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Liberal Democratic Party Remarks

Mike Mansfield 1903-2001

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DATE: December 17, 1985
REPLY TO: IO - Carol E. Ludwig
ATTN OF: 
SUBJECT: Transcript of Your December 12 Remarks to the LDP Panel

TO: The Ambassador
THRU: DCM - Minister Anderson

Per your request at today's staff meeting, I am attaching an original and a copy of the transcript of your remarks to the LDP Roundtable on December 12. Please let us know if you also need an audio cassette tape of your remarks.

Attachments: A/S

Clearance: DPAO: Jinman
In response to your question, I am not as pessimistic as the question sounds, nor am I as optimistic as I'd like to be about the relationship between our two countries. We've come a long way since the end of the Pacific War and in the process we have developed, as good friends will, differences of opinion on various matters primarily in the trade area. In defense we have an excellent relationship. We are very appreciative of what the Japanese have been able to accomplish in undertaking a share of the burden in their own self-defense. Our different cultures, I think, are being better understood in each of our countries, and out of that can come nothing but better understanding and greater appreciation. In the matter of the governments themselves a very close personal relationship is coming into being between your Prime Minister and my President and a "Shintaro and George" relationship has developed as a result of some twenty odd meetings between our Secretary of State and your Minister for Foreign Affairs. There is much more investment in the United States by Japan and increasing in small amounts more U.S. investment in Japan. We are very pleased by the recent announcement by Toyota that they were going to invest 800 million dollars in a plant in Kentucky. If you add up all the direct Japanese investments in the United States that brings the figure up to 3 billion 640 million dollars. That is a lot of money, that is a lot of investment and it will mean a lot of jobs.

But the big issue is trade and the big figure was a 37 billion
dollar deficit last year which we estimate will be somewhere in the vicinity of 50 billion dollars this year. Reputable economists have indicated that they think that that deficit will increase further in 1986 and 1987. The figure is much too high. In a sense it is intolerable. And something has to be done to bring about measures which will decrease that surplus on your part, decrease that deficit on our part and I think that steps have been undertaken to bring about a modicum of corrections in the months and the years ahead but that takes time. We think it is time to take more action on both sides. We think it is very necessary that Japan open its markets as completely as possible even to give into consideration to perhaps entering into a free trade treaty with the United States as the United States has with Israel and as we are now considering a treaty with Canada on the same basis. We appreciate the efforts which the Prime Minister Mr. Nakasone, the Japanese government and people are making. We would like to see greater access, that is the key word, to your markets. And we would like to see, by the end of this year if at all possible, the end of 1985, completion of the Moss negotiations in three particular sectors. One electronics, two telecommunications, and three pharmaceuticals and medical devices. The fourth lumber and wood products would have to wait until next year but there we would hope that by next year substantial reductions in the tariff on those products would be announced and implemented so that we could get that particular issue out of the way.
First, let me say that I have listened with interest to what my friends Mr. Inayama, the head of (...?), and Mr. Ezaki, a member of the Diet and former cabinet members, had to say. By in large I agree with them to a great extent. I think what they have said is of great interest and certainly considerable study. As far as setting a definite trade figure is concerned I would be very hesitant to answer that question in the affirmative and come up with a positive figure. One reason is if the Japanese did everything that we asked them to do, it's my feeling that it would do no more than reduce the deficit by ten to may be fifteen billion dollars at the outside. Still leaving a huge surplus in Japan's favor, still giving us a tremendous deficit in our bilateral trade relationship. I would agree with Mr. Inayama that this is not a bilateral problem but rather a global problem. And I think also that while we want Japan to open its markets as completely as possible perhaps even considering in the long run the abolition of tariffs and quotas, it would still leave you in a very favorable position. It is a global problem. The last year it wasn't just Japan's 37 billion dollar surplus with us, our deficit, but a 123.3 billion dollar deficit that the United States had with the rest of the world.

There are things that each of us must do separately and some which we must do together. For example, Mr. Ezaki mentioned the G5 agreement out of the Plaza Hotel last September, the
Plaza Hotel in New York City, at which time our Secretary of the Treasury, Mr. Jim Baker, and your Secretary of Finance, Mr. Takeshida, along with three of their colleagues entered into an agreement to cope with the divergences in the exchange rate. That was a excellent move. The results have been good and incidentally, I believe the genesis could be found in the meetings in Tokyo last June or July between our Treasury Secretary and your Finance Minister. So that's working out.

On the matter of interest rates, that is an American responsibility. On the matter of deficits, that is an American responsibility. So there are things which we can do, which will benefit each other, perhaps hurt in the process, but I think we've got to recognize that the important thing is to save the international trading system which has been so beneficial to Japan and which would be very disastrous to Japan if it ever broke down and do so in the interest of the well being of the rest of the world, not just ourselves alone.

I think the more Japanese investment we get in the United States the better of we'll both be. But I think that's something which should work both ways. We'd like to see more U.S. investments in Japan. When I was on home leave in the latter part of October and almost all of November, I had the opportunity to meet with about 26 members of the Senate almost all of them old colleagues of mine, a few new ones, the joint leadership there and the joint leadership in the House of
Representatives plus some of its members. The feeling I detected was one of onus and continued frustration about the trade imbalance between Japan and the United States. I seemed to detect also that, while there was a feeling of quite, that there was an uncertainty as to just what the Congress would do to face up to its problem. What I am trying to say in effect, that perhaps we have moved away from considering the trade problem as an economic issue and must recognize that economics in that respect has become politicized and emotionalized. And that of course takes you out of the realm of facts and figures and brings you into the realm of elections and re-elections in the light. So I would hope that on the basis of what we have said here this afternoon I find myself agreeing in large part with Mr. Inayama and Mr. Ezaki, old friends whom have known for year, whose judgments I value greatly and that we have to consider extra factors beyond the economics of the situation and if necessary in both countries make the necessary political sacrifices to try to put this problem behind us. It is not going to go away easily. It is going to become worst before it gets better. And my hope is that if we can get by the next year and each in our country's do what has to be done, opening markets in this country, coping with the deficit in my country, that we'll be able to reach a reasonable conclusion, accommodation or compromise in our difficulties. It is a tough job and it is going to call on all the politicians have to deal with it. Incidentally, I think that the only person standing between protectionist legislation and its enactment in the
United States is President Reagan. But his defenses are becoming weaker as the Congress offenses become stronger and as a result he has to give here and give there. But at least he's maintained the line so far in preventing protectionist legislation in my country and it would help him greatly to continue to do so if we could have far greater access to the markets of Japan than we have at the present time. But it is a pleasure to appear on a program of this nature with such friends of integrity, knowledge and understanding as Mr. Inayama and Mr. Ezaki.

Thank you very much it has been a pleasure. Remember on our side deficiencies, on your side access.