Nomura School of Advanced Management

Mike Mansfield 1903-2001

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ADDRESS BY AMBASSADOR MIKE MANSFIELD TO NOMURA SCHOOL OF ADVANCED MANAGEMENT
TOKYO, AUGUST 31, 1984

Dean Tokuyama, Members of the 4th Advanced Management Program of the Nomura School:

I am delighted to have been able to accept Dean Tokuyama's invitation to address you today. When the Dean contacted me to ask that I speak to you, he described the Nomura School -- founded in 1981 -- as being dedicated to stimulating new thinking among Japanese managers working in the midst of a highly diversified and internationalized business environment.

I would agree that the environment you work in is diversified and internationalized. I would also add that it is becoming ever more challenging. Looking at the magnitude of the relationship between Japan and the United States -- and the issues that sometimes arise in both the economic and defense areas -- a talent for innovative, creative thinking such as you are developing here, will be most constructive in managing this most important bilateral relationship.

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Let me begin by saying that the overall condition of our relationship is healthy. President Reagan's visit to Japan last November set a new, more positive tone for our relationship and confirmed the close personal ties between the President and Prime Minister Nakasone. The two have met four times since assuming their respective offices.

I might also add that a similarly close, collegial relationship exists between Secretary of State Shultz and Foreign Minister Abe. They have met a total of 13 times since assuming their responsibilities, which I believe is indicative of the cooperative, consultative relationship the U.S. and Japan share on the foreign policy front.

With that as an introduction, I would like to share with you my thoughts regarding our current relations in two broad areas -- economics and defense -- and to then take a look at the future.

The United States and Japan are the two largest economies in the free world. Together we produce over 1/3 of the world's GNP. Together U.S. and Japanese banks issue over 1/2 of the international syndicated commercial loans that finance world trade and economic expansion. Japan is the United States' largest overseas trading partner. Last year we exchanged $63 billion worth of goods; we sold more to Japan than we sold to France, Italy and Germany combined.
But our market is important to you too. In 1983, 29 percent of Japan's exports went to the U.S., more than you sold to the EC, Middle East and Latin America combined.

Both the United States and Japan realize that it is the free trading system, organized under the General Agreement on Tariffs and Trade after the Second World War, that has contributed so much to the economic strength of our two nations today.

As leading beneficiaries of that system, we share a mutual responsibility -- and interest -- in seeing that system maintained. No one disputes the fact that there are imbalances in our trade. The U.S. approach to this situation is to seek greater access to the vast domestic market in Japan, rather than to close off U.S. markets to Japanese exports as a means of redressing our deficit. Both the U.S. and Japan seek long-term economic strength and a better livelihood for our peoples. To achieve these ends, both nations must strive toward greater efficiency -- allowing market access to those goods that the other partner produces more efficiently.

Market access remains the key.

During his November visit, President Reagan emphasized the importance of Japan's opening its trade and investment markets further. Specifically, he requested reductions in
tariffs in certain categories in which U.S. producers are highly competitive. In return, the President pledged that his Administration would continue to fight protectionism in the United States. He asked Vice President Bush to coordinate the follow through on these requests.

Recognizing the growing sensitivity of the trade issue in the United States, the Japanese Government -- led by Prime Minister Nakasone -- has been most responsive. On April 27, Japan announced a trade package designed to open its markets further. This trade package goes a long way toward meeting many of our requests. It was supplemented on May 28 by the announcement of the Regan-Takeshita agreement, which contained a series of measures designed to internationalize the yen and liberalize Japan's capital market.

Specifically, what actions has the Japanese Government taken?

-- First, regarding tariffs, the Japanese implemented a series of previously-planned tariff reductions -- bringing the total number of agricultural and industrial products on which tariffs have been eliminated or reduced to 78. The Japanese Government also pledged to speed up tariff reductions -- previously agreed to at the GATT/MTN in Geneva -- by two years. These actions will make Japan's average tariff lower than that of any other
industrialized nation in the world -- including the United States.

-- Second, regarding agricultural trade, we negotiated a four-year beef and citrus agreement to expand Japan's import of these items. The final text of the agreement was signed by Japanese Ambassador to the United States Okawara and USTR Brock in Washington on August 14.

-- Third, regarding product standards and certification, on August 15, MITI announced that Underwriters Laboratories in the United States had been designated as a "foreign inspection body" -- under the Consumer Products Law -- to test consumer products to be exported to Japan. This action addresses a long-term U.S. request that Japanese ministries accept suitable U.S. test data. Electric appliances must still be tested in Japan, but the designation of Underwriters Laboratories is a significant step in the right direction.

-- Fourth, regarding tobacco imports, Japanese legislation -- passed in late July -- to privatize the Japan Tobacco and Salt Corporation will allow independent importation and distribution of tobacco products, after price registration with the Ministry of Finance. Implementing ordinances are yet to be written, but we hope to benefit from the opportunities this legislation affords us in this $10 billion market.
The United States would also like to ensure that its high technology exports have a fair chance in the Japanese market. In response to U.S. concerns, your government has agreed:

1) To defer legislation on computer software protection, pending further study of domestic and international needs. We look forward to working together in the months ahead to find mutually acceptable ways to protect software rights fully.

2) To open the way for U.S. exports of communication satellites to the private sector -- such as a privatized NTT. This action would assure that Japan will be able to procure the best, most competitively-priced components and technology for its communication satellite programs -- whatever the source.

3) To allow foreign companies to invest in computer-related "value added networks" (VANS) by registering with the Ministry of Posts and Telecommunications, when the NTT bills now before the Upper House are passed.

In the field of energy, the U.S. is anxious to establish its position as a stable supplier of coal and natural gas. We know we must be competitive. To facilitate this goal, a team of U.S. private sector coal
representatives will visit Japan next month to continue exploring export possibilities with representatives of Japan's electric power and steel industries.

And what about the future of our economic relations?

As mature and realistic partners, I think we should acknowledge that trade problems between our two countries will continue to arise, and that the dual themes of harmony and competition will continue to characterize our economic relations: harmony, because we are major customers for each other's goods; competition, because our economies are as often competitive as they are complementary, and will continue to be even more so as we both advance into high technology areas. In fact, this was the theme of the 21st U.S.-Japan Businessmen's Conference held in Tokyo in mid-July.

Our overall relationship is so important that we must both seek ways to contain and manage trade frictions before they become full-blown political issues. Dramatically increased imports by Japan would go far to alleviate both trade and international debt problems.

We would also urge Japan to open its investment market further in the area of high technology imports and other new industries, and to pursue further investment in production facilities in the United States. Continued
progress in these areas gives the U.S. Administration the concrete examples of success it needs to fight protectionism, which in the long run, is in no one's interest.

We know that Japan is concerned that the unitary tax may act as a disincentive to investment in the United States. Taking account of these concerns, Oregon recently repealed its unitary tax law, and Governor Atiyeh is leading a trade and investment delegation to Japan in early September. Other states have legislation pending, and Japan is welcome to express its views on this issue, as did a multi-member Keidanren team that visited the U.S. in June.

Seeking more open trade and maintaining the levels that already exist will sometimes require painful adjustments in both our domestic economies. But that is a price I think each of us must be prepared to bear, as leading nations in the free world's trading system.

With respect to defense, Japan and the United States are tied together by the Treaty of Mutual Security and Cooperation. Under this agreement, the United States has pledged to come to Japan's aid in case of attack -- and we will. Japan, in turn, offers us the use of various facilities as we fulfill our security obligations here and throughout Asia.
However, as with our bilateral trade and economic relationship, the U.S.-Japan defense alliance has vital implications -- not only for our mutual security, but for international security. This has become increasingly apparent to both governments over the past few years.

In recognition of the contribution that a strong U.S.-Japan defense alliance makes to Asian security and stability, Japan now provides more than $1 billion per year for the upkeep of U.S. military facilities in Japan. Japan's generous financial and political support for the 61,000 U.S. troops deployed here has made it possible for the U.S. to rebuild a strong and stable presence in Asia, which our Asian community of friends feels is the bulwark of their security.

In this and other respects, I believe the U.S.-Japanese defense relationship has become qualitatively different for both parties in the past few years. We have reached a new kind of defense partnership in which both sides are working together to define and carry out a division of labor -- not only to ensure the security of Japan, but to maximize the contribution that U.S.-Japan defense cooperation makes to the deterrent power of the Western alliance as a whole.

This change in perspective in no way alters the fundamental political framework for Japan's own
self-defense effort. For while Japan takes on new responsibilities for the defense of its sea lanes out to 1,000 nautical miles, the SDF still operates strictly within the limits of Japan's self-defense needs. The United States agrees with and supports these Japanese decisions.

Any changes, rather, are on the operational side. Joint basing, joint training exercises, and joint planning are all manifestations of the new defense relationship. We are now cooperating closely to build and strengthen the ability of our military forces to operate effectively together in the defense of Japan and its surrounding waters. We are defining roles and missions so that as Japan's Self-Defense Forces modernize in accordance with the 1976 National Defense Outline Plan, they can assume greater defense responsibilities, allowing U.S. forces in the area to be deployed more flexibly to meet other security goals, that both countries share.

In a security relationship of this breadth and magnitude, there are always problems. Living in Japan as long as I have, I am very aware, for example, of the inconvenience and sacrifices that Japanese people suffer in hosting our bases in such a small and heavily populated area. We appreciate all the more the warm hospitality and support we enjoy in Japan. I believe this is yet another measure of the strength of our alliance and its popular
support in both countries. In such an environment we can work together to solve the problems, while keeping our main focus on the larger mutual security concerns.

During the past few years, I have attended a number of U.S.-Japan Security Subcommittee Consultations in Hawaii, where we broadly and comprehensively review the state of our bilateral defense relationships, as well as the international security environment. At the most recent SSC, in June of this year, I was gratified to find both governments in fundamental agreement on mutual goals and the need to work together. Never have I been more impressed by the maturity of our defense dialogue, by the degree to which Japan has reached a clear understanding of its own defense needs and its own capabilities as a world leader, and by the appreciation of my government for the critical role of the U.S.-Japan alliance in the international security structure. I would say that our defense relationship has never been better than it is today.

In the future, I expect to see U.S.-Japan security relations continue to develop productively. It goes without saying that we would like to see Japan's defense effort grow at a pace commensurate with the defense goals Japan has defined for itself. But we also understand that a democracy, by definition, must respond to the needs of all its people -- according to priorities ordered by a political consensus.
I have just received an update from USFJ on the number of US military and associated personnel currently housed in Japan. The increase has been dramatic in the past year.

The new breakdown is as follows:

<table>
<thead>
<tr>
<th>Service</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Army</td>
<td>2,642</td>
</tr>
<tr>
<td>Navy</td>
<td>16,879</td>
</tr>
<tr>
<td>Marines</td>
<td>26,485</td>
</tr>
<tr>
<td>Air Force</td>
<td>14,746</td>
</tr>
<tr>
<td>Total Military Strength</td>
<td>60,752</td>
</tr>
<tr>
<td>Civil Service</td>
<td>6,338</td>
</tr>
<tr>
<td>Dependents</td>
<td>37,940</td>
</tr>
</tbody>
</table>

Apparently, much of the recent increase is accounted for by ships that have just arrived in Japan this year for additional homeporting. At least two more ships will come to Sasebo for homeporting over the next two years and, of course, the arrival of F-16s at Misawa next year will cause a significant increase in AF numbers.

If one recalculates Japanese host nation support per man the figure is now $20,000 per person. (I.E. $1.2 billion divided by 60,000 men).
To Janet Shellenberg:

P. 1 - add relationship between Shelly and Abe

Note: Pss. + P. M. have met 4 Times
Shelly + Abe " 13:1".

P. 2 - check figure +

Econ

statements where marked.
Are sure they are OK but!
P. 3 - same on 2

P. 4 - Var in Legals still in upper hands?

P. 5 - are at plantation 03
5-0 billion figure

Pol P. 8 - change figure to 47,000

Cradle a page or so on the

United States

Century 1 the Pacific

Free, trade, trendy, resources, market,

francky agreements, where at age in the

future, etc.
DATE: August 27, 1984

REPLY TO ATTN OF: CPAO - Jack H. Shellenberger

SUBJECT: Attached Text of Speech To Be Delivered Before The Nomura School Of Advanced Management on August 31, 1984

TO: The Ambassador

Thru: DCM - Minister Clark

Per your attached memo, we have made the following changes in the proposed text:

Please note this is the new pagination:

1) On page 2: We have added a portion on the number of times President Reagan and Prime Minister Nakasone, and Secretary of State Shultz and Foreign Minister Abe, have met.

2) On page 2: The figures of "1/3" and "1/2", as well as the statement on the U.S. selling more goods to Japan than "we sold to France, Italy, and Germany combined" come from Assistant Secretary Wolfowitz' testimony before the House Sub-committees on Asia and International Economic Policy, June 12, 1984. The information contained in the last paragraph comes from Japanese Ministry of Finance statistics.

3) On page 4: The statement in question in the first paragraph comes from Assistant Secretary Wolfowitz' testimony.

4) On page 6: The VAN legislation is still before the Upper House; it is scheduled to be passed in December.

5) On page 7: ECON has added a paragraph explaining the "$50 billion" figure.

6) On page 9: The newly-updated figure for U.S. troops deployed in Japan is 61,000. The attached copy of a memo from POL explains the breakdown, for your information.

7) On pages 11-12: We have added a section on "The Century of the Pacific."

As in the past, USIS will send a press office staffer to tape your speech. We also plan to issue a "Press Release as Prepared for Delivery" of this speech in Japanese.

Attachments: A/S
Accept

Discuss

USIS:PO:ELYamaduchi

Clearance:IO:CLudwig
DPAO:Jinman
POL:PClapp
ECON:MMeyers ELY for by phone