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AUTOMOBILES AND TOBACCO: THE U.S. AND JAPAN

The trouble with many politicians is that they don't understand business, and the trouble with many businessmen is that they don't understand politics. Businessmen tend to believe that all problems are economic and have economic solutions; but often their economic problems are caused by politics and have political solutions.

Take the matter of the depressed automobile industry. The auto industry has long been the bellwether of the entire American economy, and Detroit's current deep depression is echoed throughout our nation.

While the automobile industry has many problems, probably its biggest is competition from Japanese cars. So why doesn't our government restrict competition from Japanese cars in order to save jobs for Americans? "Oh, no," comes the chorus of answers; "we believe in free trade. If the Japanese build a better and cheaper car, let them sell it to us."

Unfortunately, "free trade" usually is a one-way dead-end street for Americans. The cry is "free trade" when the issue is Japanese competition with American products; but there is no such thing as "free trade" when it comes to American competition with Japanese products.

It is a mystery why the smart executives running the big three U.S. auto companies, and Michigan Senators and Congressmen, didn't see the obvious political solution to their economic woes: Treat Japanese autos the same way the Japanese treat U.S. tobacco until the Japanese treat U.S. tobacco the same way we treat Japanese autos.

On a recent visit to Japan, when I met with many high government and trade officials, I asked repeatedly, "What about your government's policy toward American tobacco?" The experience was as frustrating as trying to converse with a revolving door. When I protested that my questions were not being answered, the revolving door spun faster.

First, let me say that I am not an advocate for U.S. tobacco companies. I don't smoke, and I think the greatest thing that has happened in the transportation industry since the invention of the jet engine was separating smokers and nonsmokers on planes.

But it is patently unjust to allow Japanese cars to throw U.S. auto workers out of their jobs at the same time that U.S. tobacco companies are effectively prevented from competing with Japanese tobacco. Furthermore, I don't appreciate Japanese officials refusing to discuss the issue and pretending it doesn't exist.

U.S. tobacco is superior to Japanese tobacco, yet U.S. tobacco gets only 1.4% of the Japanese market. While Japanese officials are giving us doubletalk layered with politeness, they exclude our cigarettes.

U.S. tobacco is permitted to be sold in only 9 percent of Japanese retailers licensed to sell tobacco. U.S. tobacco is saddled with a tariff and a tax/pricing formula which places the retail price of U.S. cigarettes 60% above Japanese tobacco. U.S. tobacco companies are severely restricted in their advertising and test marketing.

U.S. cigarettes must be sold through their chief competitor, which is a Japanese government monopoly called the Japan Tobacco & Salt Corporation (JTS). How many Fords do you think would sell if they could be sold only by Chevrolet dealers? Excuses are always ready: the American brands are "out of stock," the advertising displays "blew away," and the "light boxes" on the vending machines "just didn't work."

A six-page JTS in-house memo instructing employees how to limit the sale of U.S. cigarettes even below these legal restrictions has recently been discovered. Some of the dirty tricks it sets forth in writing include instructions on how to keep stocks of imported cigarettes in vending machines low, how to exclude imported cigarettes from vending machines containing fewer than 10 brands, and how to remove advertising displays for imported cigarettes in retail stores from prominent positions.

The sale of U.S. cigarettes in Japan would help tremendously to correct our enormous trade deficit with Japan. According to a Philip Morris spokesman, "If American-made cigarettes were allowed to gain just 10% of the Japanese market, the imbalance in trade would be reduced by half a billion dollars."

A political coalition between the liberal Senators from the automobile-producing states and the conservative Senators from the tobacco-producing states could give a big boost to the American economy. What are we waiting for?