

Congressman Nick Rahall

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Honorable George P. Shultz
Secretary
U.S. Department of State
2201 C St. NW
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Dear Mr. Secretary:

It is my understanding that you have been assigned primary responsibility for the implementation of the Joint Policy Statement on Energy Cooperation signed by President Reagan and Japanese Prime Minister Nakasone on November 11, 1983. I would like to take this opportunity to congratulate you for taking on this new task.

As you may know, the Congressional Coal Group, which I chair, has taken a keen interest in the work of the U.S.-Japan Energy Working Group. Last September, Ambassador at Large Richard Fairbanks among others made a report to the Coal Group on the progress, or lack thereof, made in implementing the Joint Policy Statement. It has now come to my attention that the next meeting of the Working Group will be on February 7-8, 1985.

In this regard, I would offer a few suggestions. Frankly, I have not viewed the Administration's efforts on the U.S.-Japan coal trade as being very effective. The matter of coal exports to Japan has not been prioritized and has received considerably less attention than negotiations on other trade items such as telecommunications, forest products, computer electronics, pharmaceuticals and medical equipment, beef and citrus products.

I do not understand why the coal trade has been downplayed in comparison to these other commodities. You must realize that in terms of dollar value, the coal trade with Japan dwarfs these other trade items. In 1983, the f.a.s. value of U.S. coal exports to Japan was over \$1 billion. In that same year, the value of the telecommunications trade with Japan was only \$208 million; for computers and parts, \$461 million; for pharmaceuticals, \$521 million; for medical equipment, \$583 million; for meat and meat products, \$574 million; and, for vegetables and fruits, \$419 million.

// If our goal is to reduce the balance of trade deficit with Japan, then common sense dictates that a \$1 billion trading item--coal--would be emphasized rather than paid lip-service. //

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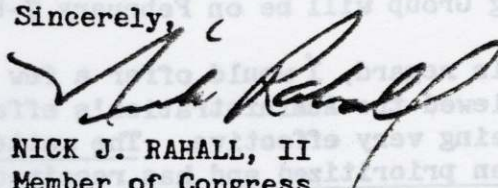
In this regard, I would suggest that a public announcement be made designating a senior Administration official with the responsibility for follow-up activities with the Japanese to achieve an accelerated implementation of the Joint Policy Statement on Energy Cooperation as it relates to coal. Such an official (Deputy USTR Michael Smith) has already been appointed for many of the trade items I have listed, with the exception of coal.

Secondly, I would suggest a far more tougher Administration position on the coal trade coupled with a tie-in with other matters of interest to the Japanese. As you know, Japan has made disproportionate reductions in the amount of U.S. coal it will buy compared to coal from other exporting nations. Further, the Japanese have, and continue to, foster the development of coal projects in Canada, Australia, the U.S.S.R. and China. Yet, the U.S. stands ready to use force in protecting Japan's oil lifeline--the Straits of Hormuz--from disruption. It is my opinion that this U.S. commitment should be reexamined in light of the continued reluctance of the Japanese to meet their coal needs from U.S. sources.

Thirdly, the Administration should be prepared to back-up its negotiations with the Japanese with support for legislative proposals aimed at trade reciprocity. As U.S. Trade Representative Bill Brock recently stated, "It's hardball time, neighbor." There should be no doubt that it is time for this Administration to go to bat for coal. We need to play major league, not bush league, ball with the Japanese on the coal trade.

With warm regard, I am

Sincerely,


NICK J. RAHALL, II
Member of Congress

cc: Hon. Dante Fascell
Hon. Robert C. Byrd
Members, Congressional Coal Group