The Indispensable Relationship: Southeast U.S./Japan Association

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"Japan and the U.S.: The Indispensable Relationship"

Thank you Mr. Chairman. It is a special pleasure for me to be able to address this important gathering once again. This is in fact the sixth time I have been able to join this Conference, either in Tokyo or in one of the member states of the Association. It should not surprise you that the U.S. Ambassador to Japan is such a "regular" at these meetings for, to a considerable extent, the pace at which the U.S.-Japan relationship continues to grow depends on regional leadership in the United States. And when it comes to imaginative, forward-looking, internationally-minded leadership on behalf of better U.S.-Japan relations, the Southeast has raised the standard for the rest of the country to follow. In September 1980, direct Japanese investment in the Southeast totaled about 500 million dollars. Today, two years later, this has more than tripled. Japan is also a principal buyer of the products grown in the seven states represented here today, and these purchases are likely to grow further. I might add that it is not only agricultural products from this area that are
popular in Japan. The number of "country and western" music night spots in Japanese cities testifies to the Japanese love for this uniquely American music. The Grand Ole Opry may be located in Nashville but there are plenty of folks pickin' and strummin' in Tokyo and Osaka too.

In addition to the obvious importance of the Southeast to U.S.-Japan relations, there is, of course, another reason for my presence today. I may have spent most of my life in the open spaces of the Big Sky country of Montana or the narrower confines of Washington, but I have come to have a deep appreciation of the famous hospitality and life style of this part of the country. So all you have to do is provide me with a good excuse, and I'll be with you if I possibly can!

While the excuse you have given me today is to speak on U.S. investment in Japan, I hope you will allow me to range a bit further than that important aspect of our relations.

I would like to outline for you briefly the state of U.S.-Japanese relations and suggest what must be done--by both countries--to strengthen even further this all-important, indispensable relationship.

First, let me stress an important fact which sometimes is overlooked in the headlines here and in Japan: relations
between the United States and Japan are sound, stable and of increasing benefit to both countries. As I said to this Association last year in Tokyo and in speeches before you on previous occasions, the U.S.-Japan relationship is the most important bilateral relationship in the world, bar none. We have some problem areas, a fact which is to be expected between two countries whose ties are as varied and numerous as ours have become, and it is extremely important that both countries strive energetically to deal with these problems, as indeed, they are. But in attempting to ameliorate our differences, we must not exaggerate them. While we continue to work out our various trade problems, let us not overlook the forest by concentration on the trees. Our two-way trade was 33 billion dollars in 1977; by 1981, this total had risen to over 60 billion dollars, and it is still rising.

Japan and the United States view the world in remarkably similar ways. We share a profound respect for freedom, for democracy and a strong distaste for oppression (as in Poland), or military aggression (as in Afghanistan). In the United Nations, the United States has no better friend than Japan. And in our efforts to assist the Third World's economic development, Japan today provides more assistance than any other country except the United States, and will, according to projections, in 1983 be providing a larger percentage of its gross national income for such assistance than the United States.
U.S.-Japan Economic Situation

One of the brightest spots in our mutual relationship is right here in Tennessee and throughout the Southeast. With new Nissan and Bridgestone plants in Tennessee and 13 other plants already established, total Japanese investment in this state alone comes to more than 700 million dollars.

However, our countries must do more to narrow the trade gap between us. Since I spoke to you almost one year ago, the Japanese government has presented two major packages designed to lower tariff and non-tariff barriers to U.S. exports and investments. We have welcomed these moves, emphasizing that they represent important steps in the right direction, but are still not enough. Prime Minister Suzuki has urged his people to further increase their acceptance of manufactured goods from abroad, and I am confident that he will continue to stress that theme and that further steps will be taken to ease access to Japan's domestic market. Of special interest to the United States is the further relaxation of Japanese restrictions on exchanges of high technology, greater market access in the services area and expansion of Japanese quotas on agricultural imports. As we continue steadily to work on these—and other—areas through the efforts of the government and the private sector, we must not lose sight of how much has already been accomplished. Today, Japan buys over 6.5 billion dollars of American agricultural products, almost twice the amount any
other country buys from us. We want Japan to purchase even more American beef and citrus fruits; but even today, Japan buys 60% of all the beef and 40% of all the citrus fruit the United States exports world-wide. We recognize that in some sectors it is not easy for Japan to lift rapidly all remaining agricultural restrictions, any more than it would be for the United States. But, as I said to you last year, "I would like to see reciprocity -- what we do for Japan, I would like Japan to do for us."

In seeking further Japanese liberalization, we must be aware that while the Japanese economy remains basically strong, it too is suffering from the world-wide recession. Investments are down, exports are down, Japanese unemployment, while comparatively low, is the highest in 25 years; and the number of bankruptcies is increasing.

To solve these problems, I firmly believe that our two countries have no other alternative than to move forward with the further liberalization of two-way trade. I believe the Japanese people are more aware than ever that economic difficulties in the United States, combined with heavy political pressures in some key regions, could lead to new, restrictive U.S. legislation. They know that many proposals are in the hoppers in both Houses of Congress. There is before the Congress a variety of so-called "local content" legislation proposals which would require that a certain percentage of the
parts contained in Japanese imports be manufactured in the United States. I strongly support the Reagan Administration's opposition to such legislation, which would give the wrong signal to Japan, open the door to similar action by our major trading partners, increase costs to our consumers -- fuel inflation -- and, in the end, have little impact on unemployment.

Let me be quite clear: both our countries must do more to advance the internationalization of their economies. Wider accessibility to Japanese markets is the best way to restrain political pressures for restrictive legislation in the United States. But greater efforts by American industries and investors should also be made. While there remains a need for Japan to integrate its economy more fully into the global economy so that Japan can help sustain this system as well as benefit from it, there is also a need for the United States to strengthen its own efforts to enter the Japanese market. This will take patience, determination and a willingness to persevere for the long run, and even then immediate profits may be small. Those who want to make a fast buck will not find it in Japan. But many of those who have persisted have done well. During the 1966-1978 period, the return on investment of U.S. manufacturing firms in Japan averaged 19%, about twice the return realized in the same period by U.S. affiliates in Canada, the United Kingdom and France. The future is out there in the Pacific and in Asia. Don't let the inevitable
obstacles and differing traditions discourage you. The 21st century will be the century of the Pacific, and I hope Americans, together with our Japanese and other friends, will lead the way to the greatest benefit for the greatest number of people in the Pacific Community. The best investment for our country's future lies there!

As I have said, there are specific steps both Japan and the United States can take which will help our economic relations. We are trying to bring our interest rates down, and we are beginning to succeed. Japan, on the other hand, needs to encourage the free flow of international capital. Both measures will help to correct our overall trade imbalance. Another step which I believe would also assist in redressing our continuing trade imbalance would be for Japan to be able to purchase Alaskan oil and gas. This proposal, now before the Congress, makes a great deal of sense. I was happy to note that Secretary of State Shultz supported the idea in his confirmation hearings before the Senate Foreign Relations Committee. Congressional authorization of sales of Alaskan oil to Japan could increase the value of U.S. exports to Japan by as much as three to four billion dollars per year.

**U.S.-Japan Security Cooperation**

In our security relations with Japan, I am also happy to report steady and significant progress. As with our economic
ties, the purpose of our efforts is to promote and protect our mutual interests. I have within the past two weeks attended a meeting with Japanese senior officials to discuss our security objectives and plans, and I can tell you with confidence that the governments of Japan and the United States have remarkably similar concerns and views with respect to the need for greater defense efforts by our two countries. What differences we have with Japan on defense issues are not over goals or over possible threats to security and stability, but rather over the pace at which we should proceed. We welcome Japan's decision to increase its defense expenditures by over 7% in both fiscal 1982 and 1983. Those who would like to see Japan more sharply increase its share of the Free World's defense burden should not lose sight of the fact that while Japan, from an admittedly much smaller base, was increasing its defense budget in the 1970s at an annual real growth rate of about 8%, the NATO yearly increase was about 2.5%, and the United States was actually decreasing its budget by about 2% a year. Now, both of us must do more, even when we are trying hard to reduce our national budget deficits.

In the United States there have been a number of proposals calling for Japan to increase its defense expenditures by a specific percentage of its national income. While I appreciate the intent of these proposals, more important by far than attempting to pinpoint specific percentages for another country's defense budget is Japan's
commitment to achieve over the next several years a marked improvement in the quality of its defense forces, especially its goal of carrying out the conventional defense of its own islands and of sea lanes from Japan up to a distance of 1,000 miles. This goal has become Japanese defense policy, developed in Japan's own interest. To that end, Japan is in the process of modernizing its defense forces, including the acquisition or production of the most advanced fighters, anti-submarine patrol aircraft and surface vessels.

The importance of these steps becomes even clearer when we observe Soviet actions in the region. In the last few years the Soviet Union has rapidly increased its forces in Northeast Asia; it has established bases on the Northern Islands, still energetically -- and rightfully -- claimed by Japan; it has based advanced bomber aircraft in the Far East capable of reaching Guam in the Central Pacific; and it has made its Pacific Fleet the strongest of its four fleets around the world. While most Japanese do not feel directly threatened by these moves, they are increasingly aware of the Soviet ability to use military power for political purposes.

Partly motivated by this greater Soviet threat and conscious of the importance of contributing more actively to its own self-defense, Japan has come a long way in ten short years. There has been a dramatic change in Japanese public
opinion; now close to two-thirds of the population view the
U.S.-Japan Security Treaty as important to the foundation of
our relationship, and more than half of those polled accept the
need for a self-defense establishment at about the present,
increased level. While many Japanese realize that more must be
done to improve the quality of Japan's defenses, there
nevertheless remains, 37 years after the war, a strong desire
among the Japanese people never again to let military power get
the better of them. In the U.S., we Americans have pledged
ourselves not to forget the tragic results stemming from our
inability to deter aggression, leading to war. In Japan,
history taught a different lesson. We Americans must
understand the historical, psychological and constitutional
constraints on Japan and respect them.

Those who are impatient with Japanese defense
contributions should not ignore Japan's significant financial
support of America's air, naval and army facilities in Japan,
totaling over one billion dollars annually, more in proportion
to the number of U.S. troops stationed there -- 46,000 -- than
the financial support Germany provides for U.S. troops --
240,000 -- in Germany. It should also be noted that these U.S.
facilities contribute not only to the defense of Japan, but
play a vital role in maintaining a U.S. military presence in
the Western Pacific. If we did not have these bases in Japan
-- and the Philippines -- where would the outermost limits of
our own defense perimeter be?
With respect to our mutual security the goal is clear, and agreement between us is very considerable. We will be working closely with Japan in the years immediately ahead, as we both do our level best to strengthen our defense capabilities in Northeast Asia.

**U.S.-Japan Mutual Understanding**

I have attempted to give you a frank review of the state of our relations with Japan, not only noting some of the problem areas but also stressing to you the importance of viewing the total picture in order to appreciate the countless benefits both countries gain from this indispensable relationship.

I do not want to suggest that it is always going to be easy to maintain mutual understanding between Japan and the United States. While we share many common concerns and similar interests, we have developed from very separate histories, traditions and philosophies. Our distinct backgrounds and geographic characteristics naturally lead us to view our respective roles in the world somewhat differently. Japanese may tend still to underestimate their own ability to play a major role in the world, but we Americans must not overestimate Japan's capabilities either. It is at least understandable that a country the size of Montana, defeated only one generation ago, largely dependent on foreign natural resources
and foods and standing close to the great Asian states of China and the Soviet Union, should still have some difficulty seeing itself as a major world power capable of making significant contributions to international well-being and stability. A greater appreciation of our histories and cultures will help us immeasurably to understand better the differing perceptions and feelings our two peoples will sometimes have when faced suddenly with rather sensational headlines in both countries' newspapers. Without more basic background information, it is sometimes difficult for each country to view events in the other in the proper context and perspective.

Despite steadily growing travel between us and increasing student exchanges, there is still far too thin a base for truly successful understanding between Japan and the United States to grow on. Too few Japanese university students study about the United States, and even fewer American students take a course about Japan or study the Japanese language. In this regard, I was delighted to learn that a new Japanese studies center is being developed in North Carolina under the leadership of Governor Hunt and that one of the hits of the Knoxville World's Fair was the Grand Kabuki Theater. All of this helps, but more must be done, not only by our universities and civic organizations but also by our newspapers and television stations. I believe there would be receptive audiences in many American cities to more TV coverage of the past and present civilization of Japan. We need less reports that focus on the
exotic differences between the United States and Japan and more items on the 20th century problems we share. We need to see the Japanese as flesh and blood people facing many of the same social, economic and political challenges that Americans face today. Greater exposure to each other’s society and traditions will increase the understanding of and respect for each other.

Above all, we must not lose sight, in moments of frustration or irritation, of the enormous advantages accruing to the United States and Japan — economically, politically and culturally — from our extensive relations.

Keeping our priorities straight, respecting our different approaches and perspectives and recalling our common goals and ideals, we must work even more energetically to strengthen further the Japan-America relationship for the benefit of not only the Southeast, but also the future well-being of the entire United States, Japan and indeed the whole world. It is in the Pacific and East Asia where it all is, what it’s all about and it is there where our future lies.

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The Indispensable Relationship

An address by Ambassador Mike Mansfield

American Policy Series 52