

Ambassador Mondale's Talking Points  
State Department Public Affairs Briefing  
June 10, 1994

- It was exactly a year ago (June 11) that President Clinton nominated me to be Ambassador to Japan.
- It has been an exciting year for Japan (e.g., three Prime Ministers in a year's time, first non-LDP government in almost four decades, the Emperor's visit to the USA).
- Both America and Japan are facing the challenge of change. Our two societies are changing — and so is the world. The enduring stability and strength of the U.S.-Japan relationship gives us much-needed continuity during this time of change. But we must also be willing to adjust and adapt this relationship to the changing realities of the post-Cold War world and the global economy.
- As Ambassador, my job is to represent President Clinton and the American people in fulfilling our nation's objectives with Japan. These objectives remain fundamentally the same today as they were a year ago:
  - to build on the many successes and strengths of our partnership in security and political cooperation (both regionally and globally);
  - to resolve our economic tensions within the context of our shared interests in a growing and more open world economy; and
  - to always conduct our affairs with the dignity and mutual respect befitting two great nations whose people have so many interests and values in common. In particular, I would like to

see us expand and enhance the "human connections" between our two nations (e.g., student exchanges).

## Security and Political Cooperation

- The political and security legs of our relationship are healthy.
- Despite the end of the Cold War, our alliance with Japan remains the foundation of peace and stability throughout the Asia-Pacific region.

- America's continuing presence serves the interests of both the United States and Japan, as well as every other nation in the region.

- Asia occupies a unique place in the post-Cold War world. On the one hand, this is today possibly the most stable region in the world. There are no significant military conflicts, and most of the countries in the region are experiencing economic growth at an unprecedented pace. On the other hand, the North Korean nuclear program reminds us of the continuing potential for instability in the Asia-Pacific.

- The process of regional cooperation in Asia remains much less developed than in Europe. There is no European Union, no NATO, no CSCE — reflecting the complex history of this region with its economic, political and cultural diversity. We are beginning to build such institutions through APEC, the ASEAN Post-Ministerial Conference and the Northeast Asia Security Dialogue. But this process will take time. For the foreseeable future, the American presence (based on the U.S.-Japan Security Treaty) will remain essential to stability and prosperity in the region.

- Our plans call for maintaining American military capabilities in the Pacific at current levels. We will adjust our forces only to match changes in the regional security situation. (The cooperation provided by Japan, especially in the form of Host Nation Support, is essential for America's forward-deployed strategy in the region.)
- One of the great virtues of our alliance with Japan has always been its adaptability. The fact that it is as relevant today as it was in the midst of the Cold War shows the deep interdependence of American and Japanese national interests.
- Although our approaches to various issues may sometimes differ, we are in substantial agreement with the Japanese on virtually every foreign policy issue:
  - our cooperation and policy coordination with the Japanese government on the North Korea nuclear problem has been excellent.
  - in such important matters as the Middle East peace process, the Eastern European environmental initiative, nuclear disarmament in the former Soviet Union, Japan has provided assistance or expressed its concerns in ways that have been consistent with our own efforts.
  - we support a permanent seat for Japan in the UN Security Council.
  - as a (relatively little-known) part of our bilateral Framework agreement, Japan has pledged four billion dollars for efforts on population, the environment and AIDS.
  - Even in areas where we do not see eye-to-eye on methods (e.g., human rights in Burma and loan assistance to Iran), we agree on objectives and continue an open policy dialogue.

- While there have been signs of Japanese movement toward an expanded role in Asia, Japanese foreign policy will continue to be anchored in the basic U.S.-Japan relationship.

- There is little prospect in the near- or mid-term (or probably in the long-term) that Japan will seek major changes in the political and security aspects of our relationship.

- The U.S.-Japan security relationship is widely perceived in Japan and the rest of Asia as essential not only for Japan's defense, but also for ensuring peace and prosperity in the entire Asia-Pacific region.

- We expect that Japan's new National Defense Program Outline, due out in early 1996, will highlight the continuing importance of our bilateral security relationship to the defense of Japan.

## Economics

- Our economic approach to Japan is part of this Administration's broader economic agenda. It is based on the reality that American prosperity now depends on global prosperity. This means we need to work for a more open world trading and financial system, and we need to encourage policies that will help bring about a growing world economy. (Major efforts in support of this agenda include GATT, NAFTA and APEC.)

- The centerpiece of our economic approach to Japan continues to be the "Framework for a New Economic Partnership," which was agreed upon by our two governments last July. The Framework has three components:

- First, it aims to address macroeconomic imbalances. Japan agreed to bring about a "highly significant" decrease in its global current account surplus by pursuing "strong and sustainable domestic demand-led growth." In turn, the United

States agreed to reduce its budget deficit, promote savings and strengthen its international competitiveness — and that is what we are doing.

- Second, Japan agreed to work toward "increasing the market access of competitive foreign goods and services." The Framework calls for negotiations to address sectoral and structural barriers which limit imports and foreign investment in five areas, or "baskets" (government procurement, insurance, autos/auto parts, financial services, intellectual property). Our two governments agreed to evaluate the progress achieved in these baskets by using "objective criteria, either qualitative or quantitative or both as appropriate."

- Third, our two governments agreed to cooperate on issues of global importance — including environmental protection, population, AIDS, technology development and human resources. (Progress on this "common agenda" has been excellent. Cooperation was originally initiated on 15 separate programs; the portfolio was expanded in late May to include four new initiatives.)

- The focus of our concern is not Japan's bilateral trade surplus with the United States, but its huge and persistent current account surplus with the rest of the world. The other G-7 members have joined the United States in urging Japan to stimulate its economy to reduce this surplus.

- At last July's G-7 summit in Tokyo, Japan promised to "implement fiscal and monetary measures as necessary, to ensure sustained non-inflationary growth led by strong domestic demand."

- We do not believe that the Japanese government's macroeconomic policies to date have been sufficient to stimulate the economy and meet Japan's international commitment to reduce its current account surplus.

- The Embassy view is that, given present macroeconomic policies, Japan's current account surplus will fall only about \$10 billion this year — and will remain stuck at about that level in 1995. This is also the consensus view from an Embassy survey of private sector economists (foreign and Japanese) at financial institutions in Tokyo.

- Our interest in removing trade barriers and opening markets in Japan is not principally the effect it would have on Japan's trade surplus (even though market-opening would certainly have some impact). Instead, it is an issue of fairness.

- Our goal is movement toward a more open, competitive market environment in Japan, with greater opportunities for foreign companies to compete freely and fairly.

- The Framework reflects a commitment to allow market forces to determine trade patterns. The Framework does not try to "manage" trade. Its purpose is to "un-manage" trade by opening markets.

- The simple reality is that Japan's closed economy and its economic imbalances with the rest of the world (not just the United States) are unsustainable, economically and politically.

- They are a drag on the global economy, and they are a target for popular resentment and protectionist backlash around the world.

- As the second largest economy in the world with aspirations to greater international leadership, Japan has a basic responsibility to the rest of the world to open its markets and stimulate domestic economic growth.

- In any case, with such a huge global trade surplus, why does Japan need to close and protect its markets?
- The United States is the most open economy in the world, and our commitment to free trade has been the engine of global economic growth for the past 40 years.
  - We would like Japan, as the second largest economy in the world, to be our partner in strengthening and extending the open world trading system.
  - The world is now looking to Japan for more openness — and the world is looking to Japan to take on greater responsibilities for international leadership.
  - A growing world economy depends on a growing Japanese economy. And an open and vital world trading system depends on a Japan whose own markets are more open.
- Our economic relations do not have to be a zero-sum game, where Japan must lose if the United States wins. It is a fundamental principle of modern economics, proven time and time again, that both sides win when markets are open. By boosting domestic demand and opening markets, Japan would:
  - strengthen its own economy;
  - create new opportunities for both Japanese and foreign companies;
  - spur innovation and improved productivity;
  - create new choices and opportunities for Japanese consumers; and



- reduce prices and enhance the constricted living standards of the Japanese people, bringing them more in line with Japan's great wealth as a nation.

## **Relationship of Dignity and Mutual Respect**

- Our economic differences with Japan do not amount to a "trade war."

- It is important, on both sides, that we keep these economic disagreements in the proper perspective and that neither of us overreact to them.

- These disagreements should not, and will not, threaten our broader relationship with Japan. (But that does not mean we can be complacent, either.)

- Over the years, we have had fractious trade disputes with Canada, France, Britain, South Korea and many other nations. In no instance have these disputes ruptured our broader relationship with these countries. It should not be any different with Japan.

- We are seeking economic remedies for economic problems.

- Fortunately, there are a growing number of voices for change in Japanese society, especially within the business community. They increasingly recognize the costs and disadvantages of an over-regulated, closed economy. The recession, the high yen and a general sense that over-regulation is stifling the economy have combined to produce a domestic constituency for change. We need to work with and encourage these forces.

- But we need to be mindful that the resistance to change from bureaucrats and entrenched interest groups in Japan is formidable. Change is coming, but it is likely to be incremental and agonizingly slow.



- The Japanese have a great fascination with the outside world, especially the West. Japan's economic miracle was built on that society's ability to borrow from abroad, exploit foreign markets and adjust skillfully to changing international circumstances. But they remain determined to accept the world only on their own terms. They still resist the principle of reciprocity on the basis that "Japan is different."
- Thus, it is likely that some foreign pressure ("gaiatsu") will continue to be necessary in our relations with Japan. But it cannot be the basis of our relationship. Our goal must be to encourage and support positive trends within Japanese society, rather than trying to impose an outside agenda.
- The United States and Japan are two independent, sovereign nations. We each have our own national interests. These will sometimes diverge. In itself, this is no cause for alarm. What we need is leadership in both countries that can help to strengthen our many areas of cooperation and to work through our differences. Above all, we need to treat each other with the dignity, respect, and statesmanship befitting two great nations.
- I took this job for my grandchildren. How our two nations get along will say a lot about what the world is going to be like in the years ahead. If we handle our affairs right, if we build on the strengths and potential of our partnership, then the chances for peace . . . for prosperity . . . for more democracy . . . for a better environment . . . the chances for poor people around the world — all of these will improve.



# MINNESOTA HISTORICAL SOCIETY

Copyright in the Walter F. Mondale Papers belongs to the Minnesota Historical Society and its content may not be copied without the copyright holder's express written permission. Users may print, download, link to, or email content, however, for individual use.

To request permission for commercial or educational use, please contact the Minnesota Historical Society.



[www.mnhs.org](http://www.mnhs.org)