

Ambassador's Remarks To The U.S. - Japan Business Council

July 12, 1994

LET ME BEGIN MY REMARKS BY THANKING THE MEMBERS OF THE COUNCIL FOR YOUR PRESENCE HERE AND FOR YOUR EFFORTS TO ENHANCE THE POSSIBILITIES FOR MARKET GROWTH AND COOPERATION BETWEEN THE BUSINESS LEADERSHIP OF OUR TWO NATIONS. I AM TRULY GRATEFUL FOR YOUR HELP AND I AM RELYING ON YOU TO CONTINUE YOUR LEADERSHIP IN THIS CRUCIAL AREA. I PARTICULARLY WANT TO THANK JOE GORMAN AND TONY KOBAYASHI FOR THEIR HELP AND MAY I THANK DON FITES IN ADVANCE FOR WHAT I KNOW WILL BE HIS FORCEFUL AND EFFECTIVE LEADERSHIP.

I ARRIVED IN TOKYO TO BEGIN MY DUTIES AS THE UNITED STATES AMBASSADOR TO JAPAN ALMOST ONE YEAR AGO. SINCE THEN, WE HAVE SEEN THE SUCCESSFUL CONCLUSION OF A NUMBER OF ECONOMIC AGREEMENTS WITH JAPAN INCLUDING THE EXPANSION OF MARKET ACCESS IN RICE, APPLES, CONSTRUCTION, ARCHITECTURAL AND ENGINEERING SERVICES, AND CELLULAR PHONE SERVICE. (IN EACH OF THESE AREAS A VERY SUBSTANTIAL AMOUNT OF THE NEW IMPORTS HERE HAVE BEEN SOURCED FROM NATIONS OTHER THAN THE UNITED STATES. IN OTHER WORDS, THE GLOBAL ECONOMY HAS BENEFITED FROM THESE AGREEMENTS.) ON THE COMMON AGENDA, WHERE WE COOPERATE ON AN IMPRESSIVE ARRAY OF GLOBAL PROBLEMS, THE U.S. AND JAPAN HAVE AGREED TO WORK TOGETHER IN A HOST OF AREAS INCLUDING HEALTH, THE ENVIRONMENT, POPULATION, AND FIGHTING AIDS IN DEVELOPING COUNTRIES. (THE COMMON AGENDA IS ONE OF THE MOST UNDER-REPORTED STORIES.) WE HAVE ALSO HELD FREQUENT, CLOSE, AND COOPERATIVE CONSULTATIONS ON REGIONAL SECURITY MATTERS, PARTICULARLY WITH JAPAN AND SOUTH KOREA, IN OUR EFFORTS TO RESOLVE THE NORTH KOREAN NUCLEAR PROBLEM.

LAST JULY, IN HIS SPEECH AT TOKYO'S WASEDA UNIVERSITY, PRESIDENT CLINTON LAID OUT HIS VISION OF A NEW PACIFIC COMMUNITY -- BASED ON "SHARED STRENGTH, SHARED PROSPERITY AND A SHARED COMMITMENT TO DEMOCRATIC VALUES." THESE THREE PILLARS ARE MUTUALLY REINFORCING: SECURITY IS ESSENTIAL FOR ECONOMIC DEVELOPMENT. ECONOMIC PROGRESS PROMOTES DEMOCRATIC CHANGE, AND PROSPEROUS DEMOCRACIES MAKE FOR PEACEFUL NEIGHBORS.

THE U.S. - JAPAN PARTNERSHIP IS THE BEDROCK OF THIS NEW PACIFIC COMMUNITY. FOR THIS REASON, WE CANNOT BE SATISFIED WITH A RECITATION OF PAST ACCOMPLISHMENTS. WE MUST CONTINUE TO WORK IN THE DAYS AHEAD TO ENSURE THAT THE U.S. - JAPAN RELATIONSHIP IS SOUND AND PRODUCTIVE: SOUND ENOUGH TO ASSURE STABILITY IN THE PACIFIC REGION AND PRODUCTIVE ENOUGH TO ASSURE CONTINUED ECONOMIC PROSPERITY BOTH REGIONALLY AND GLOBALLY.

OUR TWO GOVERNMENTS, AS YOU KNOW, HAVE AGREED TO WORK THROUGH OUR ECONOMIC DIFFERENCES WITHIN THE CONTEXT OF THE NOW FAMILIAR "FRAMEWORK FOR A NEW ECONOMIC PARTNERSHIP."

A PORTION OF THE JAPANESE MARKET, AS MANY OF YOU KNOW, IS AVAILABLE AND OPEN FOR EFFECTIVE AMERICAN AND WORLD COMMERCIAL PARTICIPATION. (NOT EVERY ECONOMIC ASPECT OF THE RELATIONSHIP BETWEEN THE UNITED STATES AND JAPAN IS CONTROVERSIAL.) MANY AMERICAN COMPANIES ARE DOING VERY WELL IN JAPAN.

THAT SAID, THERE ARE MANY ASPECTS OF THE JAPANESE ECONOMY WHERE THE JAPANESE MARKET IS NOT OPEN -- NOT OPEN TO THE UNITED STATES OR TO THE REST OF THE WORLD. WE DO NOT HAVE TO GO INTO THE DIFFERENT MEASUREMENTS THAT HELP DEMONSTRATE THIS POINT. WHETHER IT IS THE PERCENTAGE OF MANUFACTURED IMPORTS, OR INTRA-INDUSTRY TRADE, OR THE AMOUNT OF DIRECT FOREIGN INVESTMENT HERE AS COMPARED TO OTHER NATIONS, OR THE LEVEL OF PRICES HERE IN THE SAME COMMODITIES AS COMPARED TO ELSEWHERE IN THE WORLD -- THERE IS A STRONG CASE TO BE MADE. MANY KEY AREAS OF THE JAPANESE ECONOMY ARE ESSENTIALLY CLOSED OR CLOSED TO SUCH A DEGREE AS TO BAR EFFECTIVE COMPETITION FROM THE REST OF THE WORLD. THIS ARGUMENT, IN FACT, IS GENERALLY NOT IN DISPUTE.

THE FRAMEWORK REFLECTS AN UNDERSTANDING OF THE NEED TO OPEN JAPAN'S MARKETS AND OF THE SHARED RESPONSIBILITY OF BOTH OUR COUNTRIES IN THE REGIONAL AND GLOBAL ECONOMY. IN IT, THE UNITED STATES AGREED TO TAKE STEPS TO REDUCE ITS DEFICIT AND TO IMPROVE ITS INTERNATIONAL COMPETITIVENESS. WE'VE ALREADY MADE PROGRESS IN BOTH AREAS. AS YOU KNOW, WE HAVE SIGNIFICANTLY REDUCED OUR FISCAL DEFICIT THIS YEAR. AMERICAN COMPETITIVENESS IS UP AND IS NOW DRAWING ATTENTION AROUND THE WORLD.

FOR ITS PART, JAPAN PROMISED TO PROMOTE DOMESTIC DEMAND-LED GROWTH AND TO INCREASE MARKET ACCESS FOR FOREIGN GOODS AND SERVICES. JAPAN HAS COMMITTED TO ACHIEVING A "HIGHLY SIGNIFICANT DECREASE" IN ITS CURRENT ACCOUNT SURPLUS. THESE COMMITMENTS ARE IN JAPAN'S INTEREST AS WELL AS IN THAT OF ITS TRADING PARTNERS.

ON MARKET ACCESS, JAPAN COMMITTED IN THE "FRAMEWORK" TO NEGOTIATIONS IN SEVERAL "BASKETS" OF ISSUES, INCLUDING THE USE OF QUALITATIVE AND QUANTITATIVE OBJECTIVE CRITERIA THROUGH WHICH BOTH GOVERNMENTS COULD ASSESS THE OUTCOMES OF MARKET OPENING MEASURES LEADING TO SIGNIFICANT INCREASES IN THE ACCESS AND SALES OF FOREIGN GOODS IN THIS MARKET. (YOU KNOW, I HAVE BEEN THROUGH THESE WORDS SO MANY TIMES, ON SO MANY OCCASIONS, I THINK I'LL PIN IT ON MY PAJAMAS.)

HOWEVER, DESPITE MONTHS OF NEGOTIATIONS IN THE "FRAMEWORK" TALKS, INCLUDING THE MOST RECENT ROUND OF TALKS, HELD JUST PRIOR TO THE G-7 SUMMIT, THE TALKS WERE INCONCLUSIVE. OUR GOVERNMENT PRESENTED TO THE JAPANESE SIDE NEW PROPOSALS ON AUTO AND AUTO PARTS, GOVERNMENT PROCUREMENT AND INSURANCE THAT MEET OUR SHARED GOAL OF INCREASING MARKET ACCESS AND SALES OF COMPETITIVE FOREIGN GOODS.

WE UNDERSTAND THAT THE POLITICAL TURMOIL IN JAPAN THAT COINCIDED WITH THE LATEST ROUND OF "FRAMEWORK" TALKS CONTRIBUTED TO THE LACK OF RESULTS. IN NAPLES, THE GOVERNMENT OF JAPAN RECOMMITTED ITSELF TO THE SUCCESS OF THE FRAMEWORK AND WE NOW HOPE THAT NEGOTIATIONS CAN MOVE FORWARD TO SUCCESSFUL CONCLUSIONS. IT IS IMPORTANT THAT WE REACH SOLID AGREEMENTS THAT ASSURE PRACTICAL RESULTS. WE SHOULD NOT ACCEPT VAGUE AGREEMENTS THAT EXPERIENCE TELLS US ONLY LEAD TO LATER FRUSTRATION AND DISAPPOINTMENT.

MAKING PROGRESS IN SOLVING OUR TRADE DIFFERENCES DEMANDS THAT WE WORK TOGETHER, WITH A DIGNITY THAT DOES JUSTICE TO THE MATURITY OF OUR RELATIONSHIP.

THE OTHER PART OF THE FRAMEWORK AGREEMENT COMMITTED JAPAN TO STIMULATE ITS DOMESTIC ECONOMY TO BRING ABOUT SUFFICIENT DOMESTIC LED GROWTH TO RESULT IN A "HIGHLY SIGNIFICANT" CURRENT ACCOUNT REDUCTION OVER THE MIDTERM.

JAPAN HAS HAD DIFFICULTY PUTTING IN PLACE A FISCAL PACKAGE THAT WOULD PULL JAPAN OUT OF ITS RECESSION AND PROVIDE MUCH NEEDED NEW DEMAND FOR IMPORTS. AT NAPLES, HOWEVER, JAPANESE AUTHORITIES INDICATED THAT THEY ARE PREPARED TO ALLOW A TAX STIMULATION PACKAGE TO REMAIN IN PLACE FOR A SUFFICIENT PERIOD TO ALLOW THE ECONOMY HERE TO RESUME HEALTHY GROWTH BEFORE RAISING TAXES. THIS COULD BE AN IMPORTANT NEW CONTRIBUTION TO PROGRESS. JAPAN ALSO AGREED TO INCREASE SPENDING ON PUBLIC WORKS OVER CURRENT LEVELS.

JAPAN'S ECONOMIC PROBLEMS ARE NOT SIMPLY BILATERAL ONES WITH THE UNITED STATES. VIRTUALLY EVERY ONE OF JAPAN'S TRADING PARTNERS ENCOUNTERS SERIOUS PROBLEMS WITH MARKET ACCESS. IF THE ASIA-PACIFIC REGION AS A WHOLE IS TO MOVE FORWARD ECONOMICALLY, JAPAN MUST DEMONSTRATE THAT ITS MARKETS FOR GOODS AND INVESTMENT ARE MORE ACCESSIBLE TO FOREIGN FIRMS. AS YOU KNOW, RECENT DATA DISCLOSED THAT THE ASIA TRADE DEFICIT WITH JAPAN NOW EXCEEDS THE AMERICAN TRADE DEFICIT WITH JAPAN.

ON THE TRADE FRONT, THIS YEAR'S G-7 MEETING PLACED SPECIAL EMPHASIS ON THE GATT AGREEMENT AND CALLED UPON ITS MEMBERS TO RATIFY THE URUGUAY ROUND BY JANUARY 1ST, 1995. THIS IS AN IMPORTANT STEP IN MARKET LIBERALIZATION, AND WE MUST ALL PUT FORTH MAXIMUM EFFORTS TO ASSURE ITS RATIFICATION. YET MUCH MORE REMAINS TO BE DONE. MARKET LIBERALIZATION ON A GLOBAL SCALE IS CRITICAL TO WORLD GROWTH AND DEVELOPMENT. AS THE G-7 ACKNOWLEDGED IN THIS YEAR'S ECONOMIC COMMUNIQUÉ, "OPENING MARKETS FOSTERS GROWTH, GENERATES EMPLOYMENT, AND INCREASES PROSPERITY." WE FULLY INTEND TO CONTINUE PURSUING MARKET OPENING INITIATIVES AT THE BILATERAL LEVEL, THROUGH THE "FRAMEWORK" NEGOTIATIONS.

(JAPAN'S G-7 PARTNERS ALSO, ONCE AGAIN, URGED JAPAN AT THE SUMMIT TO STIMULATE ITS ECONOMY. THE U.S. CANNOT BE THE SOLE ENGINE OF WORLD ECONOMIC GROWTH. AS THE WORLD'S SECOND LARGEST ECONOMY, JAPAN HAS INTERNATIONAL RESPONSIBILITIES IN THIS REGARD. AS I HAVE MENTIONED EARLIER, JAPAN MADE SOME NEW COMMITMENTS TO DO SO. IN THE PAST, WE HAVE BEEN CRITICIZED BY OUR G-7 PARTNERS FOR NOT DOING ENOUGH TO REIN IN OUR BUDGET DEFICIT. THIS YEAR, HOWEVER, THE CLINTON ADMINISTRATION CAME TO THE SUMMIT WITH RESULTS TO SHOW FOR OUR EFFORTS. THE U.S.

BUDGET DEFICIT IS NOW ONE OF THE SMALLEST OF THE G-7 COUNTRIES. WE LOOK FORWARD TO THE UNVEILING OF SPECIFIC SIMULATIVE MEASURES IN THE COMING MONTHS BY THE GOVERNMENT OF JAPAN.)

DEREGULATION OF THE JAPANESE ECONOMY ALSO WILL CONTRIBUTE TO OPENING JAPANESE MARKETS TO THE WORLD AND, IN TURN, EASING TRADE TENSIONS BETWEEN THE UNITED STATES AND JAPAN. WE WELCOME THE LATEST DEREGULATION PACKAGE RECENTLY ANNOUNCED BY THE GOVERNMENT OF JAPAN. WE SEE IT AS A FIRST STEP IN THE EFFORT TO ELIMINATE EXCESS REGULATIONS -- REGULATIONS THAT RESTRAIN COMPETITION AND IMPOSE UNNECESSARY OPERATING COSTS ON DOMESTIC AND FOREIGN FIRMS OPERATING IN JAPAN. IF IMPLEMENTED IN THE SPIRIT OUTLINED BY THE PACKAGE'S "SEVEN GUIDING PRINCIPLES," THIS LATEST DEREGULATION PACKAGE WILL BE A SOLID FIRST STEP IN WHAT WE HOPE WILL BE A CONTINUING PROCESS OF DEREGULATION.

I MUST POINT OUT, THE TRUE TEST OF THE EFFECTIVENESS OF THIS LATEST DEREGULATION PACKAGE WILL BE IN ITS IMPLEMENTATION. WE HOPE THAT THE JAPANESE GOVERNMENT WILL ACT ON THE RECOMMENDATION OF THE KEIDANREN TO ESTABLISH AN INDEPENDENT ENTITY TO MONITOR AND ENFORCE ITS IMPLEMENTATION. IT SHOULD BE ARMED WITH ADEQUATE AUTHORITY TO ENSURE PROMPT DEREGULATION.

DEREGULATION OF THE JAPANESE MARKET IS CRUCIAL TO ENSURING THE FREE FLOW OF TRADE AND COMMERCE. THIS EFFORT IS WIDELY ENDORSED BY THE JAPANESE BUSINESS COMMUNITY. WE HOPE THAT JAPANESE COMPANIES LIKE THOSE HERE TODAY WILL HELP PUSH THIS INITIATIVE FORWARD.

IN THE POST-WORLD WAR II PERIOD, JAPAN HAS BEEN ONE OF THE GREATEST BENEFICIARIES OF AN OPEN WORLD SYSTEM OF TRADE AND FINANCE. OPEN MARKETS IN MY COUNTRY HAVE BEEN THE ESSENTIAL UNDERPINNING OF THIS SYSTEM. THE UNITED STATES REMAINS COMMITTED TO KEEPING ITS MARKETS OPEN -- I BELIEVE WE ARE THE MOST OPEN MARKET IN THE WORLD -- AND WE EXPECT THAT OTHER NATIONS WILL OPEN THEIRS. AS PRESIDENT CLINTON LIKES TO SAY: "AMERICA WANTS TO COMPETE -- NOT RETREAT OR PROTECT."

THE BUSINESS COMMUNITY IS CENTRAL TO PROMOTING THE OPENING OF MARKETS IN JAPAN AND THE ASIA-PACIFIC REGION. INCREASINGLY, GOVERNMENTS HAVE COME TO UNDERSTAND THAT THEIR ABILITY TO PROMOTE OPEN MARKETS IS ONLY AS EFFECTIVE AS THE QUALITY OF INPUT FROM THE PRIVATE BUSINESS COMMUNITY. AT LAST NOVEMBER'S APEC LEADERS MEETING IN SEATTLE, APEC LEADERS PROPOSED THE CREATION OF A NEW AND UNIQUE PACIFIC BUSINESS FORUM. THE FORUM WILL BE A VOICE FOR THE PRIVATE BUSINESS COMMUNITY TO REGISTER ITS VIEWS DIRECTLY TO APEC LEADERS ON ISSUES VITAL TO PROMOTING EXPANDED TRADE AND INVESTMENT IN THE ASIA-PACIFIC REGION. (ADDED INFO ABOUT APEC MEETING IN INDONESIA.) THE FIRST MEETING OF THE PACIFIC BUSINESS FORUM WAS HELD LAST MONTH IN SINGAPORE. (THIS BUSINESS FORUM IS AT WORK NOW SHAPING PROPOSALS AND PROVIDING INPUT FOR THE NEXT APEC MEETING, IN INDONESIA.)

FOR MANY YEARS, AMERICANS AND MANY OTHERS THROUGHOUT THE WORLD HAVE FOUND THAT JAPAN'S MARKETS ARE NOT AS OPEN AS THEY OUGHT TO BE. IF THE ASIA-PACIFIC REGION AS A WHOLE IS TO MOVE FORWARD ECONOMICALLY, JAPAN MUST DEMONSTRATE THAT ITS MARKETS FOR GOODS AND INVESTMENT ARE ACCESSIBLE TO FOREIGN FIRMS. TO THE EXTENT THIS GREATER OPENNESS IS ACHIEVED, EVERYONE WILL BENEFIT — THE UNITED STATES, THE REST OF THE ASIA-PACIFIC REGION AND, OF COURSE, JAPAN ITSELF, AND THE GLOBAL ECONOMY.

IN ALL OF THESE EFFORTS, THE WORK OF THIS COUNCIL IS CRUCIAL. THOSE OF US AT THE EMBASSY LOOK FORWARD TO WORKING WITH YOU.

THANK YOU.



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