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MANSFIELD ORAL HISTORY COLLECTION
AMBASSADOR AT THE FOREIGN CORRESPONDENTS CLUB OF JAPAN 1/6/82
OH #22-328A

SIDE A

000-029 [Background voices and conversation]

030-049 MJM begins speaking. He requested this opportunity to address this gathering. He is leaving soon for a trip to U.S. He wants to begin by saying a few things on Japan's draft defense budget.

050-099 He details some of the numbers of the budget. Has high regard for the effort of this budget. This is a needed step forward in establishing a self-defense capability. The budget shows an increase in real terms over the last year. Mentions the percentage of GNP accounted for by the military budget.

100-149 Continues with details of the draft defense budget. Cost-sharing. Purchase of new equipment. Greater efforts will be required in the next two fiscal years if Japan is to reach the goals set by 1984. MJM turns to economic and trade issues. He says the countries are in a critical period. Economies in recession. Japan is experiencing slow growth.

150-199 He hopes the economies are in a final period of adjustment from the period of the 1970's. Japan has adjusted better than most. Now Japan needs to share its success. Root cause of the friction between Japan and U.S. and Japan and western Europe is the belief that Japan has more free access to markets of the world than other countries have access to Japanese markets. In such circumstances of large trade imbalances, there are grave risks to Japan. The solution is not to be found in protectionism. It is to be found in increased opportunities for foreign access to Japanese markets. Barriers to the Japanese market have been reduced in the past ten years.

200-249 Frustrations felt by foreign concerns result in strong criticisms of Japan. He talks about reactions in the U.S. including the introduction of legislation to restrict Japanese imports. He details some of the proposed legislation. MJM thinks personally that the adoption of any of these measures would be bad policy. If things are managed right, their adoption is unlikely. These bills are a reflection of the fundamental frustration of American firms being unable to penetrate the Japanese market.

250-299 These frustrations have particular power when the U.S. economy is going through a hard time. High unemployment

rates, high inflation rates. MJM thinks President Reagan is doing the right things to resolve the problems in the longer term. Structural improvements will come in the domestic economy as Reagan's policies have time to become effective. But fundamental changes must occur in the access to Japanese markets as well. The trade imbalance between the U.S. and Japan is a political fact of life which must be reckoned with.

300-349 MJM says, in his view, the bilateral trade imbalance is not the basic problem. The fundamental problem is that the foreign firms do not think they have as easy and as fair access to Japanese markets as the Japanese have in their countries. He details some of the disparities in market share existing between Japan and the U.S. Autos, steel, televisions, motorcycles, radios, cameras, recording equipment, watches, machine tools.

350-399 Continues to detail some of the market share disparities. The situation is analogous regarding investments. Uses the example of Japanese bank buying an American bank. Others. Japan has investment opportunities in the U.S. which U.S. firms don't have in Japan. Japanese protectionism is based on the situation after WW II as Japan was re-building its industries. Protectionist measures were tolerated and understood at that time.

400-449 The policies at that time meshed with deeply ingrained Japanese traditions of protectionism. MJM says the situation to day is different. Japan is now a mature economic partner with the obligations which accompany that status. The Japanese economic miracle was largely possible because of the open international trading system. Japan must now work within that system and this means reciprocity. Free and fair access to Japanese markets.

450-499 Under the leadership of Prime Minister Suzuki, steps are being taken to find solutions to problems of market barriers. He mentions some of the proposals. There has been a growing recognition by the business and political leadership of the possible dangers to Japan if nothing is done to deal with the problems of access to markets. There are important domestic constraints on Japanese actions. Slow rate of growth in the economy and the budget deficit. Both U.S. and Japan must take responsibility for the problems and to develop solutions.

500-549 Industrial countries must work together to find solutions. And the solutions to the trade issues are fundamental to world peace. Current problems which are crucial to world peace are Russian troops in Afghanistan, the Polish situation, the concerns of

developing countries, and global negotiations. MJM repeats his contention that the U.S./Japan relationship is the most important bilateral relationship in the world. Trade problem must be seen in the context of the overall relationship. Although both U.S. and Japan are responsible for managing the current trade friction, the major part of the decisions rest with Japan. Only Japan can take the actions to solve the current trade problems, allowing foreign products to have free and fair access to the Japanese markets. MJM says this won't be easy, but that it is crucial.

550-599 The U.S. is not interested in curtailing Japanese exports to the U.S. The U.S. consumer benefits from the access to Japanese products. He says that protectionism, whether through high tariffs, non-tariff barriers or other means, has costs for Japan. Japan should internationalize its economy in its own self-interest.

600-631 When U.S. exporters feel that Japan welcomes their products, then the trade problem will begin to be solved. MJM is aware that these are hard words for his Japanese friends and colleagues to hear. But he feels that the world economy may be facing its most critical point since the 1930's. Japan cannot afford to look inward. Working together success must and can be achieved.

632-651 [Applause and the announcer says questions will be taken from the working press]

652-699 Questioner from the Far Eastern Economic Review says MJM has in the past claimed that U.S. exporters have needed to work harder to gain entry into the Japanese market. Today he is saying something different must be done. He asks MJM to respond to the change in what he is saying. MJM still says that the fault doesn't fall on just one country. The U.S. must bring about a re-orientation of its economy and that Reagan is trying to bring this about. The U.S. must also bring about a new relationship between labor and business, and between business and government.

700-749 The U.S. must learn again how to turn out quality products, productivity must be increased. A return to the old time religion and do again what made the country great in the past. There are many changes the U.S. must make if it is to become again truly competitive on the world market.

750-799 Questioner from Asian Business(?) asks why this apparent change in MJM's attitude and thoughts about the difficulty in the trade issue has occurred. MJM says he hasn't changed his mind. He thinks the

Japanese market is more open than many people assume.

800- 849 He mentions the textile agreement and the orderly market agreement on color televisions and reference price system on steel and the voluntary reduction on auto exports.

850-899 Questioner from Associated Press mentions that the Wall Street Journal has recently accused Japan of being an irresponsible trading partner. He asks if MJM thinks the outlook for a change in Japanese economic policies is bleak given current circumstances. MJM says it could be and that it will be up to Japan to make the decisions. Japan's economy is in relatively better shape than the other industrial democracies.

900-944 MJM says that in the past he has talked only about free trade, but now he talks about free and fairer trade. Questioner from Asian Wall Street Journal and Forbes Magazine mentions that one area where Japan has restricted imports has been in beef and leather products.

945 END OF SIDE A

SIDE B

000-049 Questioner asks if the U.S. is willing to challenge Japan on the issue of these restraints and restrictions. MJM says the U.S. normally doesn't intervene in the domestic affairs of other countries. Leather is tied up in a particular Japanese political problem in which the U.S. really can't nor should be of assistance. There has been talk about Japan buying more beef, citrus and grain. Details some of the figures of purchases of these products.

050-099 Continues with figures of purchases for these products.

100-149 MJM says that part of his job is to lay out the facts as he sees them and report them to his government as he understands them. Questioner from Associated Press asks if MJM still thinks the American people did not make the necessary sacrifices in the face of the energy crisis which has resulted in some of the trade problems. MJM says in the last three years, the U.S. effort to reduce consumption of petroleum has been excellent.

150-199 He says that both countries have done well in conserving. MJM would like to see a change in the law which presently restricts the shipment of Alaska oil. He wants surplus oil to be shipped to Japan. This is something the U.S. could do to help reduce the trade imbalance with Japan. Questioner asks for more detail

about misplaced domestic priorities in the U.S.

- 200-249 Questioner also wonders about the statements regarding the critical condition of the world economy similar to the 1903's. MJM says these are his own personal views. He mentions unemployment figures in U.S. and Japan. Inflation rate. He mentions that heads of families are losing jobs and the ramifications of this. He says he is concerned when he sees the sick economies of both U.S. and Europe.
- 250-299 He talks about the 1930's in the U.S. In order to prevent another world-wide depression such as in the 1930's, the international trade issue must be stabilized. MJM is trying to issue a warning while there is still time. He says that in 1973 at the time of the first oil crisis, American industry and the American public didn't read the handwriting on the wall and move towards smaller, more fuel efficient cars.
- 300-369 Industry started too late in their conversion to producing the cars Americans wanted. Autoworkers unemployed. He says he left the Congress so he would have the opportunity to be able to think about issues without such pressures as he faced in Congress. He feels in his present position he has had a chance to think and arrive at more thoughtful positions on the issues. Questioner from New York Times asks MJM for his impression of the steps the Japanese government is suggesting to deal with the trade problems and further asks if Japanese trading companies are going to need to change their strategies, possibly undertaking more joint efforts with foreign companies.
- 370-399 MJM thinks Prime Minister Suzuki is making an all out effort at dealing with the problem. But he says that the government can't do it alone. Private sector has a part to play. Also the media must come to understand and support the government's actions. Speed up in the time line on tariff reductions by two years.
- 400-449 He talks about the effect on trade deficit if all the non-tariff trade barriers were dropped on agricultural products from the U.S. Such action may serve more a symbolic purpose rather than an actual purpose in reducing the deficit. He says that if the world recession continues, Japan will not be able to keep up such high surpluses.
- 450-499 The customers won't be there to buy. Questioner from Wall Street Journal how long Japan has to put into effect the necessary changes. MJM says that is an impossible question to answer but he senses that Suzuki is facing up the urgency of the problem.

500-591 He talks about his trip to Washington and his plans to talk with Congressional leaders. Questioner from Financial Times asks MJM to list some of the specific obstacles he thinks foreign exporters face in sending their products to Japan.

592-649 MJM mentions customs procedures, delays, postponements, tests. Difficulty for American products to get into Japan compared with the ease in which Japanese products are allowed in the U.S. He refers back to the speech for numbers on relative market shares Japan has in the U.S.

650-699 He continues trying to answer the question on specific problems.

700-749 Questioner asks why a security meeting is to be held now when there hasn't been a meeting for three years. MJM says it's about time that such a meeting be held.

750-799 Questioner from Japan Economic Journal asks how large of a trade deficit is politically acceptable in the U.S. Also, would there be a Japanese trade surplus if all foreign products had free and fair access to Japan. MJM says that no deficit is acceptable, but a large deficit is politically unacceptable. He is unable to say what surplus would exist, but that one would exist.

800-849 Questioner asks if the desire by the U.S. to have Japan purchase large amounts of military aircraft from the U.S. is more an economic than a political matter. MJM says it is primarily motivated by military concerns, but the economic factor does play a part. The purpose behind it all though is to suggest that Japan does more in terms of its own self-defense.

850-899 Continues talking about Japan's self-defense and military purchases.

900-939 Continues talking about military matters. Increased demands on U.S. forces because of the Iran and Afghanistan situations. He repeats his contention that the primary responsibility for the defense of Japan rests with Japan.

940 END OF TAPE....CONTINUED ON TAPE 328B.

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SIDE A

- 000-049 Questioner says that Japanese are given two divergent views of America; one which reflects a deteriorating America, and the other which reflects an America on the rise and prospering. He asks MJM for his assessment of America and what he thinks the future holds.
- 050-099 MJM says there are many faces to America. He talks some about his family. He talks about the rise of crime rates in America. Japan's streets are safe to walk in day or night. He suggests that America may have grown too fast and it is unable to face up to the problems confronting it. Maybe America took on too much responsibility in the world. MJM says that the U.S. is down to bedrock again and is trying to bring about a reorientation in its structure. MJM thinks that Reagan is showing leadership in the economic field. But the U.S. is not able to take on defense of the free world on its own.
- 100-149 He says that the U.S. is stymied at the moment, but that it will recover. A new outlook is needed on the parts of labor and industry. He says there is a new outlook at the Federal government level. Reagan has kept his campaign promises and has tried to exert leadership throughout the world. He mentions that Europe is dragging its feet in relation to Reagan's leadership. The U.S. has reached a stage where it relies and depends upon friends. Japan is a friend the U.S. relies upon in this region of the world. He repeats his contention that the U.S./Japan relationship is the most important bilateral relation in the world. Each country must come to the other's aid when the times call for it. Mentions Japan's actions during the Iran situation, Afghanistan. MJM says that of all the allies of the U.S., Japan has been the best.
- 150-177 Because of the close friendship between the two countries, MJM says he is able to say these things about the trade problems. His job is not to tell them what they want to hear, but to lay out the facts as he sees them. On the basis of mutual confidence, understanding and trust, mutually acceptable solutions can be found.
- 178 END OF TAPE

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