writing bodies.

In the latter regard, I am pleased to report that two Americans have recently been appointed to MITI-sponsored committees which write mandatory standards. Mr. Alfred S. Le Blang of General Electric has been appointed to the committee which writes standards for home electrical appliances and I have been appointed to the consumer product safety committee. I trust similar appointments will be made to other standards writing bodies.

With regard to advance information, the "transparency" provisions of the GATT standards code provide for the publication of notices of new standards several weeks prior to their implementation. These notices have been very beneficial to foreign suppliers, and it is hoped that the quality of implementation will improve as Japanese agencies become better aware of their obligations under the code.

Of even greater importance is the dissemination of advance information on long-range plans for standards drafting activities in Japan. We earnestly solicit the government of Japan to follow a procedure similar to that followed in the United States. The American National Standards Institute (ANSI) publishes a bi-weekly newsletter, "ANSI Reporter." In it, under "standards action," ANSI includes listings of standards being considered, even those which would not result in a new standard for up to three years in the future. Foreign business needs this same kind of "window" into Japan's planned standards activities.

Only with this kind of advance information can interested and affected foreign interests make their constructive thoughts available to the government of Japan. Affirmative action in this area would do a great deal to reduce the foreign perception of the Japanese system as "closed" to foreigners.

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## Enlightened Management

The *Journal of Japanese Trade and Industry* provides important information to the American business manager not available elsewhere. The feature interview and close-up series with Japanese business and government leaders provide a necessary balance to fears feeding rising protectionist sentiments. I would like to comment on Audrey Freedman's article in the September issue on applying Japanese management practices in U.S. firms.

There is a risk that overpopularizing this subject at this time of low output and soft markets will amplify fears, however unfounded, that American business cannot meet Japanese competitors toe to toe. To imply that practices cited may be peculiar to Japanese culture is misleading. Americans need only look back to their own success stories: IBM, AT & T, GD etc., to see these practices are merely a function of enlightened leadership. I agree with blaming our graduate business schools for turning out technique-oriented managers not interested in walking the production floor. Perhaps the solution is to hire from undergraduate schools, and send only managers who have learned the business from the inside back to the classroom. Indeed better American companies are already strongly committed to in-house training programs.

Perhaps the trend to separate management from ownership has contributed even more to low productivity. Watson of IBM had a proprietary interest in the company outliving him and encouraging investor in long-term gains, not short-term speculation. The ethics of good management is common to all cultures.

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## CURRENT TOPICS

### Work Group on High Technology Submits Recommendations

The Japan-U.S. Work Group on High Technology has produced significant results in furthering mutual understanding on high technology and in establishing ground rules to provide for future Japan-U.S. cooperation in the high technology sector.

At its third meeting, held in Tokyo last October, the group compiled recommendations to be submitted to the governments of the two countries on the basis of discussions at its preceding meetings.

The work group was successful in deepening American understanding of the actual state of Japan's high technology industries. In the high technology sector, products become outdated quickly because of the rapid tempo of technological innovation, as new products appear one on the heels of another. As a result, misunderstandings, or differences in perceiving the true picture of the market, occur very frequently. The Japanese members of the working group conducted a detailed investigation of market trends in Japan for a number of high technology products about which the U.S. showed great concern. When the results of the investigation were explained to the U.S. delegates, suspicions were dispelled to a considerable degree.

The work group also established the ground rules for Japan and the U.S. to follow in maintaining and expanding free competition in the high technology sector and in implementing policies in this area.

As a measure to ensure close exchange of information on high technology and further mutual understanding, the establishment of a task force on statistics, an analysis of accounting systems, the establishment of subcommittees with private sector participation, and the compilation of a report on market trends and trade were recommended.

As measures to promote international research and development and to accelerate exchange of patents and technical know-how, the establishment of a window for information on government-subsidized research and development projects, the abolition of discrimination against resident foreign subsidiaries in such projects, the promotion of international cooperation in research and development, and study of the U.S. Anti-Trust Act were recommended.

The work group on high technology was established in July last year in response to a proposal made by the then Minister of International Trade and

Industry Shintaro Abe (now Foreign Minister) at a trade conference which Japan, the U.S., Canada, and the EC held the previous January at Key Biscayne, Florida.

Abe's aim was to deepen mutual understanding and stimulate the development of high technology in both countries.

The establishment of this work group was the first step towards implementation of the "Three Principles on High Technology" advocated by the then MITI Minister Abe. The three principles called for (1) revitalization of the world economy through the development of high technology, (2) liberalization of trade in high technology, and (3) international cooperation in the development of high technology. The work group was also designed to forestall trade friction that may arise in the high technology area in the future.

The work group is made up of officials of MITI and the Foreign Ministry on the Japanese side, and of the U.S. Trade Representative and Commerce and State Departments on the American side.

The group held its first meeting in Hawaii from July 7 to 9, an informal meeting in Tokyo on August 6 and 7, a second meeting in Hawaii on September 28 and 29, and its third meeting in Tokyo from October 27 to 30.

At the first and subsequent informal meetings, the group exchanged opinions on problems concerning semiconductors, computers and communication equipment. At the same time, the group discussed promotion of research and development in high technology industry and tried to dispel misunderstandings between the two countries. At the second and third meetings, the group compiled its recommendations on the basis of discussions at the preceding meetings.

In view of the fact that the Japan-U.S. consultations on agricultural products and tobacco conducted after the middle of October did not produce encouraging results, the high technology working group's success in drafting recommendations should be evaluated as playing an important role in sustaining good economic relations between the two countries.

The ground rules and measures proposed in the recommendations are consistent with the "three principles on high technology" advanced by Abe. It is also of great significance that Abe's proposals have become the common principles of Japan and America and that the two countries will take action to implement the proposed measures in line with the ground rules.

The work group on high technology has decided to continue discussions on various problems that might arise in the high technology sector in Japan and the U.S., by convening meetings of subcommittees from time to time with the participation of representatives of the private sector.

## International Productivity Symposium

—How to Revitalize World Economy through Improved Productivity—

The International Productivity Symposium (IPS) to be held in Tokyo in May 1983 will be the world's first large-scale international conference on problems concerning productivity issues. The IPS will be held by the Japan Productivity Center under the patronage of the Organization for Economic Cooperation and Development (OECD) and under the auspices of the Ministry of International Trade and Industry (MITI) along with the support of government ministries, concerned economic groups and labor organizations. The principal theme is "Revitalizing the World Economy through Improved Productivity."

With the 1973-74 oil crisis as the turning point, the world economy entered an extremely difficult phase in which low economic growth has become inevitable. In order to revitalize the shaky world economy, it is essential to reactivate the energy of corporations which are basic units of the economic activities of each country. In order to raise industrial productivity to achieve this, it is meaningful to discuss and exchange opinions actively on management policies for improving productivity, obstructive factors hindering productivity growth, and labor and management approaches to productivity improvement.

The symposium stems from a discussion in the Industrial Committee of OECD. In the course of this, the committee came to feel the need for an international symposium on productivity issues, in view of the fact that a slowing rate of productivity improvement was a factor pulling down the world economy. Some committee members suggested that such a symposium be held in Japan, where productivity improvement is relatively high. The Japanese government responded to the calls positively.

The symposium will consist of three days of discussion and a traveling forum. The discussion will feature about 40 distinguished speakers and panelists representing the industrial, labor and academic circles of various countries. After a three-day meeting the traveling forum will visit Japanese factories.

The symposium will open with three special addresses on the theme "Economic Vitality and Productivity" by Assar Lindbeck, chairman of the Committee for the Prize in Economic Science in Memory of Alfred Nobel, Robert Kirby, chairman of Westinghouse Electric Corp., and Konosuke Matsushita, adviser of Matsushita Electric Industrial Co., Ltd. Naohiro Amaya, special adviser to MITI, will deliver a keynote speech on "The

Bases for Productivity Improvement" on the first day.

On the second day, four sessions will discuss "Business Environment and Productivity," "Management and Productivity," "Participation and Productivity," and "Productivity Measurement."

On the third and closing day, Kazuo Okochi, professor emeritus of the University of Tokyo, will deliver a special address entitled "Joint Pursuit of Global Welfare and Productivity Improvement." Claude Levi-Strauss, member of the Académie Française, is scheduled to deliver a commemorative address on "Productivity in the New Age."

After the three-day conference, a traveling forum will be organized in which the participants will visit factories selected for their outstanding small group activities, utilization of industrial robots, production control, and personnel management. One of its features will be that participants will not only see factories but also exchange opinions with managers and workers. The traveling forum will give the participants good chances to understand through their own observations of the true picture of Japanese corporate management.

It is hoped that, through extensive exchange of opinions, participants will obtain suggestions on how corporations in their countries could overcome the harsh economic environment they face today. The efforts each country makes towards revitalizing the world economy will contribute greatly to enhancing international collaboration and stable economic development.

Recognizing its significance as part of Japan's international and industrial cooperation efforts, the Japanese Cabinet agreed to ask government ministries and agencies concerned to help organize the symposium, and to make it really fruitful. It is believed success in the symposium will open a new chapter in the history of productivity enhancement through international cooperation.

## 8th GATT Ministerial Conference: Declaration Adopted after Vigorous Debate

The 8th GATT ministerial conference, the first since the Tokyo conference in 1973, opened on November 24 in Geneva against the background of an unusual upsurge of protectionism. The plenary session saw intense confrontations between the EC and other countries over the "cease-fire" and "peace plan" proposed for inclusion in the political declaration, between the EC on the one side and the U.S. and Australia on the other over EC export subsidies for agricultural products,

and among the EC, the less developed countries (LDC) and Japan, the U.S. and Canada over the safeguard issue. On the safeguard issue, the EC insisted on unilateral selective action, and Japan, the U.S. and Canada tried to forge a compromise on selective action based on agreement between exporting and importing countries; while the LDCs opposed even selective action based on agreement.

At one stage during the debate, consideration was even given to a proposal that the EC and the others would issue separate statements. Although a collapse of the meeting seemed imminent more than once, a final declaration was hammered together—albeit in somewhat weakened form—through the efforts of the chairman and the Swiss sponsors of the conference. The declaration was adopted at dawn November 29, after the session had been extended for two days.

During the stormy meeting there were fierce debates on the question of inserting a commitment to a "cease-fire" (refraining from taking new protectionist measures) and a "peace plan" (reducing present protectionist measures) in the political declaration. The EC insisted that given the current deep economic recession pragmatic measures could not be avoided, while other countries took the stand that the maintenance and strengthening of the free trade system was all the more vital in this recessionary period. In the end, consensus was reached on the phrasing "to refrain from taking or maintaining any measures inconsistent with GATT," thus demonstrating a political readiness to reject protectionism and sustain free trade.

On the safeguard issue, the biggest of the pending issues, it unfortunately proved impossible to achieve a comprehensive solution. However, agreement was reached on holding negotiations on the issue before the next GATT general meeting. This at least kept momentum alive for future study along the following lines: "Efforts will be made to formulate an accord before next autumn's general meeting at the latest by continuing negotiations and drawing up an interim report by July 1983. On that occasion, a comprehensive understanding should be reached on the implementation of six objective standards including transparency, coverage and objective criteria of serious injury."

This was a big step forward. And equally important was the fact that agreement was reached on refraining from the rampant adoption of protectionist measures until such time as a comprehensive understanding could be reached.

On the problem of trade in services, which is considered a growth field for the 1980s, the United States introduced an initiative for full-scale liberalization. The LDCs, such as India, opposed taking up this issue in GATT, and debate raged un-

abated until the end of the conference. It was ultimately agreed to begin a study as follows: "Countries interested in trade in services will study the problem as much as possible and exchange information through GATT's international organs. The results will be reviewed at the general meeting in 1984 and weighed as to whether or not multinational action is appropriate and desirable." This is welcome from the standpoint of strengthening GATT in the future.

Meanwhile, there was a harsh confrontation between the EC on one side and exporting countries of agricultural products such as the U.S. and Australia on the other over the EC's subsidizing of agricultural exports. The United States, Australia and several developing countries claimed that the subsidy system implemented under the EC's Common Agricultural Policy obstructs fair international competition. They insisted that the farm export subsidy problem should be taken up in GATT. The EC resisted strongly. Eventually, it was decided to establish a Committee on Trade in Agriculture within GATT to study agricultural product exports, including the question of export subsidies. The EC said it would participate in this committee, but made it clear that its participation did not mean it would enter into new negotiations or undertake new obligations.

At a press conference following the meeting, French External Trade Minister Michel Jobert took a disillusioned view of the proceedings. "I won't say that the conference was useless," he said, "However, it is like a photograph taken with an instant camera. No matter what the subject, the quality is not good. One will get tired of looking at it every day. It's something to put away in the desk drawer as a souvenir and take out now and then to look at."

Economic Minister Otto Lambsdorff of West Germany sounded a warning against recent protectionist trends, criticizing reciprocity—which would lead to new trade balances at lower levels—as an "anachronism" which shakes the foundation of the GATT system.

At a press conference, U.S. Trade Representative William Brock was asked how he would score the conference on a scale from A to E. He answered that on the whole he would give the conference a "C" because nothing was accomplished on farm export subsidies, safeguards, and trade in services. He added it might be raised to "C+", but that this would depend entirely on future efforts.

Clearly the GATT ministerial conference ran up against serious conflicts of national interest when it came to making a declaration on the principles of free trade. This, however, can at least in part be seen as mirroring the current global recession.

And the fact that 88 nations did come together at one forum to reject trade protectionism at a very high political level, to affirm in a joint declaration that the multilateral free trade system should be maintained and strengthened, and to adopt many action programs for GATT, still represents a highly significant achievement.

Japan will need to observe and faithfully implement the agreements reached at the ministerial conference. Japan must continue to contribute positively to the maintenance and strengthening of the GATT system and to the expansion of world trade.

## Nakasone Cabinet Takes Off

On November 27, a new cabinet led by 64-year old Yasuhiro Nakasone (Director General of the Administrative Management Agency in the preceding government) formally succeeded the Zenko Suzuki Cabinet which had governed Japan for two years and five months. Upon Suzuki's resignation as president of the ruling Liberal Democratic Party, a preliminary election to choose candidates for party president was held with some 1,050,000 rank-and-file members of the party casting their votes. Nakasone won roughly 58%, with Toshio Komoto, Director General of the Economic Planning Agency in the Suzuki Cabinet, second, and Shintaro Abe, then MITI Minister, third. Although a run-off vote by LDP Diet members was scheduled, Komoto and Abe withdrew to allow the unanimous choice of Nakasone as party president. Subsequently, on November 26, Nakasone was elected prime minister by the Diet, and on the following day his cabinet was formally installed.

The factional breakdown of the members of the new Nakasone Cabinet, excluding Nakasone himself, is as follows: Tanaka faction 6, Suzuki faction 4, Nakasone faction 2, Fukuda faction 3, Komoto faction 2, Nakagawa faction 1, non-faction members 2. The Tanaka faction is led by Kakuei Tanaka, former prime minister and at present an independent member of the House of Representatives. Other former prime ministers who lead factions are Takeo Fukuda and Zenko Suzuki. The leader of the Nakagawa faction was Ichiro Nakagawa, Director General of the Science and Technology Agency in the Suzuki Cabinet, who came fourth and last in the presidential primary, but died on January 9 at age 57. In the preceding administration, the Suzuki, Tanaka and Nakasone groups of the Liberal Democratic Party were constantly at odds with the Fukuda, Komoto and Nakagawa groups but the party showed unity in forming the new cabinet.

Prime Minister Nakasone said he selected his cabinet with priority on getting



1. Newly-elected Prime Minister Yasuhiro Nakasone
2. Minister of International Trade and Industry Sadanori Yamanaka
3. Foreign Minister Shintaro Abe
4. Finance Minister Noboru Takeshita

work done, and had chosen a cabinet of hard-working men. He said it was natural that as many as six members of the Tanaka faction were given portfolios because this faction is the largest, with 110 Diet members.

Introduced in the following paragraphs are the profiles of the chief cabinet secretary, who is the government spokesman, and of the leading cabinet members holding important economic portfolios.

The chief cabinet secretary, who acts as the prime minister's right-hand man and is like the catcher in baseball, is Masaharu Gotoda. In the Tanaka faction, he holds a position like that of chief of staff. Under the late Prime Minister Masayoshi Ohira in the late 1970s, Gotoda was Home Affairs Minister and concurrently chairman of the National Public Safety Commission. He was a police bureaucrat from the days of the Home Ministry before World War II and had served as head of the National Police Agency. Usually, the prime minister names one of his own faction members as chief cabinet secretary. But, according to political observers, Nakasone went outside his own faction for his right-hand man because he had always greatly admired the way Gotoda operated.

Finance Minister Noboru Takeshita, 58, is also one of the top men in the Tanaka faction and is known as one of "new leaders" who are regarded as future candidates for president of the Liberal Democratic Party and prime minister. His previous cabinet experience includes Chief Cabinet Secretary (twice), Minister of Construction, and Minister of Finance. He started his political career in the local assembly of his native Shimane Prefecture on the Japan Sea coast. Finance Ministry bureaucrats have great respect for this man who heads their department for the second time.

MITI Minister Sadanori Yamanaka, 61, belongs to the Nakasone faction. He has served as Director General of General Affairs of the Prime Minister's Office, Direc-

tor General of the Environment Agency and Director General of the Defense Agency. He is regarded as one of the Liberal Democratic Party's top experts on policy matters including tax affairs and anti-trust policies. He was assigned chairman of the Liberal Democratic Party's Tax Affairs Committee in 1979.

Foreign Minister Shintaro Abe, 58, is said to be the prince of the Fukuda faction and is expected eventually to take over leadership of the faction. Although he was unsuccessful in the latest election for party president, the fact that he was a candidate is regarded as his first big step towards the top in the future. His previous cabinet appointments include Minister of Agriculture, Forestry and Fisheries, Chief Cabinet Secretary, and MITI Minister. Among the so-called new leaders, he seems one step ahead of the others. Because of his previous experience as MITI Minister, he has wide knowledge of the trade issues causing friction with the United States.

Minister of Agriculture, Forestry and Fisheries Iwazo Kaneko, 75, is holding only his second cabinet portfolio, the first being Director General of the Science and Technology Agency in the Ohira administration. He belongs to the Suzuki faction and is active in fisheries affairs.

Director General of the Economic Planning Agency Jun Shiozaki, 65, is also a member of the Suzuki faction. After being a Finance Ministry bureaucrat for 26 years and rising to the post of director of the Tax Bureau, he entered politics. An authority on taxation, he has written many books on the subject.

The above rundown shows that all the new ministers holding influential economic cabinet posts are capable men experienced in practical affairs.

The problem, then, is the nature of the economic policy which the new government will adopt. This was expected to be clarified through the compilation of the fiscal 1983 budget and the new measures

for liberalizing Japan's market to be drawn up before Prime Minister Nakasone visits Washington for talks with President Reagan in mid-January.

The new prime minister expressed his views in his first general policy speech in the Diet on December 3, in which he made the following points: (1) The most important issue in the international economic sphere is how to stem the rising tide of protectionist pressures. Japan will make every effort both at home and abroad to strengthen the free trade system and revitalize the world economy, (2) Administrative reform and fiscal rehabilitation will be pushed vigorously but it has become extremely difficult to eliminate deficit-financing bonds in fiscal 1984. (This amounts to an abandonment of the pledge made by the preceding Suzuki Cabinet), (3) The Japan-U.S. security arrangement will be maintained and efforts will be made to build up qualitatively Japan's defense capabilities to the extent necessary to defend the country on Japan's own, and (4) Japan will not however become a big military power, and will take care to avoid becoming a military threat to neighboring countries.

In the debate that followed, the prime minister indicated he would not necessarily stick to limiting the defense budget to 1% of GNP. His statements which took into due consideration American thinking, were highly welcomed by the United States.

As to Nakasone's style of making clear-cut statements, various public opinion surveys reveal that those who favor it and those who oppose it are evenly divided.

## Japan Protests French Import Curbs on VTRs

The Ministry of International Trade and Industry (MITI) and the Japanese electronics industry have strongly protested the latest French decision to channel imported videotape recorders (VTRs) through a single customs post at the inland provincial town of Poitiers as part of efforts to ease their trade deficit with Japan.

The Japanese side regards the French action, taken last October, as a non-tariff barrier designed to impede video recorder imports, especially toward the end-of-year season. The measure is also unpopular in France.

Japan's VTR exports to France rapidly grew to 252,000 sets in 1981 from 158,000 in 1980. Exports in the January-September period of last year totaled 569,000 sets, more than double the figure for the whole of 1981. Last September alone, when increased demand was anticipated before the year-end, the figure jumped to 120,000, exceeding a level of 100,000 monthly for the first time.

Most video recorders from Japan had previously been unloaded at the port of Le Havre near Paris for customs clearance there.

But importers now have to transport the products by truck to Poitiers and the transport cost causes higher retail prices. Only a few customs officials are said to be on hand at Poitiers. As a result, the number of video recorders processed through customs dropped to 7,000-8,000 sets a month, little more than one-tenth of the previous figure.



Photo by WWF

A customer looks at different types of video recorders displayed in a Parisian department store.

After the French action was taken, Japanese television and newspapers photographed a queue of trucks in front of the customs office. Video recorders stranded at the warehouses for customs clearance reached 100,000 sets and it will take more than a year for them all to be cleared for marketing in France, according to Japanese industry sources.

Japanese makers, including Sony Corporation and Matsushita Electric Industrial Co., Ltd. (which between them have a 60% share of the Japanese VTR exports to France), have suspended shipments to France since last November.

Japanese makers said the French action had so far given little harm to their overall exports, of which only a few per cent went to France, but they would have to review their production programs should the import restrictions drag on.

They charged that the compulsory use of the French language for VTR trade procedures, along with the designation of the customs clearance post, constituted non-tariff barriers aimed at closing the door to Japanese-made VTRs.

The French government's ordinance imposing a 471 franc fee on each VTR owner starting January 1 is also expected to lower VTR sales.

MITI said the French action violates Article 11 of the General Agreement on Tariffs and Trade (GATT) which bans import restrictions through means other than a surcharge. MITI has indicated its intention to file a complaint with GATT.

In France itself, there is also an outcry

against the French import restrictions.

The conservative daily *Le Figaro* reported on the government's decision on the front page and carried an editorial denouncing the action as "absurd" and "much to be concerned about." This daily is one which had been spearheading criticism against Japan over Franco-Japanese trade friction. The daily reported that French importers were indignant at the de facto import restrictions. It argued it was "incomprehensible" why the government had to take a protectionist measure against VTRs, which are a product not produced in France. It is wrong for an industrialized country like France to hit another country with harrasing administrative procedures just to protect the domestic market, the daily said. It added that France, which has persistently sought removal of other countries' non-tariff barriers, would lose the basis for its own arguments.

*Le Matin*, sympathetic to President François Mitterrand's Socialist Party, said the government action was fair in principle, but pointed out that it was prone to be criticized by other countries.

France wants Japan to buy more French products. When Kunio Komatsu, Vice Minister of International Trade and Industry, lodged a protest, French Ambassador to Japan Xavier Daufresne de la Chevalerie pointed out that 10% of France's 100 billion franc (\$14 billion) expected trade deficit in 1982 would be that with Japan. The Ambassador asked Japan to take visible measures to improve the trade balance, such as the purchase of European airbuses. French Foreign Trade Minister Michel Jobert also told the French parliament France would purchase Japanese products if Japan would buy French manufactured goods.

## Japan Welcomes Lifting of U.S. Sanctions against Moscow

The Japanese government and industries concerned have welcomed the lifting of the U.S. embargo on supply of technology and equipment to Soviet oil and natural gas projects. They regard the U.S. action, announced by President Ronald Reagan on November 13, as the all-clear for a joint Japanese development with the Soviet Union of oil and natural gas in the Soviet Far Eastern Province of Sakhalin.

President Reagan's announcement on lifting the embargo against Moscow came on the heels of settlement of a steel dispute between the United States and Western Europe in the form of voluntary export restrictions on the part of Western Europe. These moves eliminated rifts which threatened to jeopardize the Western alliance.

President Reagan imposed economic sanctions against the Soviet Union in 1981 to penalize Moscow for its alleged complicity in Poland's martial law crackdown.

In June last year, the United States expanded the sanctions to a ban on exports of pipeline equipment and technology not only by U.S. firms, but also by U.S. overseas subsidiaries and foreign companies making the equipment under American licence, on the grounds that the Polish situation had not improved.

But European countries vehemently opposed the strengthened sanctions as an interference in their sovereignty. They had been eagerly seeking overseas contracts as they were suffering from a business slump and increased unemployment.

The governments of Western Europe in fact encouraged domestic industries to defy the embargo. Their hue and cry intensified all the more since the United States was continuing grain sales to the Soviet Union. The U.S. argument that American grain sales deplete Soviet stocks of hard currency, while the natural gas pipeline will earn the Soviet Union hard currency to help increase its military buildup appeared unconvincing.

The U.S. Department of Commerce said lifting the embargo made it possible to hold new commercial negotiations.

The Japanese government expressed satisfaction. Senior Foreign Ministry officials said perhaps the best outcome was that Western nations agreed to act in concert on economic exchange with the Soviet Union. Senior officials of the Ministry of International Trade and Industry expressed their "positive appreciation" of the agreement.

Japanese industries concerned said that they could now resume the joint oil and natural gas development in Sakhalin with the Soviet Union and that they were now in a position to conclude new contracts on pipeline equipment for the development of Siberia.

The Sakhalin project, to be put on a commercial basis in the 1980s, is designed to secure oil and natural gas from the Soviet Union. But it is necessary, for this development, to import and use American-made equipment.

Prospecting and development work on the Sakhalin continental shelf is now expected to get underway in June this year when the bleak weather there should improve.

Meanwhile, there are still some matters of concern, such as problems of extending credits to the Soviet Union and the strengthening of COCOM (Coordinating Committee for Export Control) restrictions against communist countries.

It is believed Western nations are divided in their basic views towards these problems and there are no assurances of easy agreement among their governments.