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Speaking to an audience of journalists is always the toughest challenge of all. You are probably the single most informed group on the entire range of international, political and economic issues. And you are already well aware of my strong feelings about the vital importance of the U.S. - Japanese relationship, feelings which I have expressed countless times over the past years.

It's almost as if I, being from Montana, tried to tell a friend from Idaho how to harvest wheat, raise cattle, or break in a new horse. He already knows the basic facts. However, because I recognize the crucial role you play in conveying information and interpreting events to both the general public and key policymakers in both our countries, I welcome the opportunity to lay out my views of the state of U.S. and Japan ties in this summer of 1982.

I would like to begin my remarks with some words concerning the new Secretary of State for the United States,
George Shultz. I do so for the purpose of acquainting you with his stated views on trade and defense as carried in the public hearings on his nomination before the Senate Foreign Relations Committee last month.

In response to Senator Hayakawa's question on "trade friction," Mr. Shultz replied, "I think the biggest problem to be worked out is access to the markets of Japan. The Japanese have taken some steps recently, important steps, that help in that regard. I think there are further things that need to be done." Later he added, "I think at the same time we must acknowledge that one reason why there are so many Japanese goods sold in this country is the Japanese have done a darned good job of producing high-quality goods at a low cost, and that is a great advantage to our consumers... I would say further that while the imbalance with Japan is very large -- and basically, it is undesirable to have that big an imbalance with one country -- fundamentally, we have to look at the trade picture on a multilateral basis and not get too wound up in any one country. On a multilateral basis we have a reasonably good trade picture, all things considered."

Senator Hayakawa later asked a question on defense. "There has been a lot of criticism here about Japan not doing enough to defend herself in view that Soviet ships prowling around the Indian Ocean and other Soviet forces are in
Sakhalin, in the Kurile Islands and so forth. A resolution was introduced jointly by a Republican and a Democrat saying it is the sense of the United States Senate that Japan should increase its defense spending to one percent of its GNP. This resolution has not yet been acted upon. What do you think of this?"

Secretary Shultz answered, "I think myself that it would be desirable for Japan to step up a little more in the defense arena. I do have experience myself in dealing with the Japanese. They are a very consensus-oriented society. They talk things over. They work at it for a while and it takes a good bit of time to make a shift. Once they make it, they make it! You can push on it to a certain extent, but you have to respect their process. But I believe we should make it clear to the Japanese that we feel their efforts should be greater. I think it should."

Senator Hayakawa then asked if pushing the Japanese in this direction is counterproductive. Mr. Shultz replied, "Making clear to the Japanese what we think is fine. Resolutions being passed by a body like this is one thing to have happen; but I would question the wisdom of telling some other country how to behave."

Secretary Shultz was approved by the Foreign Relations Committee and the full Senate unanimously. Secretary Shultz
has visited Japan many times -- twice in the last two months -- to meet with Prime Minister Suzuki, Chief Cabinet Secretary Miyazawa, Dr. Okita, Ambassador Ushiba, Mr. Asao of the Foreign Ministry and many other prominent Japanese. He has a broad understanding of the U.S.-Japan relationship as a result of these many official and unofficial visits. He will be a firm advocate of improved ties. He will, in my opinion, be one of the best secretaries of state my country has ever had. He is a man of all seasons for all the right reasons. I think the Japanese will be very pleased with his selection.

Lately, I have become concerned by a sense of uneasiness on both sides of the Pacific regarding the quality of the U.S.-Japan relationship. Recent events in the United States, which I do not wish to dwell on, but which have captured the Japanese public's attention, have been blown up into unnecessary crises. However, I regard those issues as relatively small abrasions on the larger body of our relationship. For now, we, on both sides, must not allow those wounds to fester and infect the whole physique: Preventing this will require statesmanship and far-sighted judgment on the part of leaders in both the United States and Japan because lately there seems to have developed an atmosphere of mutual recrimination between our two countries. This is troublesome not because the issues involved are unmanageable -- they are quite manageable -- but because they seem to have spawned a tendency on both sides to search for hidden motivations and
prejudgments about each other. A Pandora's box of old stereotypes has been opened, letting loose some capricious and negative elements that are hard to control. In this atmosphere it becomes very difficult for the two governments to resolve the natural and inevitable disagreements that arise between two countries as closely bound in both political and economic kinship as are the United States and Japan.

As you know, I am strongly convinced that the single most important bilateral relationship in the world is that between the United States and Japan. We have the largest overseas bilateral trade in the world. We share broad security interests, which affect not only our own mutual security, but also the security of the East Asian region. The U.S.-Japan Mutual Security Treaty has become the cornerstone of stability in the Pacific. The next century may very well be the Pacific Era in world history and a strong, firm, U.S.-Japan relationship will be a crucial factor in guiding and helping the nations of the Pacific Basin develop and progress in the directions we, and they, desire. Furthermore, we have a strong common interest in the strength and coherence of the Western alliance and the stability of the international political system. More fundamentally, despite our different historical and cultural experiences, the United States and Japan share a faith in a democratic political system that is responsive to the wishes of the people. As the two leading economies among the industrialized democracies, Japan and the United States
hold a strong responsibility for promoting world economic
development. The continued close cooperation and coordination
between our two countries will be essential to maintaining a
stable, free, and prosperous international economic system.

In dealing with the occasional bilateral problems that are
inevitable, I believe we must be very careful to keep in mind
the fundamental importance of this relationship and the mutual
stake we all have in maintaining it. Perhaps the most
essential factor in maintaining a strong U.S.-Japan alliance is
the effort we make on both sides to understand each other's
point of view. No matter how compelling our basic mutual
interests may be, without the recognition that mutual
understanding and frank, level-headed discussion between allies
is essential, the relationship can suffer serious and needless
damage.

It is important first to distinguish between major
bilateral issues which deserve the attention of our leaders and
short-term transitory issues, which can be resolved through
reasoned exchange of opinions and calm candid negotiation at a
lower level of government. One of the reasons that
U.S.-Japanese relations have developed so successfully over the
past 35 years is that the two governments have, on the whole,
managed to make this distinction. The same practice applies to
one of our common sports, baseball. Professional major league
games are watched over by experienced, senior umpires.
Little league games are presided over by lower ranking umpires. It wouldn't make sense for a man who usually watches over, say, a Yankees' game to preside over a junior high school match -- and it is the same when dealing with bilateral issues between countries!!

To extend my baseball comparison, trade and defense are major league issues. But, the most immediate and politically sensitive issue in U.S.-Japanese relations is trade. As much as we might like to separate economic and political issues, trade friction between two countries inevitably becomes a political concern. I have already quoted George Shultz, our new Secretary of State. His comments may reveal some insights into the direction of his thoughts. But to illustrate the enormity of our problem, I would like to present some sobering facts. Between 1980 and 1981, the U.S. trade deficit with Japan increased by 59 percent to a total of $15.7 billion. In 1982, it is expected to increase slightly more. You should not forget that this large trade surplus with the United States tends to focus criticism on Japan in the political arena at home, particularly when American politicians are feeling pressed to reverse the recent highly adverse economic trends in the United States. Farm income in the United States is at the lowest since the depression of the 1930s. U.S. businesses are now experiencing their highest bankruptcy rate since the depression and unemployment, at 9.5 percent, is at its highest level since 1941. The continuing serious difficulties of the
U.S. automobile industry are well known, but the steel, rubber, glass and machinery industries are also suffering badly from sluggish sales and plunging profits. Hundreds of thousands of people are out of work in the housing industry, which has been rocked by the high mortgage rates. The list of problems could go on.

President Reagan's economic program is aimed at bringing about a recovery from these economic illnesses, and I believe it will succeed. The Reagan administration, of course, understands that the trade imbalance with Japan is not the root cause of America's economic problems, and remains strongly dedicated to the principle of free trade. But once a protectionist trend gathers steam in the Congress, it becomes more and more difficult for the Executive Branch to fight every piece of such legislation successfully.

For example, the Congress is currently considering some so-called "local content" legislation which could require automobile manufacturers to produce up to 90 percent of their product in the United States in order to have access to the U.S. market. The administration is strongly opposed to this proposed legislation on the basis that it is highly inflationary, harmful to the economy, counter-productive to U.S. auto industry's efforts to become internationally competitive and a violation of the GATT. Nevertheless, there is no guarantee that -- in an election year -- the
Administration can prevent this legislation from passing Congress in some form. There is no question that this would be very damaging to U.S. relations with its trading partners because it would signal that the United States has abandoned its historic bi-partisan free trade philosophy.

Similarly, attention was focused several months ago on a set of so-called "reciprocity" bills, most notably that introduced by Senator Danforth. The Administration supports one version which would clarify our concern about reasonable access to markets, without coming into conflict with our GATT commitments. However, when this bill reaches the floor of the Congress, it will be open to amendment. It is possible that a number of extremely protectionist and harmful amendments might be added. Thus the reciprocity bill is still a vehicle for protectionist forces in the United States.

Thus, the trade question is a major political concern for Japan in its relations with the United States. The major problem for Japan is to find ways to modify those aspects of U.S.-Japan trade which have been contributing to an attitude in the United States that the Japanese market is closed and that Japan is interested only in exporting. There are two major areas of opportunity for corrective measures by Japan: first, the continued liberalization of the Japanese market and second, Japanese investment in the United States.
The United States Government appreciates recent Japanese efforts to open its markets. I note, in particular, the two trade packages that the Japanese Government has announced to increase access of foreign products to the Japanese market. However, Americans will be particularly concerned that these measures are fully implemented. In this vein, Secretary Shultz noted during his Senate confirmation hearings that with regard to the Japanese system of inspecting imported goods, "they have committed themselves to streamline that and I think that we need to watch that closely to help them to follow through."

I would also like to underline my appreciation for Prime Minister Suzuki's statement at the time the second package was issued and my hope that Japanese attitudes toward foreign products will indeed give U.S. products better access to the Japanese market. Furthermore, I believe that additional measures to open up the Japanese market -- particularly in agriculture -- will be necessary in the months ahead.

Japanese investment in the United States is a direct means of addressing the attitude held by many Americans that because of liberal access to the American market the flow of Japanese products to the U.S. is a major factor behind high U.S. unemployment rates. It is obvious, for example, that a major objective of the proposed "local content" legislation is to create more Japanese investment in the U.S. auto industry. In fact, this has already begun, the most outstanding examples
being the Honda and Nissan auto plants in Ohio and Tennessee. I strongly encourage Japanese auto companies to continue expanding investments in the United States, both in vehicle and parts manufacturing. As I said earlier, I believe that the Reagan economic program will lead to the revitalization of the U.S. economy. When this happens, the U.S. auto market will pick up as well. Those companies who already have a foot in the door will, of course, have the advantage.

I also encourage Japanese investment in other sectors of the American economy, particularly those most seriously affected by the current recession. I am happy to note the interest of Nippon Kokan in purchasing a substantial share of Ford's River Rouge steel plant near Detroit. This investment would allow about 5,500 American workers to keep their jobs in one of the most depressed areas in the United States. Investments such as these are not only good business, they can also be seen as a kind of capital investment in the U.S.-Japanese partnership at a time when one partner is experiencing severe economic reverses.

Similarly, I strongly support lifting the prohibition on the export of Alaskan oil and natural gas to Japan. As you know, there have been periodic discussions about this in Washington over the past year. Lifting the prohibition would enable Japan to import these products, if it proved economically feasible to do so, reduce our trade deficit very
substantially and further bind our countries through a commonality of interests. Secretary Shultz seems to share this view and so indicated at his confirmation hearings when he said in response to a question advocating Alaskan oil sales to Japan, "I wish you luck. Why do you not include gas with the oil?"

Until world economic recovery occurs there will be increasingly strident demands all over the world for greater restrictions on trade. It is our strong hope that new trade restrictions will not materialize. The Reagan administration strongly opposes protectionism. However, we will need Japan's help in this endeavor if we are to have any hope of success. By taking the lead in making itself more accessible to imports and by increasing investments in the U.S., Japan can do much to relieve protectionist pressures. I believe that looking ahead Japan, like the United States, will find that the long term benefits of these measures outweigh the immediate, short term costs.

The second major issue in U.S.-Japanese relations which demands attention at the political level is defense. Despite the severe economic situation in the United States, Americans are generally agreed that Soviet military advances and aggressive behavior of the last few years must be met with a firm stand by the Western nations. As a consequence the United States is currently engaged in an extraordinary effort to build
its own strategic forces in response to the Soviet buildup. This is essential not only to U. S. security, but also to the security of its allies.

There is still a tendency in Japan to dismiss the relevance to Japanese security of the growing Soviet military presence in Asia. I believe this misses an essential point. The Soviets are masters of using military power for political intimidation. If the current Soviet buildup in the region is not met by an appropriate U. S. and Japanese response, the fundamental military balance in Northeast Asia will be placed in jeopardy.

The United States is often portrayed as pressuring Japan to make a fundamental change in its defense role. This is not the case. The United States is simply asking Japan to improve its own self defense capability, particularly in areas where U.S. conventional forces are currently dedicated to the defense of Japan. This will be essential if U. S. forces are to be deployed flexibly in response to crises in other areas without diminishing Japanese security.

In asking Japan to do more, the United States is mindful of the constitutional and political constraints with respect to Japan's defense role. We are not suggesting that Japan take on any missions that would violate these constraints and we do not expect Japan to play a regional military role in East Asia.
Rather, we are urging Japan to take the steps necessary to fulfill defense responsibilities it has already agreed to undertake in three general areas.

The first of these tasks is to defend Japanese territory more effectively against conventional attack and to assist in protecting the sea lanes of the Northwest Pacific up to a distance of 1000 nautical miles. The Japanese government recognizes the weaknesses in the areas of air defense, anti-submarine warfare, communications and logistics and has emphasized improvements in these areas as it completes the new five-year program which will start next year. This program will constitute a significant strengthening of Japan's self-defense capability. And while we welcome the new plan, we encourage Japan to consider accelerating these efforts.

The second area for improvement is cooperation between Japanese and U. S. military staffs in planning both for the defense of Japan and for facilitative assistance to U. S. forces. Japanese cooperation in supporting U. S. bases under the mutual security treaty is imperative if our two forces are to work together effectively in an emergency.

Thirdly, we would like to see technical cooperation in defense systems development become a two-way street. The United States has supplied enormous amounts of such technology to Japan over the years. It is time to make these arrangements reciprocal.
We and the Japanese Government have no basic disagreement with respect to objectives in the defense area. Our differences relate more to the pace at which these objectives should be achieved.

In discussing U.S.-Japan relations, it is not sufficient to focus only on handling the immediate bilateral issues we face. We must not neglect the longer term challenge of expanding the web of ties between our two societies. It is essential that we develop a greater breadth and depth of understanding to ensure that the inevitable bilateral problems do not threaten the basic relationship.

We already have a solid base upon which to build. In both countries there is a reservoir of good will because of the productive post-war relationship. There are a large number of private and governmental consultations and exchanges that bring together Japanese and American leaders from a wide variety of fields. Academic institutions in both countries are giving increasing attention to studies about the other. Nevertheless, there are still very real gaps in understanding. A recent poll showed that most Americans view Japan in economic terms, both positively (such as industrious and intelligent) and negatively (such as unfair and protective). Japanese have more awareness of the United States but in-depth knowledge is rare.
In June, the Japan-U.S. Conference on Cultural Interchange met in Tokyo emphasized in its final communique:

1) the urgent need to make better use of the media, particularly television, as the most effective way to deepen public understanding of each other's country — especially in the United States where there are too few programs about Japan;

2) the importance of strengthening studies of the other society and culture through university teaching and professional training, especially in business management;

3) the need for more collaborative research on economic subjects of mutual interest;

These steps together with expanded parliamentary and youth and other exchange programs can lead to a better understanding in each country of the complexities of the other society, erasing many of the stereotypes that now tend to dominate, and improving the mutual understanding that is the foundation of our relationship.

Let me conclude with the basic points I wish to make. Problems are inevitable in any bilateral relationship as important and complex as the U.S.-Japanese relationship. These issues can not be ignored; they must be dealt with effectively, taking into consideration the legitimate interests and circumstances of both parties.

At the same time differences and frictions should be managed in the broad context of a relationship that is based on
many common values and interests and in a manner that does not weaken this foundation.

The family is an appropriate analogy—within a family there are always differences between various members, but if the basic relationship is healthy, these problems are dealt with in a constructive manner that does not threaten the basic integrity of the family unit.

In the family of nations the United States and Japan are like two mature brothers. One, Japan, is the older, but the other, America, is the bigger. They both have different behavior patterns but have learned to respect these differences while cooperating for the greater family good. Both realize that fundamental common interests must override the occasional squabble.

I am confident that close and healthy ties will not be disturbed by the occasionally heated debate over economic and defense matters, and that our familial harmony and mutual confidence will prevail throughout the final years of this century and well into the next.

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