Japan-US Businessmen's Conference

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Good afternoon. To say "welcome to Japan" is hardly necessary. Half of you live here and the other half have visited so often that you must feel very much at home. Nevertheless, I am very pleased to see you in Tokyo and hope you have a productive and enjoyable stay.

De Toqueville, I believe, remarked on the propensity of Americans to join in voluntary associations. Had he come here, he would have noticed the same tendency among the Japanese. This instinct of Americans and Japanese to form groups has been most beneficial in the case of the Japan-U.S. Businessmen's Conference. It has provided a channel of communications between the two business communities and a source of advice to the two governments. I certainly appreciate your work and hope you will keep it up.

You are in the world's economically most dynamic region. During the last decade, South Korea, Taiwan, Hong Kong and the ASEAN countries have developed at astounding rates. With the growth has come a great increase in U.S. exports to Asia. From 1972 to 1978, our exports to East Asia jumped by a factor of three. I am convinced that, despite high energy costs, the region will continue to
prosper and to offer great opportunities to U.S. and Japanese business.

For the United States, Japan, our most important partner and ally, is the economic and strategic center of East Asia. It is by far the United States' greatest economic partner in the region and a staunch friend. The U.S.-Japan security relationship is the essential key to the maintenance of peace and stability in this vast region. Our cooperation with Japan has increased impressively, both with respect to crisis situations and vis-a-vis the dozens of "every day" problems we jointly confront in political, economic or security affairs. Recent events have tested our friendship, and it has been proven strong and resilient. Japan has been most helpful in our efforts to gain the release of the hostages in Iran. Its reaction to the Soviet invasion of Afghanistan has been principled and courageous. It has joined with the United States to tighten the COCOM restrictions on strategic exports to the Soviet Union and it has decided not to send a team to the Moscow Olympics. We know these actions have not been without cost, and we are grateful for what Japan has done. Of all our friends and allies Japan has been foremost in support of the U.S. and, incidentally, the nations of East Asia, as a group, have been our best supporters in boycotting the Olympics.

When you met in Dallas a year ago, the United States and Japan were just emerging from a period of bitter dispute
over trade. Happily, the acrimony has dissipated. I think Americans now have clearer ideas about the Japanese economy and about doing business in Japan. Many Americans found that for most products the Japanese market is freer of import barriers than they had supposed. Aided by the depreciation of the dollar, U.S. exports to Japan rose greatly, by 22 percent in 1978, and by 36 percent in 1979. American businessmen are taking advantage of the fact that the post-MTN Japan of 1980 is not the restricted market of 1970. During the last year and a half the U.S. and Japanese Governments have solved or have moved close to solving many of the irritating particular trade problems. There are a number of knotty small problems, but the only major outstanding issue is the inclusion of Nippon Telephone and Telegraph under the coverage of the Government Procurement Code. Discussions on this matter continue.

Even during World War II economic planners set about building an integrated, post-war international economic system. The system has worked enormously well. As a result the industrial nations of Europe, North America and Asia are bound by ties of trade, investment and friendship. However, we are now recognizing the implications of the economic progress of the last 30 years, and adjusting to the results of policies which have in fact been highly successful. The United States no longer is the predominate economic power. This means that Japan and Europe must assume shares of the
international economic responsibility commensurate with their economic power. Japan has begun to do this, and we hope that it will continue to play a more active role in the OECD, the GATT and the international financial institutions.

American officials and political and economic commentators have talked and written quite a lot lately on the implications for the United States economy of the competitive, yet integrated international economic system. The very large trade deficits which the United States experienced in 1977 and 1978 brought home to Americans that there are structural problems in our economy. Compared with other OECD countries, the United States has rather low savings and investment rates. This has a major effect on the trade balance and on the international competitiveness of U.S. industries.

Needless to say United States officials are quite aware of the heavy responsibility the United States has for carrying out economic policies and encouraging international economic stability. They realize that imbalances in the United States' economic structure can contribute to financial instability. Accordingly, there is a growing recognition in the United States of the need for a coherent industrial policy. Senator Stevenson recently held hearings on the subject, and in his report pointed out the futility of protecting declining industries and the necessity of en-
couraging investment in the technological industries of the future. Perhaps the greatest argument in favor of a revision of the United States attitude toward industrial policies has come from the semiconductor industry, an innovative, growing sector which is hungry for capital. Yet it apparently has been unable to attract sufficient investment to sustain its growth. I hope that the U.S. Government can build on the Stevenson hearings to encourage the growth of vital, technological industries and thus to rejuvenate the economy.

The rise in energy prices complicates economic adjustment and makes it necessary that the industrial nations do all possible to conserve energy. In that regard it is encouraging that the prices of natural gas and petroleum products are being decontrolled in the United States. It is also encouraging that the United States and its OECD partners are working to formulate constructive energy policies. We cannot forget, however, that economic restructuring and the reduction of energy consumption have very important domestic political aspects.

The revitalization of the United States economy implies in the short term a reduction of consumption. It also implies the encouragement of industry which in the United States is identified with the wealthy. A transfer of resources from consumption to investment is never popular. It is very difficult indeed in a time of economic trouble and
recession. Nonetheless, thoughtful Americans are increasingly recognizing that economic adjustment is necessary for the long-term health of the United States economy.

The adjustments of the coming years will require considerable wisdom and ingenuity. It is plain that while governments are not without these characteristics, neither do they have a monopoly. We in government look to the business community for its thoughts and help. The Japan-United States Businessmen's Conference is an eminent organization which has been a source of sage advice and comment. I hope it will continue to be so. During the coming years there undoubtedly will be disputes over trade matters. I hope you will offer your suggestions and, more than that, I hope you will give your support to those in our governments who seek to maintain a steady course through transitory trade storms. The United States and Japanese economies are bound together tightly. The two countries' fundamental economic and political interests are similar. Though at present the world economic order is in a state of flux and there are no clear solutions to the problems we face, Japan and the United States are working together to maintain a liberal trading system and to provide an environment conducive to economic growth. Our governments look to statesmen of the business community, like you, for advice and for support for responsible, farsighted economic policies.

Given the vitality of the people of the Pacific Basin,
there is every reason to believe the economic future of the region will be bright. I am sure that with patience, discipline, and cooperation the governments and business communities of this part of the world can solve any economic problems they face, and strengthen the foundation for continued prosperity and progress.

Barbara: I stated that Japan is "the economic and strategic center of East Asia." It is in this area - the Pacific Rim - that you have the friendly governments, the people, the resources, the markets - the opportunities.

This is where it all is, what it's all about; this is the future.