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MANSFIELD ORAL HISTORY COLLECTION
AMBASSADOR AT ATLANTIC COUNCIL/KEIDANREN 4/18/85
OH #22-408A

SIDE A

- 000-049 Introduction of MJM. Speaker talks briefly about MJM's life. MJM begins talking. The difficulties in the relationship with Japan center on the issue of trade. This is the gravest period that MJM can recall. He gives the figures of the recent trade deficits with Japan. These deficits have caused a lot of concern in Congress, and legislation has been brought forward to deal with the trade deficit. MJM says that too much attention is being paid to the deficit with Japan and not accounting for the trade deficits the U.S. has with other countries. He details the trade deficits with other countries.
- 050-099 The U.S. wants Japan to open its markets more, not just for the U.S. but for all the other countries as well. This is something MJM wants Europeans to keep in mind. The U.S. is not working on a strictly bilateral basis but on a world-wide one. Japanese have been the chief beneficiary of the international trading system, and they will be the chief losers if the system fails. Japan is a vulnerable country. He makes the comparison between Japan and Montana in terms of geographical size, population, and natural resources. Because of its vulnerability, Japan is dependent on the rest of the world. Japan must import the raw materials to manufacture to export to survive. Japan cannot be scapegoated for all the economic ills. There are things the U.S. must do. The dollar is too strong. This is killing U.S. products in international trade. The high interest rates. The budget deficit is too large, much too large.
- 100-149 Foreign capital is flowing into the U.S. to take advantage of the high interest rates. It's on this borrowed money that the U.S. is paying the interest on the national debt. The U.S. can't go on this way forever. He mentions the U.S. is now, or soon will be, a debtor nation. U.S. must face up its responsibility for curing the economic ills which are under its control. MJM mentions the Danforth Bill calling for reciprocity. He was in Washington a few weeks ago and talked to some of his colleagues. The protectionist legislation rising up in Congress results from the frustration felt by members of Congress. They are basically free-traders. MJM says that protectionism is not an answer to any of the difficulties. MJM says that if countries fall into the trap of protectionism, the world will fall into the same situation as occurred in the early 1930's.

- 150-199 MJM gets concerned when a bank announces it is in favor of tariffs against Japan or when a respected businessman comes out in favor of quotas on Japanese products. He is concerned when one country is picked on, scapegoated. The trade issue is not a bilateral situation but a global one. He mentions the proposal to place a 20% surcharge on Japanese products. He repeats that protectionist legislation is not the answer. He mentions Bill Brock's comment which placed the majority of the responsibility for the trade deficit incurred by the U.S. on the strong dollar, the high interest rates and the huge budget deficit. The key word in terms of Japan is access. Japan must open its markets as fully as possible. Currently negotiations are going on in these four areas: telecommunications, pharmaceuticals and medical devices, electronics, and lumber and wood products. He hopes that something definitive will come from these meetings before the summit meeting in Bonn next month. MJM turns to the issue of defense. He says the defense relationship between Japan and the U.S. is satisfactory. He appreciates the steady and significant progress made by Japan in the past 14 years.
- 200-249 He speaks to the allegations that Japan has been able to accomplish its economic miracle because it doesn't spend very much on defense. He talks about the way Japan calculates its military expenditures as a percentage of GNP. He speaks of the obstacles Japan has faced in increasing its military spending. Article Nine of the Peace Constitution. Concern for the reaction of Japan's Asian neighbors. Anti-military sentiment of the Japanese people. Need for consensus among the Japanese people. Austere budget of the Japanese government. Private sector in Japan is in excellent shape, but the government is not. In spite of the obstacles, Japan has been able to create a self-defense force---land, sea and air. Japan has undertaken more and more of its own self-defense. No desire for Japan to become a regional military power. If Japan does more in its own self-defense, the U.S. will have more flexibility with the use of its forces in this region.
- 250-299 He talks about the Seventh Fleet. It has been upgraded since MJM came to his post. Yet it still is not strong enough to cope with its responsibilities. The U.S. wants its friends and allies to take more financial responsibility in defense area. He talks about the area the Seventh Fleet is responsible for. MJM mentions the Mutual Security Treaty. The U.S. will come to the aid of Japan if it is attacked. The U.S. is in this region not only to protect Japan but also in

its own defense. The bases the U.S. occupies in Japan and in the Philippines are vital to the U.S. security. He mentions the contribution Japan makes to the upkeep of U.S. forces stationed on the Japanese bases. He compares Japan's contribution with that made by West Germany for similar purposes.

300-349 He talks about what would happen if the U.S. didn't have these bases in Japan and the Philippines. The security treaty with Japan is mutual and in the interests of both countries. The most important bilateral relationship in the world is the one between the U.S. and Japan. And the next century will be the Century of the Pacific. The development of the Pacific Basin. He talks about the countries included in the Basin. 58% of the people of the world live in the Basin. It's an area of tremendous natural resources. Friendly people and governments. Great potential markets. Both Japan and the U.S. will play very important parts in the development of the Basin. He talks about two-way trade between East Asia and the U.S.

350-390 It has been increasing in recent years, and the trend is up. U.S. investments in this part of the world have the best and steadiest returns. He mentions the demographic trends in the U.S. He also mentions some of the states on the Pacific Coast and the amount of trade they have with East Asia. All these factors are marking the opening of a new era. MJM is aware of the fact that the next century will be the Century of the Pacific. It is in the Pacific where the future lies.

391-399 [END OF AMBASSADOR'S SPEECH. HE IS WILLING TO TAKE QUESTIONS. APPLAUSE.]

400-449 Questioner mentions the accusation that Japan's markets are closed because of the bureaucratic system. MJM says both countries have bureaucracies. He says the Japanese bureaucracy is highly intelligent. He cannot advise Japan on the handling of its bureaucracy. The times are so crucial that they call for the closest cooperation between the President and the Congress and between the Prime Minister and the Diet. It is time to forget politics and face up to the reality of the moment. Countries cannot afford to return to the days when protectionism was a necessary factor. He mentions the relative shrinking of the world because of communications.

450-483 The bureaucracy of each country is an internal matter. MJM hopes there will be a recognition on the part of Japan that it must open its markets more. And in the U.S., there must be a recognition of the responsibility which rests entirely with the U.S. The U.S. must also

recognize that it will not be competing with Japan only, but with the other Japans which are coming up. Korea, Taiwan, Hong Kong and Singapore.

484 END OF SIDE A

SIDE B

000-019 The U.S. must achieve more productivity. More quality in the good produced. More competitive pricing. Good follow-through service on the products sold. Competition is the bedrock of the free enterprise system. It is a good system both politically and economically. Some sacrifices will be necessary in the U.S.

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