

June 6, 1977

skills

U.S.-Japan trade ties are troubled

Washington (NYT)—Despite soothing statements by government officials on both sides and a number of patchwork agreements, trade relations between the United States and Japan appear likely to get worse before they get better.

Even as the U.S. trade negotiator, Robert S. Strauss, was persuading the Japanese to limit color TV exports to the United States, the steel industry was publishing a massive study to buttress its claim that Japanese steel is being dumped—sold here for less than at home—on the U.S. market.

And this week, Harley-Davidson, the motorcycle manufacturer, will file a petition claiming Japanese motorcycles are similarly being dumped.

The charges of dumping got a boost when the U.S. Customs Court, in a case brought by domestic television makers, ruled that Japanese taxes rebated on exported products constituted an illegal subsidy.

Potentially the thorniest problem revolves around the auto industry and President Carter's energy program. Mr. Carter wants to balance taxes on "gas-guzzler" cars with rebates on those with good fuel economy.

Since most imports well exceed the standards, American auto manufacturers feared that the rebates would subsidize their sales. So the energy planners—without ever explaining quite how—said the rebates on imports would be structured to prevent increases in the market share of the imports.

This is scant comfort for the Japanese, whose car companies have been steadily increasing sales in the United States.

The individual charges of dumping and increasing protectionist sentiment in some parts of Congress are a reflection of the growing U.S. trade deficit (which the Treasury Secretary, W. Michael Blumenthal, now estimates at \$23 billion to \$25 billion this year compared to \$9.2 billion last year) and Japan's relentless export drive and growing trade surplus.

Japan, for example, doubled its trade surplus in April compared to March, opening the gap to \$1.07 billion in spite of oil payments.

Critics of U.S.-Japan trade relations say the Japanese hold down the value of the yen and shield their home market, importing food and raw materials from the United States, which provide few jobs here, while exporting labor-intensive manufactured goods to the relatively open market here.

The U.S. International Trade Commission chairman, Daniel Minchew, in a recent speech, alluded to the currency tactic when he commented, "I consider it ominous that we see signs of entire currencies manipulated to assure a favorable