

Speeches and messages: 1969-1970: Free trade

Senator Daniel K. Inouye Papers

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SPEECH BY SENATOR DANIEL K. INOUE

FREE TRADE

During the prenatal period of our country--that period when our land was composed of 13 separate colonies--each colony was considered sovereign. Each maintained its own militia. Each established and collected taxes, and prescribed criminal laws. Some even established codes of morality. In addition, each colony controlled the flow of commerce across its borders, often by establishing tariff walls and trade restrictions. Unfortunately, these barriers not only restricted commerce but also had the detrimental effect of dividing the colonials--the same unfortunate effect we have seen it have time and time again in country after country.

It was only with the formation of the Confederation that tariff walls were smashed and the free flow of trade permitted. This system of free trade has continued to this day and is now the operating practice in our 50 states and territories. The only exceptions are such trade restrictions with criminal sanctions as the sale and import of gambling devices and harmful drugs across state lines.

The economic history of Hawaii in itself testifies to the wisdom of this decision permitting the free flow of trade among the members of the Union. Our thriving economy--an economy whose very lifeline is commerce--is a living testament to free trade. Hawaii's success story is, indeed, largely the success story of free trade.

The rapid development and economic affluence experienced by the members of the European Common Market is yet another example of how free trade makes good economic sense. Since the establishment of free trade practices in 1958, member nations have, on the average, experienced a more than 5 percent rate of economic growth per year.

Trade is truly an international practice understood and deemed necessary by all. Trade is a language we all understand; it has, indeed, become an international language in its own right. I have, therefore, long felt that it might well serve as the singular means of bringing nations together.

It is, thus, with an eye to both economic prosperity and international cooperation that I have long considered myself a free trader. This has, however, been a difficult position to maintain because free trade as I conceive it cannot by definition be a unilateral affair. It must rather be a "give and take" activity. Only with an open and free exchange of goods can the system work and all prosper.

It is against this background that I wish to briefly discuss my dismay over the unsuccessful trade negotiations recently carried on between our country and Japan--more specifically, my distress over Japan's uncompromising stance in these negotiations.

Ever since the end of World War II, we have accorded favorable, at times extraordinarily favorable, treatment to the Japanese. For years this was a very practical position to take because our global strategy and perception of geopolitics required a strong, stable, and independent Japan. We needed Japan to serve as a wall against the Red Chinese. We needed a prosperous Japan to provide the necessary economic leadership for the developing countries of Asia and Southeast Asia. We needed Japan as a market for our products. Consequently, strengthening the Japanese economy was considered in our best interest as well as theirs.

But that day has long passed. We are now in 1970. The war has been over for exactly 25 years.

Today, Japan is, without doubt, one of the most, if not the most, industrialized and economically successful country in the world.

Who leads the world in shipbuilding? Japan. In the production of motorcycles, cotton yarn, cameras, sewing machines, watches, and radios? Japan.

Japan of the 70's prospers. Unemployment is negligible. Today, we on the other hand, suffer from an unemployment rate of 4.7 percent--the highest rate of unemployment in the last five years. Only last month, 6.4 million Americans were unemployed.

Today, our stock market crisis is one of the worst since the great crash in the 1920's. Only recently it dipped to a seven year low [REDACTED]. On the other hand, Japanese stocks are riding high.

Today, Americans are buying Toyotas, Datsuns, Hondas, and Yamahas. Electrical products with Panasonic, Sony, and Toshiba labels are heavily featured in our major department stores. But because of Japanese trade restrictions, it is virtually impossible for the average Japanese to buy a Chevy, Ford, or Plymouth. General Electric or Westinghouse products are unheard of even in their large department stores.

Today, not a single radio is actually manufactured in the United States. The radio parts we assemble and sell here are by and large manufactured in Japan.

This trade imbalance shows itself in the \$1.4 billion trade surplus Japan held last year. And this imbalance does not include the rushing outflow of American gold caused by either our military spending there or by the number of Japanese nationals we employ. The Japanese have, additionally, profited from the Vietnam War and, of course, from the money we have pumped into their economy over the last 25 years.

The Japanese economy can hardly be considered a weak, tottering structure. The growth and development of their economy has, indeed, exceeded our most optimistic expectations. This shift from weakness to strength leads me to suggest that the time has come for a similar shift in their trade posture. The time has come when Japan should be made to deal with us as equal economic partners and not as one seeking further trade advantages.

To straighten our lopsided relationship, I had hoped the Japanese would have been a bit more flexible in the recent trade negotiations they held with us. Contrary to the impression we received from the trade talks, the textile issue is not the most critical problem facing Japan's economy. It is not the major cause of unemployment or profit loss. It, thus, appears rather short sighted for the Japanese to have made this the stumbling block to a successful trade agreement with our country. Their obstinacy on this point may prove, so to speak, to be the straw that broke the camel's back. I say this because I note a movement in the Congress and within our Administration toward legislatively establishing new tariff and quota walls. This movement was, without question, generated by Japan's stiff, uncompromising position on the textile issue.

I view this movement toward protectionism with serious concern. History shows that tariff walls beget other tariff walls; and tariff walls are difficult to destroy. History also indicates that once established, they can effectively divide us from our friends throughout the world.

The sad lesson of protectionism stares us in the face if only we will take a minute to remember. It was not long ago, in fact only 40 years ago in the 1930's, that we attempted to counter the dual problem of recession and unemployment by erecting higher tariff barriers. It is a historical fact that this policy succeeded in neither halting the recession nor increasing employment opportunities but rather worked to export our recession to other countries and to further deepen it in our own.

It has always been and still is difficult to be a free trader. It is particularly difficult today because some are once again suggesting that the time has come for America to adopt a "get tough" policy. Some have suggested that we should, for example, demand that the French permit the sale of California and New York wine in their country if they expect us to consume their cognac and wine.

Personally, I do not believe a tough position will achieve the results we desire. I, therefore, fervently hope that the Japanese will seriously reconsider their position on trade. The alternative of establishing textile quotas which is presently being considered in the Congress will not be in their self interest...neither will it be in ours.

Mine may well be a sole voice in the wilderness pleading a dying cause. Yet, as a free trader, I cannot in good conscience allow our nation or the world to fall into the grips of protectionism without a fight.