

THE KANSAI AIRPORT PROJECT: TOKYO SLAMS A \$6 BILLION DOOR IN AMERICA'S FACE

Just as Washington and Tokyo are working to reduce their bilateral trade imbalance, the Japanese government has taken actions that increase U.S. frustration over access to Japanese markets. This time the problem is in the construction field. The Japanese government is barring U.S. and other foreign companies from bidding on the initial \$3.6 billion phase of the planned \$6 billion Kansai International Airport construction project in Osaka, one of Japan's biggest public works projects ever.

While Japanese authorities have assured the U.S. that all foreign companies will be invited to bid on the second, \$1.5 billion phase, the U.S. government correctly sees exclusion from first phase bidding as a non-tariff barrier restricting trade in services. If the Reagan Administration is serious about obtaining fair treatment in Japan for U.S. products and services, then Washington should demand that Tokyo open the bidding on all phases of this gigantic project. And if Tokyo refuses to allow foreigners to bid and refuses to give foreign bids genuinely serious attention, then the Reagan Administration and U.S. lawmakers should draw the only possible conclusion: the Japanese government is unconcerned about the U.S. trade deficit and is torpedoing deliberately the U.S.-Japanese talks ostensibly designed to open Japanese markets to American goods and services as much as the U.S. market is opened to Japan's.

The U.S. trade deficit with Japan has soared during the last three years, reaching \$50 billion in 1985. Although the main causes of the worsening trade imbalance are related to economic growth levels and exchange rates, the presence of Japanese trade barriers exacerbates the situation. The exclusion of the U.S. and other foreign construction firms from such projects as the Kansai Airport offers protectionists in the U.S. Congress an example and excuse to close America's markets. Tokyo by now should be aware of the explosive political nature of the protectionist issue in Washington.

The construction plans for the Kansai Airport, to be built on a land fill in Osaka Bay, were designed by Japanese officials with the cooperation of Japanese companies. Japanese public works often involve such quiet cooperation between government officials and certain private companies, and have excluded not only foreigners but other Japanese firms which have experience and technology but not political connections.

Since the early days of aviation, U.S. firms have been leaders in airport construction, including offshore projects. Bechtel, Morrison-Knudsen, Brown and Root, and Kaiser Engineers are examples of qualified American companies which deserve the consideration of the Japanese government. To be sure, U.S. firms often are reluctant to bid on major projects in Japan. Because of close cooperation between the procurement agency and private Japanese companies, the completion time is very short and the profits small. Still the opportunity for bidding should be available for U.S. companies.

As with so much else involving U.S.-Japan economic relations, the Japanese get a much better deal in the U.S. than they offer Americans in Japan. In construction, for example, last year alone, 18 Japanese companies won over \$1.7 billion worth of business, including housing development, in the U.S. In contrast, only one U.S. company has obtained construction business in Japan in recent years.

To open bids and award contracts to Americans requires a simple decision by the Japanese government. The Kansai International Airport project is thus the best opportunity for U.S. construction companies to expand business in Japan and simultaneously to increase service exports to Japan. The Japanese cannot claim that American construction firms are being excluded by such unofficial obstacles as the intricate, informal wholesale-retail relations or cultural conditions which impede the distribution and sale of many American products in Japan. The Kansai project is a public works project. It is a true test of Tokyo's honesty and sincerity regarding free and fair trade with the U.S.

The Reagan Administration should press Japanese Prime Minister Yasuhiro Nakasone to open bidding on all phases of the Kansai bidding to American and all other foreign firms. Further, the Administration should seek assurances that contracts will be awarded on the basis of comparative advantage, not on the basis of friendships between Japanese businessmen and Japanese government bureaucrats. It is to be expected, moreover, that U.S. firms would receive contracts valued at least at \$1.5 billion.

If the Nakasone government really wants to open Japanese markets and reduce the Japanese trade surplus with the U.S., it should open public works projects to foreign bidding. And if the Reagan Administration really wants to win open markets in Japan for U.S. products, it should not let Tokyo get away with slamming the \$6 billion Kansai Project door in America's face.

Burton Yale Pines
Senior Vice President