

We should complete the policy framework we began several years ago regarding sales of U.S. farm products to Communist countries.

We should provide most-favored-nation tariff treatment on industrial products from the USSR since no country can continue to buy if it cannot sell.

We need to provide short-term government credit to the Peoples' Republic of China for the purchases of U.S. farm products.

We need to emerge from the multilateral trade negotiations with improved access to markets in Western Europe and Japan.

We need to develop a policy framework for the development of export markets in the developing world.

Perhaps this last point is the most important of all. It means the development of a realistic alternative to the UNCTAD program, which, in reality, is a non-starter as far as trade expansion is concerned. It is a political policy, not an economic policy....

Our greatest potential for increasing U.S. agricultural exports lies in the developing countries.... The 1980s will need to be a period when we concentrate our efforts in the developing countries. We need to begin *now*, which means developing a policy framework by which the trade can be developed....

Japanese Cabinet Announces It Will Not Surrender To Strauss

The new Japanese cabinet has made it clear that it will not surrender to the demands of U.S. Trade Negotiator Robert Strauss.

JAPAN

On Dec. 6, Strauss predicted that Japan would announce "substantial concessions" on trade and monetary questions, and that nothing less would be acceptable. But two days later Nobuhiko Ushiba, Japan's new Minister for External Economic Affairs who will visit Strauss this week, told the *Wall Street Journal* "I don't know how to satisfy him (Strauss—ed.) but I expect it will be rather difficult. I'm not going to try and solve everything. I'm trying to come to a better understanding with American authorities ... but I don't expect a total solution."

Ushiba said Japan would unilaterally lower tariffs on a broad range of products such as smoked herring, and promised that Japan's trade surplus would be reduced "substantially" in the fiscal year beginning April 1. The Minister then proceeded to reject every other major stipulation made by Strauss.

Replying to the proposition that Japan set a date for going into current account deficit, he said, "No country in the world can commit itself to going into deficit." As for Strauss's insistence that Japan drastically increase imports of manufactured goods, remarking, "You must know that manufactured goods are bought by Japanese private persons. How can we force Japanese consumers to buy when there isn't any demand?" On the question of reflation, Ushiba said Japan was in no position to take "drastic measures to stimulate" the economy. Ushiba added that he was surprised that U.S.-Japan relations had deteriorated "so much, so fast" in the past year.

On Dec. 7, the Japanese cabinet leaked an unofficial list of the proposals Ushiba will make to Strauss this week, mainly promises of tariff cuts that have little

economic significance laced with vaguely worded promises of "orderly" exports and increases in import financing by the government. The *New York Times* remarked that these are hardly the drastic or basic changes that Strauss demanded, and added that the U.S. Administration still insists that Japan commit itself to running a current account deficit.

Some U.S. business circles recognize that it is impossible to force through Strauss's ultimatums, though from varying viewpoints. Brookings Institution staffer Robert Solomon criticized the Administration's heavy-handed dealing with Japan, but then pressed for Japan to institute a massive reflation program, an idea Ushiba has already rejected. The *Wall Street Journal* advises Mr. Strauss to take the same approach once suggested for Vietnam—declare victory and get out—a suggestion that Strauss accept Japan's tariff reduction proposals as sufficient.

Britain On Japan's 'Intolerable Affront'

The British continue to take the lead in pushing protectionist measures. Japan's *Asahi Evening News* noted that at the recent International Monetary Fund meeting Blumenthal had pledged to the Japanese not to make a protectionist speech, but abandoned the pledge once Britain's Finance Minister Denis Healey started attacking Japan. At the latest EEC meeting, Prime Minister James Callaghan expressed doubts that Japan had gone far enough to reduce its trade surplus. At a talk before the New York City Economic Club, British Ambassador Peter Jay labelled Japan's trade surplus an "intolerable affront," and demanded remedies through "either exchange rates or other less visible barriers." He threatened "action against Japanese exports" if such measures were not taken.