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### Atlanta Chamber of Commerce

Mike Mansfield 1903-2001

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Ambassador Mansfield's Remarks to  
the Atlanta Chamber of Commerce Far East Delegation  
Tokyo American Club  
September 29, 1986

I welcome visits by groups such as the Atlanta Chamber of Commerce because they give me a chance to see old friends such as Governor Busbee, former Congressman and Ambassador, Mayor Andrew Young as well as my many Japanese friends here today -- but for other reasons as well. The objectives of groups such as yours and the Japa.-US Southeast Governors' Association represent a primary path out of the difficulties confronting us on the trade front. That path is communication between people, the promotion of direct investment between our nations, greater understanding and the commitment to work together towards a mutually desirable goal -- which after all is the very essence of trade. Both sides must profit.

You present an economic solution -- the cross-fertilization of industry and ideas -- to economic problems which have become increasingly political, and even emotional issues. As long as we talk constructively as friends, partners and neighbors -- and we are, after all, neighbors in the Pacific Basin, particularly in this age of jet travel. As long as we talk constructively, and not pointing the finger at someone else, not saying "let George do it", then I am convinced that we can overcome all our differences in time. It's particularly noteworthy that a group of Atlantic States has played a key role in expanding the relationship with our Pacific partner.



It's proof that "where there's a will, there's a way." I sometimes think that in recent months the perception that Japan's markets are closed has built, and has begun to constitute a barrier to U.S. penetration. Executives back in the U.S. headquarters have trouble believing they have a fair chance at a contract or a market in Japan and are reluctant to take the time and to risk the required investment. The leading role taken by state and local delegations such as yours is of great importance in keeping the flow of contracts, ties, ideas and people going between our countries.

This year marks the tenth anniversary of the founding of the Japan - US Southeast Association, and it is worthwhile to look at where we were ten years ago -- in Atlanta -- and how far we have come today, especially since just slightly more than ten years from now we will be standing on the brink of the 21st century.

Ten years ago we had \$42 billion in total two-way trade with all of East Asia, including Japan. Last year, in 1985, our two-way trade with East Asia came to just under \$200 billion. Our two-way trade with Japan alone rose from \$36.6 billion in 1976 to \$94 billion in 1985. Since 1980, U.S. trade with East Asia has surpassed our trade with Western Europe -- the region which has historically and traditionally been our largest trading partner -- and that differential will continue to expand.

Direct Japanese investment in the US in 1976 stood at a little over \$4 billion. It has now topped \$25 billion. In the Southeastern portion of the United States, Japan has made major investments which have greatly benefited the region in terms of employment, understanding and tax revenue. The SONY plant in West Dothan, Alabama, employs 1,800 people; the Nissan plant in Smyrna, Tennessee, has provided jobs for approximately 3,000 people; while the YKK plant in Atlanta, a pioneer, employs something in the range of 600 Georgians, to name but a few.

US direct investment in Japan has grown to \$9.1 billion in 1985 out of about \$24 billion invested in the rest of East Asia and \$233 billion worldwide. The returns on American investment in Japan and East Asia are the best of any developed region of the world, and better than some developing regions as well.

In just the past year or two there have been a number of important milestones.

- We have made important progress in our MOSS talks on electronics, forestry products, telecommunications and medical equipment and pharmaceuticals. Negotiations on a fifth sector, transportation machinery, are beginning now.

- The Action program, announced a year ago last July by Prime Minister Nakasone, cut or eliminated 80% of all Japanese tariffs and committed the Government to seek the elimination of agricultural and other import quotas.



- The Maekawa Report lays out a courageous blueprint for the restructuring of Japan's economy. Government and business leaders here are working to implement those recommendations to develop an economy based on domestic-led growth.

- Four foreign trust banks have now opened in Japan and six foreign brokerage firms have gained long sought seats on the Tokyo Stock Exchange.

- One year has passed since the so called "Plaza Agreement" reached by the Finance Ministers and Central Bank heads of the G-5 nations began the process of bringing the yen and the dollar into a more realistic balance. While the actual numbers still look bad, the fact is that this realignment of our currencies is a precondition for better balance in U.S.-Japan trade and the gradual transformation of the Japanese economy away from excessive export dependence.

Looking at the steady progress that has been made on so many fronts -- particularly the fact that there is virtually no issue in which negotiations with the Japanese have not resulted in a satisfactory agreement in the long run -- make the prospects for the next ten years seem much brighter.

The economic difficulties we face place obligations on both of us. There are things which the Japanese must do in order to preserve and enhance the international free trade system. They

have been the chief beneficiary of that system, and given their lack of natural resources, they stand to lose the most if that system breaks down. The Japanese themselves have come to recognize the need for improved market access as well as the importance of restructuring the economy away from overdependence on exports and in the direction of expanded domestic demand. But we place a premium on fairness. There are some difficulties which are of our own making and it's up to us to bring about solutions, and to do so as expeditiously as possible.

Specifically I am referring to our federal budget deficit which seriously threatens our economic growth and welfare. Approximately \$133 BILLION dollars in '85 went to pay only the INTEREST on the debt! It's the second largest item in the budget. 14¢ of every tax dollar goes to pay that interest -- not the principal-- the interest! I don't know any more about Gramm-Rudman than what I read in the newspapers, but if it can help us to cut the federal budget, then it will have served a useful purpose. A smaller national debt means lower interest payments, sustained competitiveness of the dollar, and greater capital accumulation spurring investment, productivity and economic growth.

Japan's global trade surplus, \$61.6 billion, and it's bilateral trade surplus with the United States, \$50 billion in 1985 -- projected at over \$60 billion in 1986 -- is an intolerable burden on the world trading system. At the same



time, our own huge global trade deficit -- nearly \$150 billion last year -- illustrates clearly that our trade problem is not a bilateral, but a global, one. Our trade deficit with Japan went from \$13 to \$50 billion dollars in 5 years. A net increase of \$37 billion. But, during that same period, we went from a \$20 billion surplus to a \$26.4 billion deficit with Western Europe. A shift of \$47 billion. So even if Japan were to do everything that we have asked them to do, our bilateral and global trade deficit would still not be eliminated.

My hope is that these trade figures may force us to do some of the things which we have been reluctant to do, force us to face up to some of the facts we prefer to ignore, and may in fact help to return the United States to the position of competitive pre-eminence and economic strength that we were used to. We've got to become more productive! We've got to become more efficient and more quality conscious. Our products must be more competitively priced. We've got to restore "follow-through service". We've got to improve relations between labor and industry, and I emphasize both -- all too often adversarial -- and between industry and government. Above all we've got to realize we're in it for the long haul and that it takes the best efforts of all of us working together.

Many of the nations which benefited from our economic aid in the decades after World War II are now powerful competitors. It's not only Japan, but also the so called "Gang



of Four", the "Four Dragons": Korea, Taiwan, Hong Kong and Singapore. We're being beaten at our own game, and we don't like it. We've got to get back that old time religion of competitive products, prices and service that put America on the map. If this challenge makes us more competitive, then the sacrifices and often painful adjustments made in many of our industrial sectors will serve to strengthen us as a nation over the long run.

Protectionism is not the answer. It's been tried and it just doesn't work. It raises prices, reduces competition, increases inflation and hurts the consumer. It would deal a devastating blow to the developing nations. It runs contrary to the free enterprise system, and in the long run hurts people equally on both sides of the fence. Simply put, the answer is more trade, not less.

The other important issue between our countries is defense, and there we are in good shape. We have a good mutual security treaty with the Japanese under which we are committed to come to the aid of Japan if it is attacked -- AND WE WILL. We occupy a number of very important bases as the guests of the Japanese government and people. We pay no rent on them. The Japanese contribute about one third of the cost of the maintenance of these bases; \$1.1 billion, 116 million in 1985 for the upkeep of approximately 55,000 troops. That compares very favorably to the conditions in Western Europe or in the Philippines. But we're not out here just to defend Japan.



We're out here in our own self interest and our own defense.

The strategic importance of the Pacific area cannot be overstated, and is not lost on the current leadership of the Soviet Union. General Secretary Gorbachev's speech in Vladivostok in the end of July is one sign of a growing Soviet interest in this part of the world. The Soviets have 49 divisions on the Sino-Soviet border and four more north of Vladivostok -- 31% of their ground forces, modern, first rate and up to date. Thirty-two per cent of their Air Force is based in this region. Then there is the Soviet Pacific Fleet -- the biggest and best of their four fleets, with over 400 ships, 115 submarines, 3 Kiev class aircraft carriers. Another sign of their interest is the naval and air base at Cam Ranh Bay -- a familiar name? -- which have realized the objective first enunciated by Catherine the Great in the second half of the 18th Century -- and that is to achieve access to warm water ports the year round.

The Soviets have begun economic penetration of the South Pacific. Because of disagreements between us and the island nations over fishing rights, the Soviets have gained a foothold in the South Pacific by signing a fishing agreement with the tiny nation of Kiribati and establishing diplomatic relations with Vanuatu and putting out "feelers" to others. This is a serious sign of unmistakable intent, and it shouldn't have been allowed to happen. The amount the Soviets paid for those fishing rights with Kiribati -- a little over \$1 million -- is

peanuts when we consider the strategic access they are getting in return.

What I'm trying to say, and something I have been saying for quite a while now, is that the next century will be the Century of the Pacific. This is not to denigrate the importance of the Atlantic. On the contrary, it was the courage of the pioneers from the Eastern States which opened the frontier and cleared a trail to the Pacific. Similarly it is the initiative and determination of business leaders such as I see here today which has made the difference in realizing the immense potential of the Pacific Basin. You have come to the right country, the right region and at the right time.

This is the new area of opportunity, a Basin of tremendous natural resources, great potential markets, and generally friendly people and governments. The successful and peaceful development of the Pacific Basin, as well as its stability, will depend upon the durability and strength of the U.S.-Japan relationship -- the most important bilateral relationship in the world. It is in this Basin where it all is, what it is all about and where our future lies.

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