Japan-Hawaii Economic Council

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Gentlemen of the Japan-Hawaii Economic Council.

Americans always enjoy coming to Hokkaido because of the feeling of "frontier" in this part of Japan. Just as America's last frontier was in the West, Japan's last frontier was in Hokkaido. As a Westerner myself, coming from Montana, a state with vast wheat farms, rugged mountain ranges and clear blue skies, I am struck by the similarities between our two regions. Sapporo, with its broad tree-lined avenues and grid-like city plan, also has more of an American feeling about it than most Japanese cities. Thus, I always feel very much at home when the plane circles to land at Chitose Airport.

Even though this audience could be characterized as mainly economic in its orientation, I am going to refrain today from giving what might be called a purely economic speech. Instead, I'd like to talk about managing the partnership between the U.S. and Japan. Both in government and in business we tend to become so engrossed in the specifics of our daily activities that we often overlook this aspect of our relationship. Failure now and again to step back and consider fundamentals can complicate both countries' efforts to enhance mutual understanding.
As we know from the press, however, economics, and particularly trade, tend to dominate U.S.-Japan relations. This is not surprising given the high degree of economic interdependence between the United States and Japan. This fact has been discussed, analyzed, and talked about on both sides of the Pacific. Various governmental and private groups have spelled out the problems and, less frequently, the benefits that accrue to both countries because of this interdependence, and have put forth their suggestions for influencing the future course of our bilateral economic partnership. There can be no doubt about the importance that trade with the United States has for Japan. And again, there can be no doubt about the benefits to the U.S. from trade with Japan.

The United States and Japan have developed the largest bilateral overseas trading relationship in the history of the world. Two-way trade between the two countries is now over $51 billion a year and growing rapidly. Our exports to Japan increased by 35 percent in 1979 and by 18 percent in 1980. We ship enormous amounts of agricultural products—$6.1 billion worth in 1980—and raw materials. Exports of manufactured goods by the U.S. to Japan have increased—albeit more slowly. Nevertheless, we sell substantial amounts of high technology equipment, such as aircraft and computer equipment. I need hardly point out the
VOLUME OF JAPANESE EXPORTS FLOWING IN THE OPPOSITE DIRECTION TO MY COUNTRY. AMERICAN CONSUMERS RECOGNIZE THE QUALITY OF JAPANESE GOODS AND HAVE Responded IN A FASHION THAT AMOUNTS TO THE SONY-IZATION OF THE AMERICAN SCENE.

But Japan is much more to the United States than our major overseas trading partner. Japan is our close friend and staunch ally. Our close security relationship has never been better; we have embarked in cooperative scientific efforts, most recently in energy development; and cultural and educational flows continue to enrich both our nations. Our close political relationship is testified to by the frequent consultations between Japanese and American leaders on all major international issues and the warm relationship that President Reagan and Prime Minister Suzuki established at their May Summit meeting in Washington.

Given the present excellent state of U.S.-Japan relations in all fields, why then, you may ask, do I wish to focus on management of our partnership? During my tenure as American Ambassador in Japan, I have been aware of the constant need of both countries to deepen, to strengthen and to successfully manage their relationship, for I firmly believe that there is no more important bilateral relationship in the world today than that which exists between our two countries. However, such a close cooperative relationship is bound to breed problems. Even the best of friends have disagreements and, indeed, sharing such
EXPERIENCES IF RESOLVED IN A MUTUALLY SATISFACTORY FASHION, CAN LEAD TO A MORE MATURE AND HONEST UNDERSTANDING OF EACH OTHER. HOWEVER, TO KEEP SUCH DISAGREEMENTS FROM GETTING OUT OF HAND, ONE MUST EXERCISE CONSTRUCTIVE MANAGEMENT OF PROBLEMS.

ALBERT EINSTEIN SAID THAT CHOPPING WOOD IS SATISFYING BECAUSE YOU SEE THE RESULTS OF YOUR WORK IMMEDIATELY. HE WAS RIGHT. INDEED, OVER THE PAST FEW YEARS, JAPAN AND THE U.S. HAVE, TOGETHER, CHOPPED THROUGH SEVERAL BIG PILES OF WOOD. THAT THE U.S. AND JAPAN HAVE INVARIABLY WORKED TOGETHER TO ADDRESS BILATERAL PROBLEMS AND GLOBAL ISSUES CANNOT BE OVERSTRESSED. ACTIONS WE HAVE BOTH TAKEN HAVE TODAY PRODUCED THIS PERIOD OF EXCELLENCE IN OUR BILATERAL AFFAIRS. LET ME RECAPITULATE:

-- We reached agreement earlier this year to extend the coverage of the MTN Government Procurement Code to telecommunications equipment purchases by NTT. U.S. equipment manufacturers are taking advantage of this opening;

-- This past spring, Japan successfully defused protectionist sentiment in the U.S. over the automobile problem by voluntarily restraining its exports under a three-year program. I think that the Japanese Government's actions were statesmanlike and showed sensitivity to the situation in the U.S.;
-- Just last week, the U.S. and Japan agreed to accelerate the reduction of tariff levels for semiconductors negotiated during the MTN. This decision is a prime example of successful management because it anticipated a potential problem and devised a solution before any conflict arose.

As businessmen you are aware that management in the private sector requires the capacity to motivate people toward achieving a desired end. Management of bilateral or global issues requires this same capacity to motivate people. However the objective must be implementable. It is the task of managers to devise mechanisms and policies for resolving conflicts among conflicting objectives. Those in management positions ignore this at their own peril.

The U.S. and Japan have excellent institutional arrangements--bilateral and multilateral--to foster cooperative efforts. For example, in mid-September, another of the regular periodic meetings of U.S. and Japanese economic officials at the subcabinet level was held in Washington.

In these fora and elsewhere, Japan has become a manager of international affairs. As such, Japan no longer sits back and simply responds to the initiatives of others, but has developed
PRACTICAL AND IMAGINATIVE APPROACHES TO PROBLEMS WHICH TAKE INTO ACCOUNT NOT ONLY ITS OWN INTERESTS BUT ALSO THOSE OF ITS PARTNERS. I BELIEVE THIS CHANGE IN JAPAN'S RELATIONSHIP WITH THE REST OF THE WORLD IS BEGINNING TO ENTER THE PUBLIC CONSCIOUSNESS OF THE JAPANESE PEOPLE. ONE WOULD EXPECT THAT, AS A HOMOGENEOUS SOCIETY WITH A CONSENSUAL DECISION-MAKING PROCESS, JAPAN MIGHT FIND IT EASIER TO ACHIEVE PUBLIC ACCEPTABILITY OF THIS ROLE THAN WOULD BE THE CASE IN THE PLURALISTIC ENVIRONMENT WHICH CHARACTERIZES THE U.S. BUT WE ALL KNOW THAT BUILDING CONSSENSUS TAKES TIME AND PATIENCE; THAT IT IS AN EVOLUTIONARY PROCESS WHICH CONSTRAINS RATHER THAN PROMOTES CHANGES.

AND IT IS HERE THAT I SEE ONE POTENTIAL DIFFICULTY IN THE U.S.-JAPAN RELATIONSHIP AND JAPAN'S RELATIONS WITH OTHER INDUSTRIALIZED DEMOCRACIES—THE EXPECTATIONS BY ITS PARTNERS THAT JAPAN FULFILL A ROLE OF INCREASED INTERNATIONAL RESPONSIBILITY ARE LIKELY TO GROW FASTER THAN THE DOMESTIC SUPPORT IN JAPAN NECESSARY FOR IT TO CARRY OUT THESE RESPONSIBILITIES.

THE CRUCIAL TASK, THEN, IN MANAGING FUTURE U.S.-JAPAN RELATIONS WILL BE IN KEEPING A REASONABLE BALANCE BETWEEN EXPECTATIONS AND WHAT IS REALISTIC AND IMPLEMENTABLE IN JAPAN.
This will require frequent communications and consultation between our political leadership, our business communities and other opinion-forming groups in our societies. This is the value of the type of meeting here today. This is the value of bilateral summits between President Reagan and Prime Minister Suzuki, meetings between Secretary of State Haig and Foreign Minister Sonoda, and the subcabinet meetings between economic officials. The Prime Minister and President Reagan have concurred on the most important global and regional political and economic issues. They share a common concern about Soviet behavior; they agree that the industrialized democracies should cooperate more in defense, world economic and third world development; they agree on the desirability of an appropriate division of defense roles between the U.S. and Japan; and they are resolved to maintain a free trading system.

And we are pleased that through such events as the Ottawa Summit meeting among leaders of the western industrial democracies, Japan has expanded its relations with Europe and particularly the European Community. For historical reasons this relationship has been more loosely woven than the ties between Japan and the North American democracies. For too long the fabric of relationships between Europe and Japan -- with its concentration on trade -- has been cut from too narrow a bolt of cloth. It has been the U.S.-Japan experience, as well as the
U.S. - Europe experience, that economic issues are much more easily resolved -- with less contention and confrontation -- if they become one of many strands in the larger texture of relationships. Now is the time for Japan and Europe to increase and broaden the warp and weft of their relations to equal that which both areas have with the U.S. This trilateral relationship is particularly important because on Japan, North America and Europe rest the responsibility for maintenance of the post-war international economic system.

I would like to briefly turn to the subject of the security relationship which exists between the United States and Japan. Often I hear the debate over defense cast in terms of Japan's ability to defend its islands from direct outside aggression. This is indeed important and the reality is that Japan does not have, at current force and equipment levels, that capability. Nor does it have the command and control structure to effectively use them if it had them. But what strikes me as even more important is that Japan never find itself in the position where any potential aggressor is in the position to define and limit Japan's options. It is this possibility which is subtly sought by the Soviet Union. This threat alone argues for deepening our defense cooperation.
I believe there is recognition of the constraints faced by the Japanese Government. The constitutional and non-nuclear constraints in the defense area are fully accepted by the U.S., and let me emphasize once and for all that the Reagan Administration asks nothing which would violate them. But within these constraints, there is much that Japan can and needs to do if it is truly to share in the management of our mutual security interests. We are also aware of the constraints imposed by Japan's domestic financial situation. We after all, have them as well, and there are striking similarities in the way our two governments are addressing them.

I am hopeful that the impulse toward administrative reform in Japan will also help address the question of the openness of the Japanese market. There is justification for the view that the Japanese economy is officially open, with an average low tariff, few quotas particularly on industrial goods and few, if any, remaining impediments to inward investment. But the perception which exists in the U.S. and Europe that Japan is not as open a market as theirs must be of continuing concern to Japanese. And after four years, I must frankly say that there is some justification for this perception. The U.S.-Japan Wisemen's Group said it better than I can:
"The group strongly believes, however, that in its own national interests and in the interest of a more harmonious American-Japanese economic relationship, Japan should strive to substantially improve access to its market and society and publicize this."

I urge that you take heed of that recommendation of the Wisemen, particularly the reference not only to improved access to the Japanese market but also to Japan's society. It is over 100 years since the Meiji government opened Japan, yet the "image" of a closed Japanese society still exists in the minds of many Europeans and Americans. Japan must strive to eradicate this image through its own actions. The U.S. businessman knows he can learn from Japan in areas such as labor-management relations, quality control, and attention to research and development. In my view, it is healthy for both sides to realize they can learn from the other.

As I believe you are aware, the Reagan Administration early concluded that its ability to manage effectively U.S. global responsibility was being seriously constrained by economic problems at home. Thus, putting our own economic house in order has become the Administration's number one priority. Economists
MAY ARGUE WHETHER THE POLICIES BEING PURSUED WILL HAVE THEIR INTENDED EFFECT. BUT THERE CAN BE LITTLE DOUBT THAT THE POLICIES ARE CLEARLY ARTICULATED; THAT PRIORITIES HAVE BEEN SET AND ADHERED TO; THAT THERE IS PUBLIC ACCEPTABILITY; AND THAT THE PROGRAM IS ON ITS WAY TO IMPLEMENTATION. IN OTHER WORDS, PUBLIC POLICY MANAGEMENT IN THE U.S. IS MARKED BY A NEW STYLE AND A RENEWED SENSE OF PURPOSE. THIS CANNOT BUT BE WELCOMED IN JAPAN, FOR IT COMPLEMENTS AND SUPPORTS JAPAN'S OWN MANAGEMENT OF ITS DOMESTIC AND GLOBAL RESPONSIBILITIES.

AS THE IDEA OF EQUALITY IN OUR RELATIONS BECOMES MORE WIDELY ACCEPTED IN BOTH OUR COUNTRIES, THE NECESSITY FOR CREATIVE, PRODUCTIVE MANAGEMENT OF ISSUES WILL GROW; MORE AND MORE AREAS OF POTENTIAL COOPERATION WILL BE IDENTIFIED; THE PSYCHOLOGICAL BASIS FOR EFFECTIVE COOPERATION WILL BE STRENGTHENED; AND THE IMMENSE IMPORTANCE OF THIS RELATIONSHIP TO BOTH OUR COUNTRIES, TO ASIA AND TO THE WORLD, WILL BE EVEN MORE OBVIOUS THAN IT IS TODAY.

IMPORTANT DIFFERENCES IN OUR RESPECTIVE ROLES WILL OF COURSE REMAIN, AS WILL SOME DIFFERENCES IN OUR GOALS AND OUR PERCEPTIONS -- WE ARE, AFTER ALL, SOVEREIGN COUNTRIES WITH OUR OWN PECULIAR HISTORIES AND CIRCUMSTANCES. IT IS THE TASK OF ALL OF US NOT TO ELIMINATE DIFFERENCES, BUT TO CONTINUE TO BRIDGE THEM AND TO INSURE THAT INSOFAR AS POSSIBLE OUR WILL AND OUR CAPACITIES REMAIN JOINED TOGETHER. IN THAT WAY WE CAN ACCOMPLISH FAR MORE
FOR OUR OWN PEOPLE AND FOR THE WORLD THAN EITHER OF US COULD HOPE TO ACHIEVE ALONE. THE RELATIONS BETWEEN THE UNITED STATES AND JAPAN ARE ONE OF THE MOST CONSTRUCTIVE INFLUENCES OF THIS AGE. I AM CONVINCED THAT THEY WILL ALSO PROVE AMONG THE MOST DURABLE.

The bonds which link us together are strong. In the decades ahead they will become stronger. May they last 10,000 years.