

A Shared Destiny

By Mike Mansfield
United States Ambassador to Japan



The United States and Japan have accomplished a great deal in the past decade through hard work. Despite the overlay of emotionalism that has sometimes marred the relationship, we can proudly point to many concrete examples of bilateral and multilateral cooperation and achievement across a broad range of issues.

The science and technology agreement represents a major step forward in scientific cooperation between our two countries — world leaders in basic and applied science. It provides the mechanisms to ensure comparable access to each other's research.

Our nuclear agreement provides Japan with the basis it needs for long-term energy planning while at the same time giving the U.S. the tight safeguards we require for monitoring the nuclear fuel cycle. We all benefit.

The trade friction that has dominated public attention for the past several years has by no means ended. Nevertheless, both sides can be justifiably proud of the

progress we have made in lessening that friction within just the past few months.

The beef and citrus agreement will allow market access to cost competitive U.S. agricultural products. It successfully eliminates an irritant in our bilateral relations that had continued for over 15 years.

The public construction project accord provides access for U.S. construction firms to a number of publicly financed Japanese construction projects, and, hopefully, opens the way for further market opportunities of this type.

We have also reached new levels of maturity in our political relationship. Frequent high-level political contacts contribute to mutual understanding and help to ameliorate the tensions that arise when two nations are as mutually interdependent as our two countries are.

Our bilateral security relationship has never been stronger. Japan is shouldering a greater share of its own defense and presently contributes nearly 40% of the costs for U.S. Forces in Japan. Our bilateral military exercises and joint studies

clearly demonstrate the high level of sophistication and interoperability we enjoy in this vital relationship.

The U.S. and Japan are now true global partners. In consultation with the U.S. and other allies, Japan is providing increasing amounts of official development assistance and is now the world's second-largest donor, after the U.S. An undisputed economic power, Japan has joined the U.S. in playing a prominent role in international economic organizations such as the World Bank and the International Monetary Fund and in many agencies of the United Nations.

Just as in any mature relationship, strains are inevitable. But the basic health of our bilateral relationship has demonstrated itself repeatedly. Now standing on the threshold of the century of the Pacific, we find our national destinies, Japanese and American, more intertwined than ever before. I am confident that with continued effort our partnership can be a tool to build a better life not only for our own peoples, but for the entire world. ■

Looking at the Ledger

By Akio Morita
Chairman and CEO, Sony Corporation



The manufacturing industries of the U.S. and Japan are as related as your right hand is to your left. In this situation, grim talk of protectionism and retaliation and a trade war seems suicidal. It is unfortunate that, particularly in an election year, blaming a mysterious presence from overseas (which can't vote!) for the current state of the U.S. economy is known to attract a certain vote, indignation being a well-known substitute for painful self-reflection.

There would be no talk about a trade war if the present trade imbalance between the U.S. and the rest of the world did not exist. The trade imbalance, because of its size and its intractability, has caused a great many people to conclude that there is something wrong with the basic mechanism of world trade. All will be set right, the reasoning goes, if only the exchange rates can be properly adjusted, or if the intransigent Japanese market can only be pried open.

And so it is that there has been a steady stream of international conferences attended by experts in finance and economists, by high government officials and top administrators of trade councils—gathering to discuss how the system can be put right. The assumption seems to be that by adjusting this knob a little and pulling this lever back a little, the international trading system can be brought into line and trade between countries balanced, as a spinning top is balanced.

I am not an economist. I am a plain, practical industrialist. I make things. You must excuse me when I say that the problem of the trade imbalance looks rather different to me than to someone who views it as a result of a series of interacting economic forces.

To me, trade consists of series of business transactions. An imbalance in trade occurs when there are more transactions on one side of the ledger than on the other, when the products produced by one side seem more attractive to the customer than the products of the other.

Sometimes the attractiveness of a product is dependent on the price asked. Some agricultural products, for example, are attractive to the extent that their price is lower than that of competing products, and so the demand for these products can be affected by manipulating the exchange rate, but the appeal of high

value-added products, such as automobiles, aircraft or computers, is much less sensitive to price alone.

With such products, quality—which means reliability, accuracy, design and a host of other things—counts for more. It is not feasible to try to correct an imbalance of trade in goods with high added value by manipulating the exchange rate alone.

The only possible corrective is a raising of the standard of quality of the goods being produced by the nations on the low end of the ledger. I mean competitiveness, currently something of a vogue word in the U.S. The degree of competitiveness of a manufactured product is difficult to quantify. Although many people speak of industrial competitiveness as being subject to analysis, my experience suggests that competitiveness depends on a great number of factors—which can be neatly summed up as “the degree

to which the product is attractive to the consumer.”

I have been hearing that U.S. competitiveness has increased, that the U.S. economy is being revitalized. This is good news for all of us, because the U.S. economy is essentially the core of the free world economy. We know that U.S. agricultural products are very competitive on the world market, and I hope that U.S. industry is regaining a competitive edge as well.

It is really very simple. If American industry is not competitive, it must return to the basics and produce products attractive to the customer. If the health of an economy and the quality of life of the people engaged in the economy depend on a healthy, expanding, productive industrial base, then it must follow that a society should put a high priority on the development of its industry. ■

Stresses and Strains

By Sir James Eberle
Director of the Royal Institute of International Affairs



There is widespread feeling in Europe that we have reached the end of the post-World War II era in which the United States and the Soviet Union have dominated the international scene. The new era is seen as providing a more balanced relationship between the two superpowers and an international regime in which international economic and environmental issues, principally involving North America, Europe and the West Pacific basin, rather than security issues, will dominate the agenda.

The perception of a common military threat from the Soviet Union during the postwar years made it relatively simple to combine Western interests in the field of security. The apparent lessening of this threat, and growing competition in international trade and finance, is likely to make the containment of stresses and

strains in economic relations much more difficult to achieve.

The prospects for 1992 and the formation of a single internal market within the European Community have not only generated a high degree of economic and industrial activity, aimed at improving international competitiveness within the countries of Western Europe; but they have also provided an added spur to progress in cooperation in the field of external policy, including security issues. This has given rise to a growing sense of European self-confidence and to a view of wider European interests which involve both EFTA countries and the countries of Eastern Europe.

Against this background there is a growing appreciation in Europe of the need to reconstruct a more equal relationship with the United States in the

economic, political and security fields. The ending of the Reagan presidency, during which there has been a sharp decline in European confidence in United States leadership, gives a particular urgency to discussions on how that restructuring might take place.

As seen from Europe, Japan faces parallel problems in its relationship with the U.S., both with respect to economic relations and with respect to the shifting balance between political and economic relations.

The danger is that the forms of international tension will shift from superpower confrontation to regional competition. Japan, the U.S. and Western Europe thus share a common interest in seeking a balanced and mutually beneficial triangular relationship. ■