

Chronological: Chamber of Commerce of Hawaii, "Japan-U.S. Relations"

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news from

Senator DANIEL K. INOUE

topic: "Japan-U.S. Relations"

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Post World War II Japan-U.S. relations is truly an outstanding success story in many ways. The record of those relations is replete with examples of close cooperation to our mutual advantage. Japan has been a strong ally, if not in a military sense, certainly in an economic and political framework, in our effort to secure stability in that part of the world. Our record of cooperation attests to the strong ties of friendship and the community of interest which binds our two nations together.

The record of trade relations between the United States and Japan has been marked with some notable achievements as well as being the focus of some major problems. Here in Hawaii we find Japan the number one foreign contributor to our number one industry, tourism. If we look at the trade statistics in historical perspective, we find that U.S. exports to Japan increased from just over a billion dollars a year in 1959 to \$12.9 billion in 1978. Our imports from Japan increased meantime from just over a billion dollars in 1959 to \$24.5 billion in 1978. Through 1964, we regularly ran a surplus in our trade account, but we have experienced a deficit every year since, that deficit rising to a record \$11.6 billion in 1978.

In spite of the long record of friendly relations, we have experienced in these last few years a sense of unease--a growing concern that calls for a critical reappraisal of our relations. I want to share with you just one example of the evidence of that need by way of illustration.

During my 17 years in the United States Senate, I have attended numerous receptions for visiting heads of state. These have invariably been pleasant, cordial affairs--an opportunity to share a cup of coffee or tea, to munch little sandwiches and to engage in polite conversation. However, last May 3rd a reception was held for Prime Minister Ohira. After official, cordial, opening remarks by both the Prime Minister and Senate leaders the occasion was thrown open for discussion. The first to address the Prime Minister--a senior and very respected member of the Senate--opened not with a question but with a statement. Without any hesitancy he lashed out at Japan for its lack of concern for the welfare of the U.S. economy and for Japan's failure to open its doors to U.S. exports.

Prime Minister Ohira was stunned and it showed. His usual round, smiling, countenance tensed. The Ambassador from Japan and his entourage also showed their acute concern. The next Senator to speak voiced a similar concern as did the next and the next.

Prime Minister Ohira tried to respond--but I doubt he was very successful. Fortunately, the Senate bells rang calling the Senators to a vote and bringing the somewhat bloody diplomatic encounter to an end.

If relations between our two countries are as good as officially characterized, why then do we witness such criticism? Why do we find increased emphasis on "buy American" movements? Why are so many American labor and business groups unhappy with our trade relations with Japan? The United States Senators who made statements of criticism and concern were not voicing just a personal concern but rather the concern of groups across this land who have reacted to what they see as unfair in our relations.

Obviously, something is wrong and today I would like to spend a few minutes sharing with you my views on the source of some of the problems.

Soon after the end of World War II, the United States began to implement a basic policy decision--to rebuild war-torn Western Europe and Japan as bulwarks in our struggle to hold back the spread of communism. This was our first massive cold war effort. To secure that reconstruction, the American Government supported the development of Japanese and West European economic interests while enacting laws making it more difficult for U.S. companies to do business abroad.

A good example has been the merchant fleet. At the end of World War II, the U.S. merchant fleet reigned preeminent on the high seas. No one was even a close second. The Soviet Union, Germany and Japan had almost no ships and the British and French fleet had been heavily decimated by the war. As part of the cold war strategy, we encouraged our new allies, West Germany and Japan, to rebuild their merchant fleet instead of refurbishing and adding to our own. In just 15 years, or by 1960, we were number four in merchant tonnage while the Russians were number 15 or 16. Last year, we were number 9 and the Russians number 3. At the rate they are increasing, the Russians will be number 1 by 1985. While we carry less than 4% of our nation's foreign trade in U.S. bottoms, the Soviet carries 50%, the Japanese 40%, and the West Germans 30% in ships of their own registry. If we don't do something about it we could become subject to a world shipping embargo which could make the oil embargo pale into insignificance by comparison.

In steel, we have a somewhat similar history. At the end of World War II, we were the world's leader. The steel industries of Western Europe and Japan were non-existent. Instead of assuring that we stayed on top in steel, we subsidized the reconstruction of the steel industries of our recent enemies. Now we have trouble competing with their more modern plants.

When the Korean War came along we selected Japan as our logistic base although we could have used the Philippines, our recent and good ally. With our increasing involvement in Vietnam, we again used Japan as a logistic base despite the closeness of the Philippines to the scene of action. Our men wore uniforms and ate food prepared in Japan while serving in Vietnam. The booming wartime economy of Saigon was a ripe market for products built in Japan and marketed by Japanese companies and soaking up American dollars.

Finally, came the tragic day when a stunned American Ambassador clinging to an American flag fled our embassy in Saigon and American troops left Vietnam. We pulled out and in the process we sought to provide help to those who had participated with us in the struggle against the Vietcong. We sought safe havens for the refugees from Vietnam and we asked our friends to be of help.

The response to our plea was heartwarming and encouraging. Even the new nation, Papua, New Guinea came to our assistance. But two did not, Taiwan and Japan. In the case of Taiwan, it was understandable. It had just been kicked out of the United Nations with our concurrence and was having problems relative to their future status as a nation.

It came as an unbelievable shock to those of us involved in the humanitarian effort when it became apparent that Japan would not take any refugees. Aware of Japan's past history of difficulties in assimilating and integrating other groups into her relatively homogeneous society, the suggestion was made that she instead provide other forms of assistance: some aircraft, rice, tents and blankets. I believe there was a general feeling that Japan not only had the capacity to be of real help but, that having benefitted from the economic activity generated by our decade of involvement in the Vietnam conflict, Japan shared our obligation to do something to alleviate the suffering for these victims of that conflict.

It hurt the relations between our two countries when Japan turned a deaf ear to our pleas.

There were other causes of difficulties. For a long time we had encouraged Japanese business interests to market in the United States. We had closed our eyes to their commodity dumping. We didn't even complain when Japan kept her markets closed to U.S. goods. There was no great outcry from our companies or from American labor. A strong Japan and a strong Western Europe was in our national interest and, besides, American companies were doing alright. Productivity was high. Markets for U.S. goods were available in other areas of the world. Real income was up and Americans had confidence in themselves and in their future.

But then things changed. Despite our highest ever standard of living inflation began eating away at our economic guts. Those on fixed incomes and those at the bottom or at the lower middle end of our income distribution scale were particularly feeling

the pinch. And they were becoming unhappy. No longer did Americans feel confident that tomorrow things would be better.

When this happened they became unhappy--unhappy with their government and unhappy with the existing relationships. The mood became "ugly" and when the mood becomes "ugly", people tend to strike out. The target may be an inappropriate one. The opponent may be a perceived one rather than the real opponent.

The heavy influx of Japanese goods and the takeover of American markets by brand names like Sony, Sanyo, Hitachi, Datsun, Toyota, Mitsubishi and others, which have become household words in industries where the United States was long the world leader, have caused real unease. When accompanied by the heavy trade imbalance and the declining value of the dollar in comparison with the yen the reaction may be understandable. When we add to that discomfort the knowledge that Japan's market is substantially closed to our beef and our citrus fruits, despite the high cost of those products in Japan, many Americans feel they are being treated unfairly. They say, "Why can't we sell in Japan's market when Japanese firms can sell in ours?"

Those who have been deeply concerned with Japan's economic problems know that Japan is also experiencing real economic difficulties. Japan's even heavier dependence on foreign source energy to fuel her economy is a particularly vexing one. However, this is not the picture of the prosperous and trouble free Japan that most Americans see. They see Japan as selfish, discriminatory and unconcerned about the plight of our U.S. economy. This then is the nub of the problem in our relations with Japan. The reality and the facts support a good and fair relationship but the perception is something quite different. And there are always some who play on the fears of the public, particularly in an election year. In this case, that includes a major candidate for the presidential nomination of a major party.

Establishing and maintaining a climate of mutual trust is deserving of our joint concern and high priority. The need for strong allies and a unity of action is certainly no less than in former years.

There are signs of progress. Japanese imports from the U.S. have increased 46% in the first half of 1979 compared to the year before, while Japan's sales to the U.S. increased by only 8%. In the first nine months of this year, we exported almost as much to Japan as in all of 1978, while our imports were down by almost five billion dollars.

In some of the specific areas, we find color TV shipments to the U.S. down some 54% compared to the same period a year ago. Steel shipments from Japan are down almost 7% and even auto sales are down despite current high U.S. demand for energy efficient Japanese built cars.

We are not only buying less but exporting more to Japan. Agricultural sales were up by more than \$500 million for the first six months with capital goods sales up 29% and consumer goods sales up 33%. The dollar has firmed on the Tokyo money market.

Japan's increasing participation in ensuring her security with the recent procurement of the F-15 fighter and the P3C anti-submarine warfare aircraft and the E2C early-warning aircraft give added dimension to our positive cooperation in securing the peace in the Far East.

The Multi-lateral Trade Negotiations mark a major achievement with U.S. duties lowered by 31% and Japanese duties down 28%. As a result, Japan's average tariff on dutiable industrial goods will be only 4.9%, the lowest of any major industrial power.

Changing our attitudes and perceptions will not be easy. Our business leaders need to know that they can export to Japan on the same basis as their Japanese counterparts can export to the United States. We need to develop a coterie of young businessmen with years of training and experience in Japan comparable to the many Japanese who have spent years in the U.S. learning not only the language but our economic-political system as well, that they may enjoy business success.

I sit as one of our four Congressional members on the Japan-U.S. Friendship Commission, which has as its purpose, the improvement of relations between our two countries. I think we have much to learn from each other, and yet, I am concerned that, with a down-turn of our economy and some political demagoguery, perceptions may worsen despite facts which support a much brighter view. I hope that my concern is broadly shared--in Tokyo and in Washington, D.C., as well as here in Honolulu.