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### Foreign and Domestic Issues Council

Mike Mansfield 1903-2001

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MEMO INTERNATIONAL COMMUNICATION AGENCY TOKYO

TO Mr. Christianson

DATE Oct. 19

FROM Press Office - John Ohta *JO*

Copies of the Ambassador's Sept. 12 speech before the Naigai Mondai Kenkyukai were delivered to the following embassies in Tokyo:

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# PRESS RELEASE



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ADDRESS BY U.S. AMBASSADOR MIKE MANSFIELD  
TO FOREIGN AND DOMESTIC ISSUES COUNCIL  
JAPAN PRESS CENTER BUILDING  
TOKYO, SEPTEMBER 12, 1979

Thank you, Mr. Hogen, for your very kind introduction. It is a pleasure for me to meet with you and the members of the Foreign and Domestic Issues Council to talk about the current status of U.S.-Japan relations.

When I first arrived in Japan in June of 1977, I felt strongly that the framework of close and friendly ties between our two countries was firmly established. After many years in the U.S. Congress, and on the basis of a long and enthusiastic interest in Asia, I had concluded that our two democracies had much in common and that a U.S.-Japan partnership was vital to our mutual well-being.

There were some problems in our relationship--for example, the concern here about the disposition of U.S. ground forces in Korea, and differences concerning the initial operation of the nuclear fuel reprocessing plant at Tokai Mura--but I felt confident that those questions could be managed and resolved with goodwill and cooperation on both sides. That confidence

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was well-placed. We have worked out good understandings on those and other issues, testifying to the basic strength of our relationship.

The state of our economic relations in June of 1977, however, was not good. We were in serious difficulty. The U.S. was heading into a period of severe trade deficits, while Japan was having record breaking surpluses. There was a long list of problems and complaints relating to particular industries. Color television exports to the U.S. were arousing strong objections from industry and labor. Some TV trade issues were being tested in the U.S. courts. We had problems in our trade in special and carbon steel. The Multilateral Trade Negotiations had been going on for four years, but had made virtually no substantive progress. The mood in the U.S. Congress was problematical and there were increasing pressures for protectionist actions which would have left serious long-term damage.

In short, while there was no doubting our strong ties of friendship and our ability to talk to each other frankly, our ties were deeply troubled by many difficult issues. The next two years, consequently, were among the most difficult period in our relationship since the end of World War II.

Today the picture is markedly different--and the change has been for the better. Our two countries have developed a broader and more productive political partnership and are cooperating actively in a growing variety of areas. The breadth and depth of our relations were demonstrated by the highly successful visits to Washington by former Prime Minister Fukuda last year and Prime Minister Ohira last May, and that

of President Carter to Tokyo in June. The joint communique agreed to between President Carter and Prime Minister Ohira on May 2 did not concern only bilateral issues. It mirrored in its scope and variety the fact that our two countries have a growing mutual concern about world issues and that our bilateral relationship has a growing multilateral dimension. President Carter's state visit just before the Tokyo Summit demonstrated a new maturity and balance in our relations. In addition to the very good discussions he held with the Prime Minister, and the important formal aspects of his stay, the President was particularly gratified to have had the opportunity to meet and talk directly with the Japanese from all works of life at his town meeting in Shimoda which dramatized the close ties and common interests which characterize U.S.-Japan relations. In some respects that meeting was the highlight of the bilateral visit.

Japan seems to me to be reaching out, taking on a new and more active international role--and I believe this is good, for Japan and for the world. As it does so, the United States will remain a consistent partner and fellow activist, for we believe in the old saying that far more can be achieved by two nations--no less than two persons--working together than by the sum of our separated efforts. We welcome Japan's new activism and leadership, whether in coordinating our approaches to the energy crisis, or in dealing with the tragedy of Indochina refugees. I should add that Japan's performance as host for the economic summit in June demonstrated clearly its stature as a leading country in the free world.

One of the most rewarding and satisfying aspects of our ties in the time I have been here has been U.S.-Japan security

relations, which have never been better. In the last two years, a number of steps have been taken which enhance them. Japan is going ahead with the procurement of modern defense systems such as the F-15 fighter, the P3C anti-submarine warfare aircraft, and the E2C early-warning aircraft which lend credibility to its defensive posture. Japan has contributed a substantial share to the cost of U.S. defense forces located in Japan for mutual security purposes. Representatives of our two governments have developed guidelines for defense planning, which will add a new and important dimension to our cooperation in the security field. We are also engaged in intensive and high-level consultations on a broad range of defensive issues; the recent successful meeting between JDA Director General Yamashita and Defense Secretary Brown in Washington is a good example.

But perhaps the most impressive improvement has been in the area of our trade and economic relations. I think the extent of the change is not fully appreciated, so I would like to cite the record.

In the first half of 1979 U.S. exports to Japan were up 46 percent compared to a year ago. U.S. imports from Japan were also up, but only by 8.8 percent. When in the past U.S. representatives said they were seeking a correction of the trade imbalance, but not restrictions on imports, this was precisely the trend they had in mind.

Japan's global current account surplus has disappeared and Japan had a deficit of \$1.8 billion for the first seven months of 1979. In part that is the result of sharply higher oil prices, but it also reflects import increases across the

board. By the end of 1979 we may well see more increases in Japanese exports, but there is no reason why the problem of burdensome Japanese surpluses should not be behind us.

Some of Japan's traditionally strong exports have declined or leveled off, at least in volume terms. Color TV shipments to the U.S. so far in 1979 are down by 52 percent compared with the similar period in 1978. Steel is down by 6.8 percent, and autos are down 3.2 percent. Because of strong demand in the U.S. for smaller, energy efficient cars it is certain that Japanese auto exports will rise to some extent. This trade is beneficial to both countries, and we should expect increases in response to demand, but I hope that they are smooth and in accord with market developments.

U.S. agriculture continues to be a bright spot in our world trade, and Japan is our best foreign market. In 1978 we shipped \$4.4 billion in agricultural products to Japan, up by half a billion dollars from the year before, and the total should be over \$5 billion this year. We are also doing well in capital goods, up 29 percent in 1978, and in consumer goods which were up 33 percent.

There are many reasons for this improvement, but one of them is that we Americans are following your advice and working harder at selling in Japan. You sent a record-breaking trade development mission to the U.S. in the spring of 1978, and we reciprocated by sending a mission of over 100 members to Japan in October. This year we and the Japanese government are cooperating in a project to use the Japanese exhibit ship, the Shin Sakura Maru, to bring U.S. consumer products to 13 port cities in Japan beginning in October for two months.

One hundred forty eight U.S. firms will be represented and we will find local distributors for them to develop their sales in the future. U.S. products will be sold, not just shown, and I hope all of you will find the time to visit the ship and see what we will have to offer.

The successful completion of the Multilateral Trade Negotiations is another major achievement. Japan made a splendid contribution, agreeing to lower duties on industrial goods from applied rates by 28 percent and much more from statutory rates, while the U.S. cut will be 31 percent. As a result, Japan's average tariff on dutiable industrial goods will be 4.9 percent, the lowest of any major industrial country. Japan also contributed greatly in the negotiation of new codes governing international trade, and I hope Japan will ratify them expeditiously. The success of the MTN and continued joint efforts to make our open trading system work for the benefit of all is our best answer to protectionism.

As trade expands and more and more business is conducted across national boundaries, the rules of international conduct become more important. The Lockheed scandal which shook Japan is an example of how things can go wrong. We must be sure that international business is carried on in accordance with the highest ethical standards. However, I do not think that any one country can or should dictate what is ethical behavior in international business. Therefore, I firmly support Senator Proxmire's proposal last month for a conference of leading industrial countries to consider an international convention on business conduct. This idea is not new; the need for multilateral action is clear, and I think all industrialized countries should act on this without delay.



We still have much to do. Our problems really have not all disappeared. I have heard it said, for example, that Japan's payments surplus has not gone away for good, but is only hiding for awhile and will soon be back. There is no reason for that to happen; surely we have all learned that a balanced course is a wiser course, and that all countries share the responsibility for avoiding excessive surpluses or deficits. The Carter-Ohira communique of May 2 confirms that we must take a common approach which will contribute to a stable payments pattern. It is clearly in our interest to do so.

The success of the MTN also imposes obligations on us all to make it work. The U.S. Congress has already passed our implementing legislation by an overwhelming vote. The Japanese Diet will have to act soon in accordance with Japanese law. The MTN codes and the agreement of June 2 between Ambassador Ushiba and Ambassador Strauss also commit both countries to clear up some difficult problems relating to import standards, sales of tobacco to the Japan Tobacco Monopoly, and procurement by government controlled agencies, especially NTT. We must approach these issues in a spirit of compromise and with the will to settle them in a manner consistent with the principles of reciprocity and open trade. The objective is to assure reciprocal access and expanded opportunities for business.

Japan also needs to develop a better image in the U.S. as a business partner. The task is not easy. Much of the difficulty lies in our different approaches to trade expansion. We see our market as fully open to all, and only after imports in one category grow too fast or too large, do we seek to restrain them. When that happens Japanese exporters feel that they are blamed for being "too successful". When we try to

sell to Japan the most severe problems arise before the entry of a new company or product. Sometimes the result is that a would-be American exporter fails before he even gets started. To him that seems unfair--as if he had never even had a chance. We need to find a way to avoid giving such an impression to newcomers to Japan.

Changing our attitudes and styles of behavior is not easy. We Americans need to take a longer view, and not give up in the face of initial resistance. We also need to invest our resources and energy for benefits received over a long time. Japanese need to recognize how damaging it can be to them when an American is given a bad impression at the start. American exporters know that they must market competitive products and meet Japanese standards. They should be given to understand that they can export to Japan on the same basis as Japanese export to the U.S.

Such problems can arise owing to the cultural and societal differences between us. Despite our friendship, partnership and interdependence, we are separated by cultural gaps which have to be understood if they are to be bridged. To help that process along I would like to propose a program of work-study grants to help Americans understand Japan better. Many Japanese learn English and spend many years in America really learning American ways firsthand and conducting profitable business as American experts. They make a tremendous contribution to better understanding, but there are few Americans who do the same in Japan. We need more. I would like to see U.S. businesses operating in Japan devote a portion of their profits to supporting several top U.S. graduate students in Japanese studies each year who would come

to Japan for a year or two of language study and academic preparation, followed perhaps by a three-year assignment in the Japan offices of an American company. They would live and work in a business environment in Japan for a long period. Having learned something of Japanese languages, culture, history and society first, they would move on to learning first-hand how modern business and life in Japan really works. This would represent a long-term investment, both for the individuals and for the organizations which would participate, but in time it would pay great dividends.

Another theme I wish to emphasize is the importance of increasing U.S. productivity. Productivity is a major determinant of how competitive any country is in world trade, and also of the general welfare of workers themselves. In the United States our record has been poor. U.S. productivity has risen only 0.3 percent annually since 1973, and in recent months has actually gone down. Japan during the 1970's has increased productivity by an average of 7.7 percent every year. Japan has continued to save and invest a high proportion of personal income and substantial gains in that income have resulted. This is an example Americans should study. In a spirit of friendship and cooperation there is much we can learn from you. In such an environment we can solve problems, increase the welfare of people in both our countries, and work to build a more peaceful and prosperous world. We can all be proud of our major achievements to trade, but I do not think we should let that make us too complacent. For, as our experience has shown, by working together we can make the most of the many opportunities ahead.

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