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Ambassador with Nikkei (Ichioka)

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NIKKEI: The last time I met you about eight months ago you told me that bilateral relationship between the U.S. and Japan improved much better than one year ago. How do you estimate this relationship at present in comparison with about eight months ago?

AMBASSADOR: Well, since that time and the conclusion of the proposals made by President Reagan to the Prime Minister last November on his state visit to Japan, we have had a period of quietude. I was surprised, but pleased, that trade did not become a factor in the American campaign, and I'm very interested and happy to note that Japan was not even mentioned. I think that is because of the efforts made by the Japanese Government to accommodate themselves to the proposals as to what might be done made by the President to Nakasone last November.

Now, of course, we find that compared to a 19.6 billion dollar deficit in our trade with Japan last year, we face an estimated 32 or 33 billion dollar deficit for this calendar year. That will cause some discussion, at least, in the Congress when it reconvenes and when the figures are released.

I would hope, though, that the Congress would not look at just the deficit we have with Japan alone but would look at it
on a worldwide basis and be cognizant of the fact that our deficit for this year worldwide will be around 130 billion dollars or more. So that means that it is necessary for Japan to open its own markets much more than it has, although it has made steady and significant progress, that on the basis of all the trade packages beginning with Suzuki, I believe, and carried through by Nakasone, four or five of them, that flesh be put on the bones of the suggestions and statements made as an indication that Japan is opening its markets more. It is in Japan's best interest to do so because as the chief beneficiary of the international trading system it has the most to lose if it doesn't and the most to gain if it does.

We shouldn't fool ourselves in the United States that the opening up of Japanese markets even fully, completely, would mean that there wouldn't be a continuing deficit in our trade with this country, but it would create a better feeling in the Congress, which is the danger point, I think, because that's where legislation originates and that's where the emotions, the impressions and the pressures are most felt. But we'll have to see, and I am hopeful that a greater recognition of what must be done by our partners will not be enough but that there are things which only we can do and cannot expect other countries to do for us.

NIKKEI: Could you elaborate on what can the Japanese Government do in order to resolve the trade friction?
AMBASSADOR: I should think that it would give consideration to the importation of wood products, for example, through the lowering of its tariff barriers, fiber wood and particle wood and other areas, and I think that in certain aspects of that particular issue Japan could reduce its tariffs without any harm and could benefit by allowing the imports of that particular product.

NIKKEI: What product do you mean?

AMBASSADOR: Well, particle board and things of that sort, lumber, timber, wood products. There are other areas where they could do much. I think that it would be a good idea to go back over the four or five trade statements announced by Japanese prime ministers and flesh them out, flesh the bones out wherever possible so that some substance would be forthcoming to what has been agreed to or stated as being the polishing up of Japan. Those are things which will be discussed in some detail, not too much. I don't think there will be time enough at the meeting between Reagan and Nakasone, but the main job will have to be done, I think, in Japan on its own initiative and certainly not on the basis of pressure by us.

NIKKEI: But Undersecretary of the Commerce Department Mr.
Lionel Olmer expressed his strong criticism recently on trade unbalance.

AMBASSADOR: That's right.

NIKKEI: And he proposed his idea to the Japanese Government to set a kind of national target or goal for a percentage of manufactured goods and also service in total involved. Could you comment on this idea?

AMBASSADOR: Well, I think that what he has had to say is meritorious. I think also, as I recall, he allowed it to spread over a period of years. I think the main factor is we'd like access to Japanese markets. If our goods are worthy enough they will sell. If they are not competitive enough they won't. We'd like the opportunity to break in. We think, at least I think, that Japan has been making steady and significant progress in trade and in defense expenditures. I believe basically there are no differences between our two countries as far as the objectives desired in trade and defense are concerned. But the key word is pace, and the Americans are an impetuous people. Figuratively speaking, we would like things done yesterday. Figuratively speaking, the Japanese would like to have till tomorrow. So it's a question of perception, not a question of objectives desired by both countries.
NIKKEI: I see. Now NTT is preparing its denationalization and what do you expect after the denationalization regarding increase of procurement from the U.S.?

AMBASSADOR: Well, I would hope that when that occurs, we will have to wait for the details because it is not a fact as yet, that it would mean greater access to the opening being offered through privatization of the NTT, that it would mean greater purchases of American products where competitive. I have nothing but words of praise for Dr. Shinto who I think has done a remarkable job as the head of NTT. We will have to wait and see what the details are before we can answer that question in detail.

NIKKEI: But generally you can express your desire to them. I don't want you to make a comment in detail, but you can just say some principle to keep a stable and favorable relationship between us.

AMBASSADOR: Well, the conversations have been carried on between the people in our Economic Section and the appropriate officials in NTT and within the government itself, and we would prefer, I would prefer, speaking personally, to see what comes out of this privatization before I would care to go into detail.
NIKKEI: Apart from denationalization of NTT, what do you think, what do you expect in the field of communications equipment procurement?

AMBASSADOR: Communications? I would expect that the Japanese market would be open more, that we would have greater opportunities to participate in the selling of various kinds of communications systems, satellite systems and the like. The indications seem to be favorable. Again we'll have to wait and see what comes out of the Diet and what results from privatization.

NIKKEI: And steel/restrictions, Japan and the United States reached agreement, or I would say Japan decided to...restrictions on export of steel and Japan has to cut back steel exports to 5.8 percent of the United States market. What do you think about this outcome?

AMBASSADOR: I think all things considered, it's an excellent agreement. The Japanese have for years been in effect restricting their exports of steel to the United States so that I think it came to about 6 percent or a little bit more of the steel market in the U.S. Japan is the first nation to enter into an agreement, and I think what Japan did was to set a policy which both countries can live with. It's my impression that the countries
most concerned as far as the United States is concerned are countries which have government subsidized steel industries like most of them in the EC and Western Europe. There is an agreement in effect between the EC and the US how this new factor will involve that area, and that agreement remains to be seen. But when you look at countries like Brazil and Spain and India, you have real problems there, and I would say that, generally speaking, in the steel area our relations are pretty good and that this agreement is very sound.

NIKKEI: I see. Don't you think this agreement can damage the free trade system in the world economy?

AMBASSADOR: Well, all of these agreements can do that. The fact to keep in mind is that President Reagan has been trying to hold the ramparts against protectionism. He's had to bend here and bend there and bend there, but in doing so he has kept permanent legislation from being placed on the books. He has gained a little time, and as the recovery at home continues it means that the emotions affecting protectionism will become less evident, and so I cannot find fault with the President for what he's done because he has done what he has had to do because of necessity, and he has done it to prevent legislation being passed which would be far more damaging than these temporary palliatives which he has to inaugurate from time to time.
NIKKEI: What do you think of the Japanese self-restriction of automobile exports to the United States?

AMBASSADOR: That's a question on which I cannot render a personal opinion because the decision will have to be made in Washington, but I would point out that in 1981 there was a need for a "voluntary"--and I use the word "voluntary" in quotes--reduction of Japanese auto exports to the United States. In that year the big three--GM, Ford and Chrysler--suffered a loss of 4.8 billion dollars. Last year the big three had a profit of 6.2 billion dollars, and the way things are going this year it looks like the profit figure will be somewhere in the vicinity of 9 billion dollars. Of course, the Japanese aren't losing any money, either. As American prices go up, Japanese prices follow, their profits increase, and it has reached a stage, I understand, where you have to pay a bonus in effect to buy a Japanese car in some areas.

But the original agreement was for two years with a possible three, and the figure to be exported was 1,600,000 cars, as I believe. Last year it was extended for a fourth year, now in operation, and the number was increased from 1.6 to 1.850, I believe.

The Secretary of the Treasury, when queried on a possible extension two or three weeks before the election, stated that
the Administration would reach no decision until the first part of next year when they had a chance to study the returns in the automobile industry. What its decision will be I don't know, but my personal opinion would be immaterial. The decision is made in Washington. That is what counts.

NIKKEI: Judging from the political climate on Capitol Hill, do you think it's acceptable to increase the 1.85 million number if this self-restriction will continue?

AMBASSADOR: Well, expressing a personal opinion I would imagine that that will be given consideration when the time comes to make a decision as to whether or not the reductions, the limitations, should be extended for another year.

NIKKEI: Next is defense cooperation. Two or three days ago one of the biggest U.S. nuclear-powered aircraft carriers Carl Vinson entered into Yokosuka. How do you see the Japanese reaction, on the whole, to that? How do you see the reaction of the Japanese this time?

AMBASSADOR: I think the reaction has been muted, understanding, and I am appreciative of the reaction on the part of the Japanese people and government to the very brief visit of the Carl Vinson
which I understand will be leaving tomorrow from Yokosuka. So it's a matter of increasing the strength of our forces in this part of the world, and I say "this part of the world" I mean the Pacific and Indian Oceans because as a part of the Seventh Fleet that is its area of responsibility, and in that way help to counteract the increasing strength of the Soviet Union in this specific part of the world as well as in the area of Indochina where they have the use of some of the best anchorages in Asia, Danang and Cam Ranh Bay and the airfields adjacent thereto, so much so that it is not an unusual sight any more to see ships of the Soviet Pacific Fleet sailing down the Sea of Japan between Vladivostok and Viet Nam and planes of the Soviet Far East Air Force flying over the same area.

NIKKEI: Some of the Japanese newspapers reported there were not very much but a kind of big demonstration, antagonistic feeling among the Japanese people who demonstrated against the Carl Vinson entering into Yokosuka. How do you see it?

AMBASSADOR: I think there is a greater appreciation on the part of both Japan and the United States concerning the Mutual Security Treaty between our two countries, that it is a mutually beneficial treaty that will allow her to come to the defense of Japan if it's attacked, and we will, but we are also out here
in our own interest, and this is part of our defense perimeter along with the bases in the Philippines as well. We are very appreciative of the understanding which the Japanese have shown in spending last year about 1 billion 100 million dollars for the upkeep of approximately 60,000 U.S. military personnel in the archipelago.

So far as I can find out, it's much more in comparison with the Federal Republic of Germany which is spending a little more but where we have something in excess of 250,000 U.S. military personnel stationed.

We are aware of and appreciate the forbearance of the Japanese Government and people concerning such factors as the use of Atsugi for night landings by carriers. We know that it creates a lot of difficulties, trouble and strain. We appreciate the fact that the Japanese Government is trying very hard to find an alternate site so that this very necessary training can be carried out, and I appreciate the fact that the polls seem to indicate, on the part of both the Japanese and American peoples, an increasing understanding of what the Mutual Security Treaty is all about and what it means to both countries.

NIKKEI: You said before that we have a mutual target not only in the field of trade but also in defense, but it is a matter of pace. I personally think that it's nonsense to discuss whether
to keep defense expenditure within 1 percent of GNP limit. What do you think?

AMBASSADOR: Japan is a sovereign nation. Japan will make its own decisions, and what Japan does is Japan's responsibility. As far as the 1 percent figure is concerned, if you calculate it Japanese defense expenditures on the same basis that we and NATO do and included pensions and survivors' benefits as we do in our defense budget, the figure would be around 1.6 percent. So I would say that on a comparative basis with the U.S. and NATO that the 1 percent figure was broken a long time ago.

As far as yearly defense expenditure, that is in comparison with the GNP, but as far as yearly expenditures are concerned I think that the Japanese have made steady and significant progress over the past 13 years. In the full decade of the seventies, the Japanese were increasing their defense expenditures at a rate of 8 percent a year, starting from a small base, of course. NATO in that 10-year period was increasing its defense expenditures at a rate of about 2.5 percent, and the United States was decreasing its defense expenditures for the full 10-year period at a rate of 2 percent a year.

I would estimate that for the full decade of the seventies and the first three years of the eighties, that the Japanese defense expenditures would come pretty close to averaging about
a 7.5 percent increase each year, and so I appreciate what they have done. It has not been easy. There are obstacles to contend with: Article 9, the reaction of Japan's neighbors, the need for a consensus, the anti-militarism which I think is deep down in the Japanese people -- I think that they blame the military for getting them involved in the Pacific War to a large extent -- and the austerity of your budget which has been heavily in deficit for the past seven or eight years, so that you have accumulated a tremendous internal debt which must be somewhere in the vicinity of 585 billion dollars at the present time. We haven't got the final figures, so that's an estimate based on what we foresaw a year ago.

So, again, I appreciate what the Japanese have done. We would like them to do more in their own defense. We don't want Japan to become a regional power. Japan's neighbors don't want it to become a regional power. Japan doesn't want to become a regional power. But the more Japan can do in its own defense, the greater flexibility and freedom of movement we have, for example, on the part of the Seventh Fleet which has a tremendous area to cover -- 70 percent of the water surface of the globe and about 50 percent of the combined land and water surface of the globe.

But I can't emphasize too strongly that this is Japan's decision. Japan as a sovereign nation is the only one who has
the right to make that decision. That is Japan's responsibility and that's where it will remain—not with us. If you ask our opinion we'll give it to you, but we can't make your decisions, and we shouldn't.

NIKKEI: I appreciate your deep understanding about the Japanese situation, but do you think most of the people on Capitol Hill have the same understanding like yours?

AMBASSADOR: No, but I think they're getting to be more understanding because when my old colleagues in the House and Senate come out here they get the same story that I'm telling you. When I go home and talk to various groups they get the same story there that I tell out here, and I think that more understanding is developed. I'm delighted with the spreading out of the publicity which Japan is getting in the American press. I'm delighted that it covers more subjects than trade and/or defense, that we're learning something about your culture, your traditions, your customs, your mores, and we're trying to catch up with you in that respect because in trying to learn about us you have exceeded the Americans in that respect.

So I think that the importance of this relationship, which I think is the most important bilateral relationship in the world, is steadily becoming more and more recognized, and it's going to
become more recognized with the passage of time because if you look at the facts and figures, 133 billion dollars in two-way trade with all of East Asia last year, of that 63 billion dollar-plus with Japan alone, compare that with the trade in 1975, nine years ago, when I understand that the total two-way trade with all of East Asia was 42 billion dollars, you begin to get an idea of what's happening in this most stable part of the world, and for the fourth, maybe the fifth, year our trade with East Asia has exceeded our trade with all of Western Europe, and that trend is going to continue. I think if you will tie those facts and figures or relate those facts and figures to what's happening in the United States, the demographic trend, the population shifts to the south and the west, when you look at a state like California, which I understand has about a 40 billion dollar two-way trade with East Asia, a state like Washington somewhere between 9 and 10 billion dollars in two-way trade, a state like Oregon, finally coming out of its long sleep, developing an interest in Japanese investments, and getting them, when you look at the number of governors coming out here seeking Japanese investment, you can't escape the fact that an awareness is taking place, and if you tie all these facts, figures, patterns, trends, and what not together, you can't help but come to the conclusion that the next century will be the
"Century of the Pacific" and that the development of that huge area where more than half the world's people live, with great natural resources, great potential markets, on the whole friendly peoples and governments, that the nucleus for the development of that basin, where it all is, what it's all about and where our future lies will depend upon the strength, the durability and the reliability of the Japanese-American relationship, the most important bilateral relationship in the world, bar none.

The future is out here. No question about it.

NIKKEI: I read the Newsweek interview and you said that cooperation in the Pacific Basin could be based on a regional group like ASEAN.

AMBASSADOR: As a starter.

NIKKEI: Do you think ASEAN could be enlarged in the future with new membership of developed nations like U.S. or Japan?

AMBASSADOR: No. I think ASEAN, because it has concern about the Pacific community, it used to have, maybe still has, an idea that it would undermine that regional concept. But I think that that has been quite successful over a 20-year-plus period. It has
had its ups and downs but it survived, and it would be one of the nuclei on which a Pacific economic community or a Pacific Basin economic community could be forthcoming.

NIKKEI: Is it a kind of organization or loose organization? Are you implying a loose organization like an Asian equivalent of OECD?

AMBASSADOR: That would have to be worked out. As I mentioned, and peoples the Pacific Basin is occupied by countries/which are, on the whole, friendly with one another. It's a system which, in large part, is based upon free enterprise, the capitalistic system. It's a system which I think over a period of time could develop into an economic community of great significance. How remains to be seen. For the time being, I think it's something which the private sector, the academic community ought to work on, as they are, to lay the foundations, to do the necessary studies, the necessary surveys and to prepare the way for the next century.

I think that Japan and the United States should just be a part of the Pacific community, that we shouldn't take the lead, that we ought to build on what has already proved itself—and I refer to ASEAN—but recognize that it's just a part of the foundation which will encompass an area on which four continents impinge and which has a tremendous potential because the trend seems to be
shifting in this direction.

You may recall the remarks I made to the Research Institute in late October in which I quoted people like Agnelli, the head of Fiat. He sees the trend to the Pacific. The President sees the trend to the Pacific. Secretary of State Shultz sees the trend, and he's the first Secretary of State we have had who has really been personally interested and concerned about the Pacific and this part of the world, and I think that the Administration has shown a very positive attitude, and I'm delighted, for example, that Nakasone is emphasizing the Pacific community idea, and I compliment Japan who, in the person of the late Prime Minister Ohira, promulgated the idea of a Pacific Basin community or concept.

NIKKEI: The last question. The summit meeting is coming in January. I understand that they are going to meet only about two hours.

AMBASSADOR: No, more than that. They will meet in the morning for several hours, and then they will have a working lunch for a couple of hours, and how long that lunch will last and what will happen after it remains to be seen, but it's going to be a very busy session, and I think very worthwhile.
NIKKEI: What will be the most important issue?

AMBASSADOR: I think matters of trade will be taken up. Specifically I can't say. I imagine both governments are working on that matter. It seems that the Prime Minister is going to take up the Pacific community concept with the President. I think he will find a very friendly reaction. I would imagine that because of the difficulties which are occurring in Africa that they would discuss the drought and famine situation there. Other matters we haven't been informed yet as to what will be taken up by our side, and I am not at all certain that Nakasone and his advisors have decided fully on what they will take up, but those I mentioned I think will be discussed.

NIKKEI: Thank you very much, Mr. Ambassador.

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