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Central Intelligence Agency



Washington, D.C. 20505

**DIRECTORATE OF INTELLIGENCE**

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24 July 1985

Japan Highlights: July 1985

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**Summary**

Over the past month the Japanese media have focused on the government's efforts to put together a program to open its markets. Press commentary gave the tariff cut package, announced in late June, only mixed reviews. With protectionist sentiment building in the United States and the EC, Japanese journalists are urging Tokyo to deliver a more comprehensive program to benefit both Japanese consumers and Japan's major trading partners. Although the media and the public--which Prime Minister Nakasone claims is his only weapon--support the Prime Minister's market-opening measures, reporters who cover the ministries continue to note that he faces resistance from the bureaucracy and powerful interest groups.

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Trade issues have dominated the press recently, with newsmen highlighting foreign criticism of Japan's reluctance to open its markets. A recent television special, for example, reported on the British media's attacks on the "never yielding Japs." Commentators have repeatedly warned that pressure on Japan to improve market access for foreigners is mounting not only in the United States, but also in Western Europe and the ASEAN countries.

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This memorandum was prepared by [Redacted] Japan Branch, Northeast Asia Division, Office of East Asian Analysis. Information available as of 23 July was used in its preparation. Comments and questions are welcome and may be directed to Chief, Japan Branch, Northeast Asia Division, OEA, on

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### Tariff Cut Package Disappointing

Editorials in the major dailies suggest that although the tariff cut package announced in late June was "reasonable," it would not have drastic and visible effects. Some trade experts--including the Keidanren president--have argued publicly that tariffs on all import items should have been cut and have called for abolition of nontariff barriers. [redacted]

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Press reports point out that items of strong interest to the United States and European countries, such as chocolate, dairy products and narrow-leaf plywood, were excluded from the list. Reporters have speculated widely on the omissions, highlighting that the powerful Liberal Democratic Party (LDP) voting block that represents the dairy industry clearly worked to protect the domestic dairy farmer. [redacted]

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A recent television report also provided an exposé on efforts by the Union of Agricultural Cooperatives, the Chicken Trade Association, and LDP lobbyists to protect Japan's poultry industry. Some economists claim that tariff cuts on boneless chicken could hit Japanese producers hard. Ninety percent of the poultry meat sold in Japan is produced in Kagoshima, which LDP Vice President Nikaido represents as a Dietman. [redacted]

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### Action Program Hindered by Bureaucrats

Press coverage has closely scrutinized final planning for the program of market opening measures to be announced by the end of July. Over the past several weeks, commentators have deplored efforts by the bureaucracy to block progress. Many commentators see the process of deregulation, which will limit the bureaucracy's administrative control over trade, as having a greater impact on trade than tariff reductions alone. Those journalists who cover the trade-related ministries have suggested some bureaucrats are purposely sabotaging Nakasone's efforts to open Japan's markets, and commented on the Prime Minister's increasing irritation. [redacted]

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Press coverage of high-level Japanese criticism of and contention over US policy has been noteworthy. In an effort to expedite development of the action plan, Nakasone recently chaired a series of joint meetings with members of the Cabinet and concerned LDP committee members. According to reporters, at one meeting Vice President Nikaido criticized Nakasone for "catering to the United States too much" and Washington for "making one selfish demand after another, and meddling in our domestic affairs." The reporters also noted that during the same meeting Executive Chairman Miyazawa and Executive Agency Director General Gotoda criticized the bureaucrats for not taking the initial steps toward reforming the standards and certification systems necessary to achieve the action program. Gotoda also

indicated that "as long as bureaucrats are unwilling to deregulate import procedures, foreign countries will have legitimate complaints." [redacted]

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Reporters who cover the Prime Minister claim that Nakasone is personally pressing his Cabinet and LDP officials not to yield to the bureaucracy and lobbyists. In an hour-long, nationally-televised press conference on 4 July, Nakasone reaffirmed his determination to formulate a "drastic" action program. Press commentary, citing public opinion, is supportive and has quoted top business leaders who back his decision to cut tariffs and to untangle import controls. All media observers seem to agree that strong bureaucratic resistance will probably slow implementation of the action program, but they believe Nakasone has laid the foundation for a reform of the Japanese market. [redacted]

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