PS1 for 5/25/89 # Facing Reality About Trade with Japan

American consumers are immensely better of when we buy radios, televisions, VCRs, CD players, and fax machines from Japan. The Japanese make those items better and cheaper than we can make them.

Free trade is not expected to produce even exchanges in individual items, but it is based on an overall mutuality. But Japan does not accept the reciprocal logic of world trade, instead engaging in what Peter Drucker calls “adversarial trade” – targeted attacks on foreign industries combined with the exclusion of high-value imports.

The United States has no government program to build a domestic fax industry, and we shouldn’t. But Japan does have a program to invade the market where the United States is clearly the best: aircraft. That’s what the controversy about FSX is all about.

America leads the world in commercial aircraft and it is cheaper for the Japanese to buy our planes than to make their own. Their eagerness to consummate the FSX fighter plane agreement is an attempt to build its own aircraft industry with a one-sided deal that enables them to acquire U.S. know-how.

During the years when Toyota, Honda and Nissan captured a major share of U.S. auto market and built up $12 billion in cash in the bank, American retailers were systemically blocked out by the Japanese system. Products in which the United States is superior, cheaper and more desired by consumers, such as cigarettes, wine and citrus, were and are practically excluded.

The record shows that Japan’s national goals not only are not compatible with ours, but the Japanese are not to be trusted with U.S. technology. They sold the Soviets our most sophisticated and advanced submarine secrets and sold Libya’s Gadhafi a plant to produce and stockpile chemical weapons.

When Japanese companies invest and build here or in other non-Japanese countries, they don’t put non-Japanese in important management jobs and they don’t intend to. When Americans go into “partnership” with Japanese, it’s like going to work for a family-owned company; the top jobs are always reserved for family members.

Japan’s powerful Ministry of International Trade and Industry (MITI) has charted a course of Japanese imperialism in order to achieve with economic power in the ‘80s and ‘90s what it failed to do with military power in the ‘30s and ‘40s. Whereas the Kremlin bleeds Soviet consumers and keeps living standards low in the U.S.S.R. in order to pour financial resources into military weapons, MITI bleeds Japanese consumers and keeps living standards low in order to pour financial resources into corporate profits and seizing control of world markets.

The result is that Japan has the highest consumer prices in the world. Tokyo stands only 28th in per capita purchasing power among 52 major cities.

Japan has the highest proportion of unpaved roads among developed countries and the lowest per capita amount of public facilities. A Tokyo-New York plane ticket bought in Tokyo costs one-third more than a Hong Kong-Tokyo-New York ticket bought in Hong Kong.

Americans can buy Japanese-made products at New York's 47th Street Photo cheaper than Japanese can buy them in Tokyo. Why doesn't 47th Street Photo ship the Japanese electronic products back across the Pacific and sell them to Japanese? Because MITI doesn't allow this; it has erected a **cordon sanitaire** to keep imports off Japanese shelves.

A nation that accepted its emperor as divine has no common faith or standard on which they can reject the authority of the corporate establishment that runs Japan today. Furthermore, Japan is so tightly controlled that most Japanese don't even know that their consumer prices are so much higher than other countries'.

At the end of World War II, the United States produced half of the entire world's economic product. American workers then allowed themselves to be taxed to send foreign aid to a hundred countries, and to build plants and ship technology all over the world, which enabled foreigners to compete with us. Japan was a principal beneficiary of this incredible and unprecedented generosity.

The Japanese take care of their own, but they show no large-scale generosity to starving Ethiopian children, Armenian earthquake victims, or Indochina refugees. When Japan gives some foreign aid, it is mostly tied to purchase orders for Japanese work or products.

George Washington's caveat that "there can be no greater error" than to expect real favors from other nations is particularly apt in regard to our relationship with Japan. Despite our current cozy business and financial relationship, there is no mutuality in our trade relationship and it's time we recognize that our interests are not the same as those of the Japanese.