13th Seminar for Top Management

Mike Mansfield 1903-2001
President Otsuki, distinguished leaders of the business community of Japan, it is always a pleasure for me to come to the region around Fuji-san. My home-state in the U.S., Montana, is known as "Big Sky" country because of the vast expanses, the distant horizon and the great cloud-filled skies. Japan, with all its mountains, valleys and bustling big cities, is quite different, but here in the gentle sloping countryside between this world famous mountain and Suruga Bay, one can get a feeling for the "big sky" in Japan too. It is also a pleasure to be with you today as you examine the changing international situation and seek to identify the measures which Japan and the U.S. should take in response to it. I would certainly not wish to prescribe programs or steps which other countries should take to advance their own interests, least of all Japan, where freedom of discussion and a democratic, political, economic and social structure allow for self-determination after free debate. Given the effects that policies taken by either of our countries have on the other, however, a few words about the foreign policy objectives
of the Reagan administration and how they relate to Japan may contribute to your discussions during these next few days and beyond.

Six months have now passed since President Ronald Reagan took office. During this period, the broad outlines of the foreign policy of his administration have become clear. Secretary of State Haig recently described the four basic elements of this policy as follows:

1 -- A new approach to East-West relations whereby we will insist on reciprocity and restraint on the part of the east.

2 -- A strengthening of our own defenses.

3 -- A commitment to rejuvenate our alliances and revitalize our relations with those with whom we share values.

4 -- The establishment of a just and responsible relationship with the developing world.

But as we know "4" is an unlucky number in Japan. Thus, I would like to add a fifth goal that is essentially domestic but which will have an exceedingly important impact on the success of our foreign policy -- the reconstruction of the American economy. The Reagan administration has set as its number one priority the restoration of non-inflationary growth and is succeeding. A strong U.S. economy is an essential basis for
exercising the kind of leadership in world affairs that our friends and allies, Japan included, expect. A strong U.S. economy is the dynamo that has generated the outstanding American social, cultural and scientific developments so well known around the world. A strong U.S. economy has provided American citizens with a standard of living that has been equaled by few other countries. Indeed, without a strong U.S. domestic economy, we limit the means for working together with our friends toward greater prosperity throughout East Asia and the Pacific and toward maintenance of political freedom and military stability. During the past several months, a veritable revolution -- some call it the "Reagan Revolution" -- in the funding and administration of U.S. Government programs has taken place, all aimed at putting our own economic house in order. In my view these steps are long overdue, and I welcome them. Federal spending is being cut, government regulation trimmed, taxes -- including those that apply to business -- reduced, and the responsibility for a number of social programs returned to the states. These measures will reaccelerate the economy by reducing inflation leading to increased investment and job creation. As inflation declines, so will interest rates decline in time.

Where, then, does Japan fit into the broad framework of U.S. foreign policy? As I have said on many previous
occasions, there is no more important bilateral relationship in the world than that between the United States and Japan. The cornerstone of our policy in Asia and the Pacific is our relationship with Japan. Our trade ties have contributed to prosperity not only in Japan and the United States, but in other countries around the Pacific rim. The defense relationship has contributed greatly to the strategic balance. And on the cultural and educational level, Japan and the United States regularly welcome scholars, artists, scientists, and technicians from each other in a lively exchange of people and ideas that is a valuable learning experience for both nations. Our relationship, which is based on common values and interests in the world, has been nurtured with understanding, good faith and mutual trust and confidence on both sides. Over the years, this relationship has matured into a productive partnership to deal with the serious challenges which we face in common. This is what we mean when we in the United States refer to Japan as an ally. And Japan has demonstrated by its actions that it understands not only the meaning of the word "ally" but also the responsibilities associated with such a relationship.

Our two nations are now firmly linked as equal partners. For example, we Americans have been particularly appreciative of the support we received in our efforts to have the hostages in Tehran freed, recognizing that of all our friends and allies
Japan paid the greatest price for her support when the Iranians unilaterally cut off what had been 13 percent of Japan's petroleum imports. The role of Japan in invoking economic sanctions upon the Soviet Union following that country's invasion of Afghanistan provided another clear example of Japan's willingness to play an active and constructive role in the search for peace and stability in concert with the U.S. and other nations.

The strength of our relationship was recently demonstrated by the visit of Prime Minister Suzuki to Washington. In my view, that visit marked the most successful meeting ever held between a Japanese Prime Minister and an American President. The Summit was preceded by the resolution of the automobile trade issue -- a testimony to our ability to work out reasonable solutions to seemingly intractable bilateral problems on the basis of mutual understanding.

In Washington, the Prime Minister and President Reagan concurred on the most important global and regional political and economic issues. They shared a common concern about the rapid growth of Soviet military power in this region of the world and the Soviet willingness to use their power in Afghanistan and elsewhere; they agreed that an appropriate division of defense roles for the United States and Japan is
desirable; they concurred in the view that the industrial democracies should consult and cooperate more on defense, on improving the world economy and on development assistance to Third World countries; and they each resolved to maintain a free and fair trading system. The Summit was a clear demonstration of the close ties, which, to repeat, bind our two countries in the most important bilateral relationship in the world. I assure you that nothing has occurred since the Summit which detracts in any way from the significance of this meeting between our top leaders or the closeness of our relations. And I can think of no more positive or auspicious way to usher in the two new Administrations in Washington and Tokyo, and this new decade of the 80's as well, than this remarkable Summit we experienced in May.

There has been much discussion in recent years of trade frictions between our two countries. Indeed, we have faced some difficult problems, both in my period as Ambassador and before. Undoubtedly we will face others in the future. But we have made great progress in our ability to resolve these problems, and in reaping the benefits of the largest overseas trading relationship in the history of the world.

One aim of the President's economic recovery program is to make American business more competitive, both at home and
abroad. Recently the President's Special Trade Representative, William Brock, made this point clear when he stated to Congress on July 8, "A strong U.S. economy is our goal. Free trade, based on mutually acceptable goals and relations, is essential to the pursuit of that goal." I recognize that the U.S. has not been immune to protectionist pressures. None of us are. We all have to deal at times with political reality. But, as Ambassador Brock's statement to Congress makes clear, we are acutely aware that the maintenance of open markets is essential to our economic well-being and that protectionist tendencies need to be kept under control everywhere.

It is inevitable that the dynamic Japanese enterprises which you head and our equally dynamic American companies will compete in the market place. This is healthy. But it is neither inevitable nor necessary for commercial competition to result in political friction. However, our companies, as I am sure yours are, will be sensitive to discriminatory practices which distort the market place and place them at a competitive disadvantage. For a free-trading system to work it must be truly free. The use of export credits and subsidies, tied aid to developing countries, discriminatory investment incentives and restraints in trade are all means for destroying both the fabric and trust upon which the free trade system is built. It is not enough that legal barriers be removed, if extra-legal
barriers and business practices make it very difficult for new suppliers and customers to enter the trading structure. It is not enough to lower tariff barriers if non-tariff barriers remain in place or new ones are erected. We made great progress in the Multilateral Trade Negotiations in establishing a network of agreements for the removal of non-tariff barriers to trade. It is essential that these agreements be effectively implemented. This should be the objective not just of governments, but businessmen as well. For it is the businessman who will suffer most if the trading system collapses under the pressure of non-conformity with its rules and guidelines.

One of the more visible and more important of the agreements flowing out of the MTN was the opening of NTT procurement to foreign suppliers. As with the other MTN agreements, the manner in which the NTT agreement on procurement policies is implemented in practice will be the key to determining the success of this agreement. Our experience thus far with implementation of the NTT agreement has been particularly encouraging. We are optimistic that the understanding which NTT leaders are demonstrating of the problems facing U.S. businessmen in Japan will prove a model for other sectors of the Japanese economy. I believe American companies increasingly recognize the need to familiarize
themselves with the particulars of the Japanese market and preferences of Japanese consumers and to invest the time, money and effort needed to achieve success in Japan. Moreover, in my view, Japanese businessmen are becoming more internationally minded; they recognize that the prosperity of Japan's economy depends on the economic strength and vitality of Japan's friends and partners. As appreciation of the international aspects of economic affairs deepens among Japanese businessmen, the need for continuing efforts to encourage imports and foreign investment is increasingly recognized.

Although I have been talking about our bilateral relationships, I must also mention the other great trading partner of our two countries, the industrial democracies of Western Europe. The growing interdependence linking the economies of Western Europe, Japan and the U.S. is such that the actions of one partner of this triangle cannot but have effect upon the economies of the other two; trading patterns between two affect the third. There is no doubt that the industrial democracies are faced with structural problems in a number of mature, basic industries, including steel, textiles and automobiles. It is equally clear that other sectors of the economy -- machine tools, semi-conductors, computers -- are areas of future competition. The recent visit of Prime Minister Suzuki to Europe has been particularly valuable in
underlining the common interests of these three great economic entities and in pointing the way toward improved economic cooperation among them. I welcome the Prime Minister's leadership in this area and support his efforts to find mutually acceptable solutions to the problem confronting the industrialized democracies.

Energy is also an issue which requires Japan and the United States to work together. There is a major risk that the current softness in oil markets will give rise to unjustified complacency. Japan and the United States have both made remarkable steps in reducing their dependence on imported oil. There is every reason for this effort to continue since the United States and Japan have much to gain through energy cooperation, bilaterally and through assistance to third countries seeking to develop their own energy resources.

Japan's efforts on behalf of economic development are equally outstanding. The doubling of Japanese aid over the next five years will further economic development in deserving countries and contribute to global security.

Of course, neither Japan nor the United States can afford to lose sight of the international security situation. The rapid buildup of the Soviet Union's military capability during
the past two decades, during a period of so-called detente, and their willingness to use military forces directly, as in Afghanistan, or through surrogates as in Africa and elsewhere is disturbing. Unfortunately, the Northwest Pacific has not been spared this buildup. Troops and fortifications have increased on the occupied northern islands and there has been a quantum increase of North Korean offensive capability. The Soviets have also enhanced their ability to threaten the West's oil lifeline in the Persian Gulf. They have substantially increased their naval forces in the Indian Ocean. Soviet, Cuban and other military advisors and forces are in place in an arc running from Afghanistan to Yemen and Ethiopia, and they have strengthened the already huge forces in the southern part of the Soviet Union which faces this area. In East Asia, the USSR has made the Soviet Pacific fleet the biggest and best of its four fleets. The USSR has established a beachhead in Vietnam and frequently uses some of the best anchorages in Asia at Cam Ranh Bay and Danang and the adjacent airfields. It is no longer an uncommon sight to see Soviet warships and planes moving back and forth over the Japan Sea on their way between Vladivostok and Vietnam. The USSR also has a strong Indian Ocean naval force and very strong elements, up to 51 divisions -- 25% of its land forces -- along the Sino-Soviet border and in the Soviet Far East. Approximately 26 percent of its Air Force is located in these same overall areas.
From 1945 to 1965 the United States was in good shape to protect several fronts **unilaterally**. Since that time, we have become aware of the fact that **no one nation can stand alone** but that all the nations of the West capable of so doing **must stand together**. We have had to depend more and more on our allies and friends.

In standing together, however, we each have certain responsibilities. The Reagan administration is determined to fulfill its duty. For example, the United States will increase its defense budget more than $30 billion for this year and next. The 7th Fleet has been strengthened to such an extent that we now maintain two carriers on duty in the western Indian Ocean guarding the back door to the Arab-Israeli area and the front door to the richest oil producing nations in the world along the Persian Gulf. They are out there in our behalf and in Japan's because we know how vital Mideast oil is to your country.

In the new international situation that we face, the United States firmly believes Japan should, can and will do more -- on its own responsibility as a sovereign nation -- to ensure the defense of its own territory and surrounding sea and air space. The United States is not asking Japan to do more so
that we can do less. Despite overall budget austerity, the Reagan administration has sought $32 billion more in defense spending next year than had been planned by the previous administration and $200 billion more over the next five years. We recognize the constraints that Japan faces and are not asking Japan to do anything that would contravene its constitution, create major economic difficulties, or alarm neighboring countries. We recognize and appreciate the accomplishments Japan has already made. At the same time, we are convinced that the new challenges we face require a heightened emphasis on defense by the United States and its allies in Western Europe and Japan.

There has been much press discussion of the so-called gap between U.S. and Japanese defense thinking. I do not deny that we have some differences in regard to scale and timing. However, according to reports we have received from the Secretary of Defense, Mr. Weinberger, the Secretary of State, Mr. Haig, and the National Security Advisor to President Reagan, Mr. Allen, the recent visit by the Director General of the National Defense Agency to Washington was both good and substantial. Reflecting the views of the President, those officials who met with Mr. Omura spoke with one voice. Since then the Cabinet has underlined this agreement. U.S. officials were clear in stating that we are not asking Japan to do the
impossible and are aware of the limits Japan currently faces. Within that framework, however, the United States continues to anticipate a greater effort on the part of Japan.

We welcome and encourage a growing Japanese role in world affairs and look to Japan to contribute to the search for solutions to the many problems which confront us. We also recognize that the comprehensive and complex relationship between our two countries will not be without some rough spots, making it all the more necessary that a true dialogue be maintained and that a common vision of where we want this relationship to go be sought. I am convinced that we are moving, together, in the right direction, and that our partnership will continue to develop to the benefit not only of Japan and the United States but of all nations that share our values and aspirations.

* * *