

# Finishing the Japan-U.S. Semiconductor Negotiations

By Sakamoto Yoshihiro

In the early morning hours of August 2, 1996 in Vancouver, Canada, negotiators for Japan and the United States agreed on a joint statement on semiconductors, thereby taking the first step toward forming a new international order in semiconductor trade. Two days earlier, on July 31, the 10-year old Japan-U.S. Semiconductor Agreement, the cause of many arguments over Japanese and global trade policies, had expired.

Looking back, the road to Vancouver was a long one. Perhaps nothing shows the mindset of the last decade as clearly as the Japan-U.S. Semiconductor Agreement. These changes are part of the history of Japanese-U.S. trade. Everyone is a child of the times and we all make the best possible choices in light of the times we live in.

Times change, however. During these latest negotiations, choices that had to be made in the area of trade policy were between managed trade versus market principles and between bilateral agreements versus multilateral agreements. In terms of industrial policy, the goal was to negotiate an agreement that converged as much as possible with Japan's recent domestic policies for increasing the competitiveness of its market.

## Industry talks played key role

From the beginning, the Japanese semiconductor industry declared that the cooperation achieved between Japanese and U.S. computer chip industries would continue for a certain period of time regardless of whether or not the politicians signed a new pact. Thus, the U.S. industry was able to eradicate any worries it might have had about the future bilateral relationship from an early stage. No matter how the governments on both sides of the Pacific participated, the perpetuation of smooth relations between the industries of the

two nations formed an unshakable foundation for negotiations and provided assurance that progress would be made. I would like to express anew my respect for the wise and realistic choices of the people in the semiconductor industry.

The Japanese and U.S. industries deserve special praise for ceaseless efforts through which they managed to overcome an unhappy history, marked by mutual distrust, to build a relationship of indivisible interdependence and finally a relationship of mutual trust.

The worst point in this relationship saw Japanese chipmakers dumping semiconductors on foreign markets as ruthless competition among domestic chipmakers spread overseas. Although the semiconductor industry was not the only industry accused of dumping, the original bilateral semiconductor pact had provided for an understanding that dumping would not be allowed and governments would not come to the aid of offenders.

Furthermore, although it was generally understood that the Japanese market was difficult for new players, whether Japanese or foreign, to break into, the endless efforts of Japanese users and the strenuous sales efforts of U.S. and other foreign companies bore fruit. Foreign semiconductors have recently grabbed a significant portion of the Japanese market. Currently, several thousand design-in relationships between Japanese users and foreign makers are formed each year. These relationships are a model for Japan-U.S. industrial cooperation. Behind the building of this relationship lies 10 years of conflict and cooperation between MITI's division in charge of semiconductor issues and the Japanese semiconductor industry. Today, these two have a common awareness and a mutual understanding of each other. It was a valuable lesson that through the bilateral semiconductor negotiations, the public and private sectors were able

to arrive at a common course of action without any conflict.

## The government's role

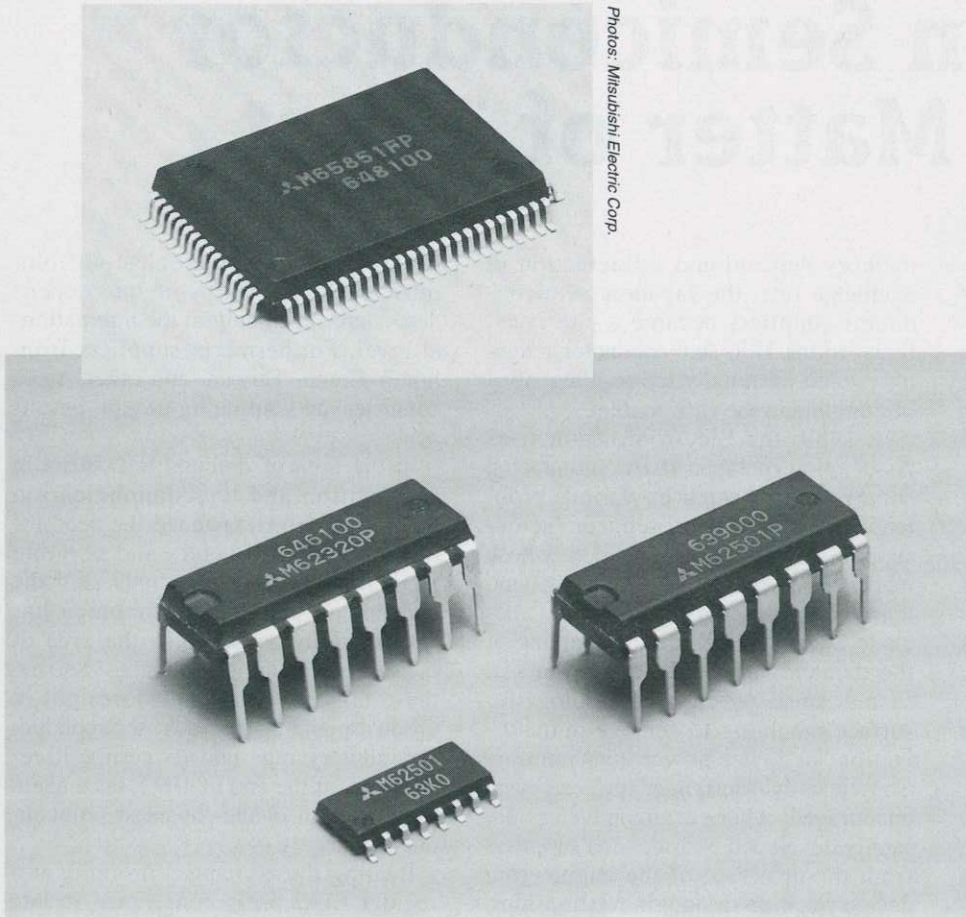
### 1) Government non-intervention in the market

For the past four years, Japan has consistently adhered to the principle of nonintervention in the market through the Japan-U.S. framework talks.

Four years ago, the U.S. placed its main focus on placing all products of concern under an agreement like the semiconductor agreement (i.e., assigning numerical targets). After a long fight, demands for numerical targets and government intervention in the market were dropped during government procurement negotiations held in September 1994, thereby laying the foundation for avoiding the pitfalls of managed trade. The significance of these negotiations, carried out by the Ministry of Foreign Affairs, cannot be overlooked. The automobile talks held in 1995 were the direct result of the success of these talks, which also decided Japan's stance in semiconductor talks in 1996. Japan could not accept the revisionist position based on the myth of an impenetrable and inscrutable Japanese market from the standpoint of keeping its national honor and prestige intact.

Japan-U.S. friendship is the single most important policy. That trade talks have to be conducted within this framework is beyond question. On the other hand, unprincipled compromise injures a nation's reputation and sets the stage for damage to the long-term relationship of trust between two countries. Sticking to one's principles may bring with it some sacrifices, but principles are vital to the establishment of trust and leadership. For the Japanese government to take the double standard of calling for deregulation at home to reactivate the Japanese economy, while at the same time making unprincipled

Photos: Mitsubishi Electric Corp.



Japan and the U.S. agree to a "Joint Statement on Semiconductors" in August 1996. It's a new dawn for the semiconductor industry.

compromises with foreign governments, would have been to deceive its own people.

## 2) From bilateral talks to multilateral talks

Over the past decade, the semiconductor industry has undergone a major international transfiguration as the power of European countries and South Korea, Taiwan and other Asian countries grows stronger with each passing day. This trend will only grow more pronounced in the future. In industrial fields that have gone global, the age of bilateral trade settlements between only the U.S. and Japan is over. Now the industrial sector is advocating a "Global Semiconductor Conference" and the government has proposed a "Summit of Major Governments." In the future, we

can anticipate formation of more just and impartial multilateral trade rules through the cooperation of the governments and industries of each country as they work together to solve shared problems.

## Forming a correct perception of negotiations

Bilateral trade talks consist of negotiations over the conflicting interests of two countries. During such talks, perceptions at home and abroad surrounding each country's claims are of great importance. As the saying, "perception is reality" suggests, how people feel about something is more important than either what is true or who is right.

Clearly, news reports, which are vital

to forming perceptions, must be objective and consistent with the facts. From the viewpoint of journalists, however, foreshadowing future developments in their reports is important to building a good relationship with readers. If, for example, the entrenched image of the Japanese government is that it always backs down at the last minute, reports on the statements of both sides will be accented by this image. Over the course of 1995's automobile talks and 1996's semiconductor talks, I believe that this image of Japan was gradually corrected and the objectivity of news reports increased.

Foreign diplomacy is a reflection of the government's message to the people. Correctly communicating this message and gaining the people's understanding and trust in the government's position is vital. In this respect, the transformation of trade talks into a televised event rates particular attention.

Through television, every minute development in negotiations is broadcast to the citizens of the nations involved. They are seen even by those people who wouldn't normally read about the talks in the print media. The facial

expressions of the negotiators and their every word are instantaneously incorporated into people's perceptions. The word "telepolitik" has long been used in political circles, but now the trend has encompassed government administration as well. Through the eyes and ears of the television set, people see and hear for themselves the negotiating stance of administrators, the rationality of their statements and the existence or absence of toughness. The people's trust, or distrust, in their nation is based on these perceptions. In even the most minor of negotiations, a country's representative bears the citizens' pride and prestige. ■

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