

Top Trade Strategist

Interview with Noboru Hatakeyama, vice minister for international affairs at the Ministry of International Trade and Industry, by Takashi Suetsune, managing editor of the Journal of Japanese Trade & Industry

Japan's Ministry of International Trade and Industry is the key player representing the nation in today's trade negotiations.

Japan is under pressure from the United States and the European Community to accept their demands in the trade and economic fields. Some of their demands are acceptable, but some others are difficult to accept. Japan's national interests do not always coincide with those of others. On the other hand, the United States and the EC urge Japan to make concessions commensurate with its position as a major economic power.

Noboru Hatakeyama, MITI's vice minister for international affairs, who practically serves as Japan's commander in chief in the international trade game, gave his views on the issue in an interview with the *Journal*.

Question: *The U.S. economy is not recovering satisfactorily. Is this behind a string of economic demands Washington is making of Japan?*

Answer: The U.S. economy is said to have already rebounded from a "double bottom" recession, but is not recovering as fast as we had expected. This year being a presidential election year, President Bush, in a bid to get reelected, is trying hard to buoy the domestic economy with various measures such as the lowering of the discount rate to 3.5%. The perplexing question for Japan is whether the demands can be satisfactorily dealt with only if the U.S. economy turns around.

The biggest challenge the United States is facing is to eliminate its fiscal and trade deficits and redress its debt-ridden structure. Both consumers and the fiscal authorities in the United States must endure this process. They must realize that a business recovery will not get everything straight. On the other hand, Japan, as the No. 2 economic power in the world, can contribute to the world economy through business expansion.

We should not think that if the U.S. economy deteriorates, the Japanese economy goes wrong. Instead, we should think that if the U.S. economy deteriorates, the world economy goes wrong. For this reason, we will do all we can to meet U.S. demands as long as it does not run counter to the free trade structure.

Q: *When the U.S. side makes a demand on Japan, how do you explain to them whether you can or cannot accept it?*

A: There are two types of demand from the United States. One is based on free market principles. The other is not. Lately, demands of the second type have been increasing. This is a problem. As long as U.S. demands are based on free market principles, we shall meet them as far as possible. Recently, German cars have been selling well in Japan, an indication that commodities of good quality and a reasonable price sell well. I hope that the same thing will happen with regard to U.S. cars.

The United States sometimes demands that Japan set an import quota or increase the number of cars that it imports. In making such demands, the United States is in effect seeking to impose on Japan just the kind of managed trade it is trying to avoid. These demands are not based on market principles and are against the current of the times, when countries around the world, including Eastern Europe, are now entering the market economy.

Q: *Japan too may have some points that leave something to be desired.*

A: It is true that not all sectors in Japan are



Noboru Hatakeyama

without any problems. We should like to discuss reasonable U.S. demands for taking necessary steps. However, these sectors do not constitute a major problem in commodity trade. Japan liberalized car imports in 1965, with tariffs reduced to zero. It is more than a quarter of a century since Japan liberalized car imports. We rather wonder what we can do if Americans insist that we open our market more. If the United States wants to increase its car exports to Japan, it should have its automakers strive to enhance Japanese consumer confidence in their products.

Q: *In regard to economic and trade frictions, some people in the United States and the European Community contend that Japan is different from other countries and must be treated differently.*

A: It should be taken for granted that the cultures of all countries differ from each other. What is wrong with being different? No culture would have any appeal if it was not different from other cultures. It is wrong to criticize Japanese culture merely because it is different. I must emphasize that even if Japan and the United States have different cultures, the two countries have the same economic rule.

If they contend that we are managing our economy in a different way, they should point out what the differences are. But if they only take up the difference of culture and complain about the difference in the Japanese way of thinking, we cannot accept such an argument. If they specifically point out how our management of the economy runs counter to the free economic system and ask us to change it, we shall be able to talk.

Some people in the United States and the European Community attribute the low import rate in Japan to what they regard as Japanese consumers' tendency to avoid foreign products, which they believe testifies to the different nature of the Japanese people. This is an erroneous argument. Japan's manufactures import rate now stands at 50% compared with 80% for the U.S. and 70% for the EC. Indeed, the Japanese rate is the lowest. But it is wrong to attribute the lower rate to the different nature of the Japanese. The American rate stood at 50% in 1964. Did people call the United States "closed" then? No. The Japanese rate is not so high now because Japanese products remain competitive internationally. Japan may be overtaken by South Korea or Thailand in the future. It is wrong to attribute this rate to differences in or the "closedness" of the Japanese market.

Q: *The United States is supposed to be a free-trading country. But, judging from what it says, it*

seems to be demanding that Japan adopt managed trade. Some people suggest that the United States is arguing for free trade as a pretext for forcing its views on Japan from its stronger position.

A: The world economy developed with free trade. Free trade is a part and parcel of the free economic system. Managed trade may be possible if the world is transformed into a planned economic system. But it is wrong to manage trade in a free economy. The United States, which has just welcomed the closing of the 69-year history of the Soviet Union and the entry of the former Soviet republics into the free economic system, should be well aware of this.

Q: *The auto industry, which could be said to represent American culture, is now in a tight spot. U.S. makers complain that Japanese automakers operating in the United States procure parts from Japan. Do you have any comment on such criticism?*

A: Japanese-affiliated auto parts makers operating in the United States are "American" companies. Differentiating between companies according to their capital background is discrimination and is unacceptable. Americans do not take issue with companies affiliated with German capital or Dutch capital. It is strange to take issue only with companies affiliated with Japanese capital. They have not raised such issues before. Americans are urging Japan to buy auto parts from native American companies. But it is difficult to define "native" companies.

Q: *Is there anything else you would like to say to Americans?*

A: There are two things I want to say to Americans. Firstly, both the government and private sector in the United States should seriously study and correctly recognize the present state of competitiveness of U.S. industries. They should not judge things on the assumption that their industries are competitive by definition. If they identify less competitive industries, they should correct the situation on their own. It is not advisable for them to place the blame on others.

Secondly, Americans should learn from what the British did. Any high-quality and reasonably priced product sells well on the Japanese market.

The British have correctly grasped this characteristic of the Japanese market. Consequently, the British have come to regard trade with Japan as an opportunity, not a problem. Britain has inaugurated an action program called "Opportunity Japan Campaign," to boost marketing efforts in Japan. Their efforts have paid off with their exports to Japan doubling in three years. I hope Americans will take a similar approach. ■

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