

JAPAN'S COUNTERPRODUCTIVE REACTION TO THE TOSHIBA AFFAIR

YOSHIO MURAKAMI

The aftermath of Toshiba Machine Company's sale of sophisticated machinery to the Soviet Union in violation of COCOM (Coordinating Committee for Export Controls) regulations has exposed a considerable disparity between United States and Japanese perceptions of trade and security. If Japan continues to bungle its handling of the affair, the repercussions could extend far beyond the Toshiba group of companies to affect the nation as a whole.

JAPAN'S DISTORTED PERCEPTION OF U.S. REALITIES

Basically, the U.S. attitude toward the Toshiba incident is that Japan, enjoying continued economic growth under the protection of the Western security system — while the United States labors under the burden of massive defense outlays to support the system — cannot be permitted to indulge in activities that benefit the Soviet Union, which is after all the potential enemy. The administration, Congress, and the public all see the incident as evidence that Japan will do anything to turn a profit, even betray an ally.

Underlying this view is irritation over the massive U.S. trade deficit with Japan and anxiety over Japan's rapid progress in high technology. Nevertheless, most administration officials and legislators, at least, have tried to draw a distinction between the Toshiba affair and bilateral trade problems.

Japanese reaction to this U.S. attitude has been strongly critical. This in itself is not harmful; to express disagreement and argue it out is a normal part of the relationship between friends and allies. But when disagreement stems from erroneous perceptions, emotions take over and threaten to deepen bilateral rifts. For example, it was reported as a fact in Japan that former Assistant Secretary of Defense Richard Perle, a staunchly anti-Soviet conservative, conspired with conservative senators to set up Toshiba Machine Company — a notion that overlooks the fact that a majority of the Senate has consistently challenged his views.

In June the Senate voted to ban the sale of all Toshiba Group products in the United States for two to five years. The vote, taken by ballot, was 92 in favor, 5 opposed, and 3 absent. Even liberal Democrats, such as Edward Kennedy, Patrick Leahy, and Paul Sarbanes, voted for passage. Senators James Sasser and Albert Gore, Jr., of Tennessee voted in favor despite pressure from employees of a Toshiba plant in their state. So did the senators from New

Yoshio Murakami is the American Bureau Chief stationed in Washington for the *Asahi Shimbun*.

This article is adapted from an article that was originally published in Japanese by the *Chuō Kōron*, October 1987, and was translated by and appeared in *Japan Echo*.

York, Texas, and California, where Toshiba plants are also located. This near-unanimous vote clearly reflected carefully considered priorities, since a vote, taken by ballot, puts every senator's views on the record. About half these senators support major cuts in defense spending. To assume that the Senate would be swayed by ultraconservatives who want to make a scapegoat of Toshiba in order to gain increased support for higher defense spending indicates a seriously distorted perception of the United States.

Congressional actions against Japan are often reported in Japan as if they were part of an anti-Japanese plot or a scheme to provide the administration with ammunition to use in trade negotiations. Certainly every bill brought before Congress is promoted by some person or group, often members of Congress themselves. But it is important to note that introducing a bill is one thing, but getting it acted on by both the Senate and House is quite another. If introducing a bill were all it took, Japan could resolve its trade disputes simply by promoting favorable measures. If ultraconservatives plotted sanctions against Toshiba, for example, we could simply get supporters of free trade to counter with a bill opposing sanctions. Political action requires both planning and a catalyst in any country. But it is almost impossible to put together a bill without at least some degree of national backing.

The theory that the Toshiba sanctions were the product of a conspiracy on the part of Congress and the administration to bring more pressure to bear on Japan in trade talks hardly reflects an informed perception of the United States. Congress blithely passes bills and resolutions that undermine the administration's position when it is in the midst of arms-control talks. Every administration has complained at one time or another that its greatest enemy is not a foreign power but Congress. An administration so weak that it needed congressional aid to negotiate with Japan could hardly handle domestic issues. When Congress passes resolutions critical of Japan, they are often intended as much to chide the administration for what is perceived as a weak stance as to criticize Japan directly.

Congress, particularly the Senate, comprises legislators who represent a wide variety of positions — proponents of free trade, of reassessing COCOM, of cutting defense spending, and so on. Unlike the practice in Japan's National Diet, voting strictly along party lines is almost unknown. Like it or not, we must acknowledge that this quarrelsome assembly approved sanctions against Toshiba almost unanimously. I would also like to note that although the Norwegian firm Kongsberg Vaapenfabrikk was also implicated in the scandal, only Japan demanded to be shown evidence of the link between the propeller-milling machinery sold to the Soviet Union and the dramatically decreased noise of Soviet submarines in recent years. No other COCOM country, Norway included, supported Japan's contention.

A FALSE SCAPEGOAT THEORY

In addition to the conspiracy theories detailed above, the contention that Toshiba Corporation was being made a scapegoat and that it should not be

held responsible for the actions of an independently operated subsidiary was widely discussed and gained considerable support in Japan. Let us consider the scapegoat theory. Who was the scapegoat for whom? If Toshiba Corporation was made the scapegoat for Toshiba Machine Company, why did the parent company apologize and why did its top executives resign? These actions imply guilt, discrediting the scapegoat theory.

The argument that the parent company is not responsible for the actions of its subsidiaries represents the kind of thinking most abhorrent to COCOM. If this principle were generally accepted, any corporation could circumvent COCOM regulations simply by creating subsidiaries to do its dirty work. Besides, study of the nontariff barriers hampering trade with Japan has made Americans increasingly knowledgeable about the true nature of Japanese corporate groups, so much so that the Japanese term used to describe the affiliations in such groups, "*keiretsu*," has entered the English language. Japanese enterprises proudly publicize themselves overseas as corporate groups; they can hardly expect to get away with denying connections with affiliated companies when problems arise.

DIFFERING PERCEPTIONS OF SECURITY

As I mentioned at the outset, Japanese reaction to the Toshiba affair has also revealed a wide gap between U.S. and Japanese perceptions of security. This disparity is not surprising, considering that military confrontation with the Soviet Union is the central focus of U.S. global strategy, while Japan is a nonnuclear power committed to maintaining a purely defensive security posture. This difference, however, has no intrinsic connection with Toshiba Machine Company's COCOM violation. A differing view of security does not excuse one from adhering to the rules of a group with which one has voluntarily affiliated oneself. If Japan has its own view of the scope of COCOM regulations, it has an obligation to clarify those views before rather than after the fact. Japan cannot expect the international community to excuse it from following the same rules as other member nations just because its concept of security differs from theirs.

At least in regard to the Toshiba episode, the perception gap over security may be seen as reflecting domestic contradictions. For example, some years ago, another Japanese company, Ishikawajima-Harima, incurred harsh international criticism when it sold a floating dock to the Soviet Union. Toshiba, Ishikawajima-Harima, along with other major companies are Japan's so-called defense industries. Ever since the advent of the Reagan administration both have been urging increased defense spending to counter the "Soviet threat." That one of them should be caught selling military equipment to what they themselves advocate as the very source of the threat reveals a problem deeper than a gap in American and Japanese perceptions. It throws doubt on where Japan really stands on security.

Nor can the illegal export of sensitive equipment be justified on the grounds that COCOM regulations are simply the legacy of the Cold War era. This is

like a driver asking to be excused for exceeding the speed limit because the speed limit is unrealistic. Pointing out other speeding cars does not excuse one's own infraction of the law. If one is dissatisfied, the only appropriate action is to try to get the speed limit raised.

Some aspects of COCOM are undoubtedly left over from the Cold War era. Legitimate grievances should be openly aired. But rather than simply point out that some West European nations share Japan's dissatisfaction, we should join those nations in opposing the Reagan administration's efforts to strengthen COCOM. We must, however, bear in mind that none of the other major COCOM members, such as Britain, France, and West Germany, supported Japan's position on the Toshiba affair.

THE WAY TO END JAPAN BASHING

The only way to put an end to Japan bashing in the United States is to rectify the bilateral trade imbalance, and to do this Japan must diversify its export markets. If the Toshiba affair leads to reluctance to export to the communist bloc, as certain signs already indicate, and if as a result exports to Eastern countries actually decrease, Japan will be unable to diversify its markets as necessary. Indeed, the affair has had a detrimental effect not only on Japan's relations with the United States and other Western-bloc nations but on its relations with the Eastern bloc as well.

Observing the rancorous aftermath of the Toshiba affair, American experts on Japan commented that Japan should have immediately admitted wrongdoing, apologized unequivocally, and promptly initiated discussion of remedial measures. As it was, Japan's tardy response, together with insinuations of conspiracy and quibbling over cause and effect, antagonized Congress and distorted Japanese perceptions of the United States, widening the gap between the two countries. Although similar charges were leveled against both Toshiba and Kongsberg, Toshiba was the target of much more anger than the Norwegian company, probably because of the latter's swift response.

Fortunately for Japan, some groups in the United States remain cool-headed. For example, in early August the National Association of Manufacturers issued a statement declaring that sanctions against Toshiba would hurt the United States itself. And the State and Defense departments have praised the measures the Japanese government has taken to prevent similar problems in the future. (I might remark in passing, however, that Japan's hasty amendment of the Foreign Exchange and Foreign Trade Control Law which turned out to be much more rigid than those of other West European nations, was hardly a cool-headed response. Imposing stricter surveillance of exports and significantly increasing the number of inspectors under the existing law would have been sufficient.)

Working through such sympathetic channels, Japan might be able to get the sanctions lifted or at least lightened. But persisting in self-serving arguments and counterclaims based on misunderstanding even after the company concerned has admitted its involvement and the Ministry of International

Trade and Industry has acknowledged that Japanese law was violated, will only broaden the perception gap dividing the United States and Japan. If the gap continues to grow, other Japanese companies will suffer.

The United States, particularly under the Reagan administration, has taken a tough stance in negotiations with the Soviets. For seven years now America has tried to block the sale of all sensitive technology to communist-bloc nations. Yet even doubling COCOM's strength could not prevent some sensitive technology from slipping through. If Japan is dissatisfied with COCOM regulations as they stand, it should join like-minded West European nations in trying to bring the anachronistic aspects of the present COCOM system into line with international realities. Sniping from the sidelines and violating the current rules are no way to win international trust. If Japan is reluctant to press for reform, it has no option but to withdraw from COCOM. Of course, this step would have to be taken with the full knowledge that it would mean severe restrictions on the technology it could acquire from the United States and other Western-bloc countries.

Specifically, we can press COCOM to grant permission for the export of more goods to communist-bloc nations. If the screening process drags on too long, we can increase our contribution to COCOM's budget so that we can demand faster action. We can also demand the rectification of obsolete or unfairly implemented regulations, resting our case on careful comparison of the outcome of the screening of U.S. and European export applications. It is noteworthy that the United States has occasionally sold advanced computers and other sensitive technology that appear to exceed COCOM limits. It has done so for the purpose of upgrading its intelligence capabilities, and the Japanese authorities have been fully aware of this.

As an economic power rivaling the United States, Japan is coming under increasingly severe scrutiny, especially since Americans firmly believe that Japan has been the greatest beneficiary of the postwar free trade system, established under U.S. leadership. Consequently, dissatisfaction with Japan erupts as soon as it is perceived as behaving in a way contrary to the U.S. interest while benefiting from the free trade system. Since the United States takes it for granted that Japan will support its global strategy, while Japan wants to follow an independent course, bilateral disagreements are bound to increase. Yet this is the process all Western European nations have followed in their relations with the United States. One might say that Japan has finally reached the point at which it can remain an ally while engaging in heated policy disputes vis-a-vis the United States.

The time has come to stop trying to outmaneuver competitors by breaking the rules and to start undertaking forthright policy debate. This means eradicating weaknesses the United States can exploit. In recent years Japan has been gradually moving in this direction. We ought to try to minimize the damage done by the Toshiba affair by incorporating its lessons into future policy. To accomplish this, however, we must perceive the United States correctly, not broaden the gap between us by talking about conspiracies and nursing delusions of persecution.

