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To: Members of the Executive Board
From: The Secretary
Subject: Economic Cooperation - United States and Japan

The attached press release, which was released in Washington on May 1, 1987, is circulated for the information of the Executive Directors, at the request of Mr. Dallara and Mr. Yamazaki.

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THE WHITE HOUSE
Office of the Press Secretary

For Immediate Release

May 1, 1987

JOINT STATEMENT BY PRESIDENT REAGAN AND
PRIME MINISTER NAKASONE ON ECONOMIC ISSUES

President Reagan and Prime Minister Nakasone reaffirmed their commitment made at the 1986 Tokyo Summit to strengthen international economic policy coordination. They welcomed the progress that has been made toward this end, including the commitments and actions embodied in the Louvre Accord, and in the recent statement of the G-7 in Washington. They agreed that reducing the large trade imbalances of the U.S. and Japan -- which they view as politically unsustainable -- is a key objective of their policy efforts.

In this regard, the President emphasized his determination to reduce the U.S. budget deficit. He also pledged to pursue vigorously policies designed to improve the competitiveness of American industry, and to resist firmly protectionist pressures. Prime Minister Nakasone outlined his plan to take vigorous action to stimulate domestic growth in Japan. This action includes the step just taken by the Bank of Japan to begin operations to lower short-term interest rates. The Ministry of Finance supports this action. Other short and medium-term policy actions to stimulate growth will include: support for the governing Liberal Democratic Party's proposals for near-term enactment of a comprehensive economic package, including unprecedented front-loading of public works expenditures and fiscal stimulus measures amounting to more than 5 trillion yen; further measures to liberalize Japanese financial markets; and redoubled efforts to implement the recommendations for structural reform in the Maekawa Report.

The President and Prime Minister agreed that outstanding trade issues between the two countries need to be resolved expeditiously. In this connection, they referred to the specific discussion of trade policy matters in their respective departure statements.

The President and Prime Minister agreed that a further decline of the dollar could be counterproductive to their mutual efforts for stronger growth in their economies and for reduced imbalances. In that connection, they reaffirmed the commitment of their governments to continue to cooperate closely to foster stability of exchange rates.