

SPEECH TO ACCJ

7:45 A.M. 10/11/94

THANK YOU FOR THAT KIND INTRODUCTION, AND FOR INVITING ME HERE THIS MORNING.

IT IS GOOD TO SEE ALL OF YOU AGAIN, AND I LOOK FORWARD TO HEARING YOUR VIEWS. I HOPE YOU WILL BE FRANK BUT NOT ABUSIVE.

I WANT TO REPEAT WHAT I SAID THE LAST TIME I SPOKE WITH YOU: I DEEPLY APPRECIATE THE EXCELLENT COOPERATION WE RECEIVE FROM THE ACCJ. I BELIEVE THIS IS THE BEST CHAMBER IN THE WORLD AND IT IS A PLEASURE TO WORK WITH YOU.

AND I ESPECIALLY WANT TO THANK THE ACCJ FOR ITS PUBLIC SUPPORT OF THE FRAMEWORK.

THE RECENT FRAMEWORK AGREEMENTS ARE A POSITIVE STEP FORWARD. THE PUBLIC PROCUREMENT AGREEMENT REAFFIRMS THE ORIGINAL FRAMEWORK GOAL: TO ACHIEVE A SIGNIFICANT INCREASE IN THE ACCESS AND SALES OF COMPETITIVE FOREIGN GOODS AND SERVICES IN JAPAN.

YOU ALL ARE IN BUSINESS. OBJECTIVE CRITERIA ARE NOTHING NEW. THEY ARE PART AND PARCEL OF ANY BUSINESS ARRANGEMENT. WHEN YOU NEGOTIATE, IT IS NATURAL TO INCLUDE LANGUAGE TO ENSURE THAT BOTH PARTIES UNDERSTAND WHAT IS EXPECTED OF THEM.

THIS IS NOT MANAGED TRADE.

THERE ARE NO NUMERICAL TARGETS.

THERE ARE NO GUARANTEED OUTCOMES.

BUT WHAT WE DO HAVE HERE ARE GOALS; AND OBJECTIVE CRITERIA TO EVALUATE PROGRESS IN MEETING THESE GOALS.

SO WHAT ARE THE GOALS AND WHAT ARE THE CRITERIA BY WHICH PROGRESS WILL BE JUDGED? WHILE I APOLOGIZE FOR GETTING INTO A LOT OF DETAIL SO EARLY IN THE MORNING, THIS IS REALLY THE ONLY WAY TO SHOW HOW THIS AGREEMENT WORKS AND TO EXPLAIN HOW THE GOALS AND CRITERIA DIFFER ACCORDING TO THE VARIOUS SECTORS.

FIRST: IN GOVERNMENT PROCUREMENT FOR TELECOMMUNICATIONS, JAPAN HAS AGREED TO THE GOAL OF MAKING THE PROCESS BY WHICH IT BUYS EQUIPMENT FAIRER AND MORE OPEN TO FOREIGN PRODUCTS. IT WILL REDUCE THE NUMBER OF SOLE-SOURCE CONTRACTS WHICH INVARIABLY GO TO JAPANESE FIRMS, LOWER THE THRESHOLD FOR TENDERS SO THAT MANY MORE PURCHASES WILL COME UNDER THE NEW RULES, AND INSTITUTE THE "BEST OVERALL VALUE" SYSTEM FOR TENDERS. PROGRESS TOWARDS THIS GOAL WILL BE MEASURED BY FIVE QUANTITATIVE AND FIVE QUALITATIVE CRITERIA.

THE QUANTITATIVE CRITERIA ARE:

- 1) VALUE AND SHARE OF PROCUREMENTS
- 2) NUMBER OF ENTITIES BUYING FOREIGN PRODUCTS
- 3) NUMBER AND VALUE OF CONTRACTS AWARDED AS A RESULT OF A DECREASE IN SINGLE TENDERING
- 4) NUMBER OF TENDERS SUBMITTED BY ALL SUPPLIERS AND FOREIGN SUPPLIERS
- 5) RELATIVE COMPETITIVENESS OF FOREIGN PRODUCTS AND SERVICES.

THE QUALITATIVE CRITERIA ARE:

- 1) FULL ACCESS TO PROCUREMENT INFORMATION
- 2) IMPROVEMENT IN SUBCONTRACTING OPPORTUNITIES
- 3) FULL IMPLEMENTATION OF ALL REQUIRED MEASURES, GUIDELINES AND LETTERS
- 4) EFFORTS BY FOREIGN SUPPLIERS TO UTILIZE PROCUREMENT OPPORTUNITIES
- 5) MARKET CONDITIONS, INCLUDING EXCHANGE RATES.

SUCCESS OR FAILURE WILL BE EVALUATED BASED ON ALL OF THESE CRITERIA.

SIMILARLY, FOR MEDICAL DEVICES, THE SECOND AREA, THE OBJECTIVE IS TO ACHIEVE A SIGNIFICANT INCREASE IN THE ACCESS AND SALES OF FOREIGN-PRODUCED MEDICAL EQUIPMENT. JAPAN HAS AGREED TO THE SAME MEASURES TO OPEN THE BIDDING PROCESS AS PLEDGED IN THE TELECOMMUNICATIONS AGREEMENT AND, IN ADDITION, WILL INSTITUTE A COMPLAINT MECHANISM FOR FOREIGN FIRMS. HERE AGAIN PROGRESS WILL BE JUDGED ON QUALITATIVE AND QUANTITATIVE CRITERIA SIMILAR TO THAT OF TELECOMMUNICATIONS.

IN THE THIRD AREA, NTT PROCUREMENT, U.S. FIRMS WILL BE GIVEN BETTER INFORMATION EARLIER IN THE BIDDING PROCESS; THEY WILL BE GIVEN MULTIPLE OPPORTUNITIES TO SHAPE PROCUREMENT REQUESTS; AND THEY WILL GET INCREASED ACCESS TO TECHNICAL SPECIFICATIONS.

AS FOR INSURANCE, THE FOURTH AREA, JAPAN WILL LIBERALIZE A HOST OF REGULATIONS WHICH HAVE IMPEDED MARKET ACCESS; BUT DO SO IN A WAY WHICH WOULD NOT DISADVANTAGE FOREIGN FIRMS ALREADY SUCCESSFUL IN "NICHE" MARKETS. THE JAPANESE GOVERNMENT ALSO AGREED TO STRENGTHEN ANTI-TRUST ACTION IN THIS MARKET, AND TO PERMIT AN INDEPENDENT BROKER SYSTEM.

ON GLASS, THE JAPANESE GOVERNMENT AGREED IN PRINCIPLE TO PROMOTE GREATER FOREIGN ACCESS TO THE GLASS DISTRIBUTION SYSTEM. WE ARE STILL WORKING OUT THE DETAILS, BUT WE HAVE AGREED TO REACH AN AGREEMENT WITHIN THIRTY DAYS.

IN THE AUTO SECTOR, AS YOU KNOW, WE HAVE CITED JAPAN UNDER SECTION 301 FOR REPLACEMENT AUTO PARTS. THIS ACTION WAS TAKEN BECAUSE OF THE OVER-REGULATION OF THAT MULTI-BILLION DOLLAR MARKET WHICH CLEARLY EXCLUDES FOREIGN AUTO PARTS. AT THE SAME TIME, WE ARE FULLY COMMITTED TO NEGOTIATING THE BROAD RANGE OF AUTO ISSUES, AND WE LOOK FORWARD TO AN EARLY RESUMPTION OF THESE TALKS.

SINCE THE ISSUE HAS BEEN RAISED, I WOULD LIKE TO MAKE IT VERY CLEAR THAT THE UNITED STATES HAS NEVER ASKED FOR, AND HAS NO INTENTION OF ASKING

FOR, A DISMANTLING OF THE CAR INSPECTIONS SYSTEM IN JAPAN ("SHAKEN SYSTEM"). IN FACT, OUR COUNTRY HAS LED THE WORLD IN THE AUTO SAFETY ISSUE. WE WOULD NEVER OBJECT TO REGULATIONS DESIGNED TO PROTECT THE JAPANESE PEOPLE. WE DO HOWEVER, OBJECT TO REGULATIONS WHICH MERELY EXCLUDE FOREIGN PRODUCERS AND, INCIDENTALLY, GOUGE THE JAPANESE CONSUMER.

IN ADDITION TO THESE PRIORITY SECTORS, WE ARE ALSO CONTINUING NEGOTIATIONS IN A NUMBER OF OTHER AREAS SUCH AS FINANCIAL SERVICES, COMPETITION POLICY, AND BUYER-SUPPLIER RELATIONSHIPS. I AM HOPEFUL THAT WE CAN MAKE SOLID PROGRESS HERE AS WELL.

WE HAVE ALSO PLACED WOOD PRODUCTS AND PAPER ON THE 301 WATCH LIST TO INDICATE OUR COMMITMENT TO MAKE PROGRESS IN THESE FIELDS AS WELL.

SO WHAT WILL THIS AGREEMENT MEAN TO YOU? IT WILL MEAN MORE SALES FOR YOUR FIRMS, LOWER PRICES FOR THE CONSUMER, AND GREATER COMPETITION BY FOREIGN FIRMS.

BY OPENING UP JAPAN'S MARKETS, THESE AGREEMENTS WILL RESULT IN SIGNIFICANT NEW SALES OF U.S. GOODS AND SERVICES.

THANKS TO THE NEW TELECOMMUNICATIONS AGREEMENT, FIRMS SUCH AS AT&T, MOTOROLA, IBM, SIECOR AND OTHERS WILL FIND NEW OPPORTUNITIES TO SELL THEIR GOODS HERE.

THANKS TO OUR DEAL ON MEDICAL EQUIPMENT, U.S. SALES IN THIS AREA MAY WELL REACH \$1 BILLION. LIKewise ON INSURANCE, IMPROVED ACCESS COULD GENERATE ADDITIONAL PREMIUM EARNINGS OF OVER \$1 BILLION OVER THE NEXT SEVERAL YEARS.

BENEFITS TO THE CONSUMER ARE ALSO A KEY PART OF WHAT THESE NEGOTIATIONS ARE ALL ABOUT. THEY WILL HELP TO LOWER PRICES AND EXPAND CHOICE.

FOR EXAMPLE, SINCE OUR BEEF AND CITRUS AGREEMENT, THE PRICE OF ORANGE JUICE HAS FALLEN TO ABOUT HALF OF WHAT IT WAS A FEW YEARS BACK. BEEF IS MUCH CHEAPER AND CONSUMPTION IS UP. IMPROVEMENTS IN RETAILING LAWS HAVE HELPED TO START A PRICE REVOLUTION IN AREAS SUCH AS COMPUTERS, BEER AND TOYS WHERE PRICES ARE NOW 10% TO 50% LOWER THAN WHAT THEY HAD BEEN JUST A FEW YEARS AGO.

ONE AREA WHERE WE FEEL THERE ARE PARTICULAR BENEFITS TO BE ACHIEVED IS IN THE AUTO PARTS SECTOR. NOW IN JAPAN IT COSTS \$600 TO CHANGE THE SAME SET OF FRONT SHOCKS HERE THAT WOULD COST YOU ONLY \$250 IN THE U.S. A MUFFLER COSTS \$100 TO REPLACE IN THE U.S., BUT HERE THEY WILL TAKE YOU FOR \$240.

LIKEWISE, OUR EFFORTS TO OPEN THE MARKET IN GLASS AND WOOD PRODUCTS WILL HELP BRING DOWN THE EXORBITANT COST OF HOUSING. IN JAPAN NOW THE COST OF BUILDING A HOME IS ESTIMATED TO BE 1.8 TO 2.6 TIMES GREATER THAN IN THE U.S.

ONE OTHER POINT: THESE AGREEMENTS AIM TO OPEN THE MARKET AND IMPROVE COMPETITION FOR ALL FOREIGN GOODS. THEY ARE ALSO IN FULL COMPLIANCE WITH GATT MFN PRINCIPLES. THERE ARE NO ASSURANCES -- NO GUARANTEES THAT JUST U.S. COMPANIES WILL INCREASE MARKET SHARE.

LOOKING BACK AT PAST AGREEMENTS IT IS CLEAR THAT OFTEN OTHER COUNTRIES HAVE GAINED AT LEAST AS MUCH IF NOT MORE THAN THE U.S. IN 1988, WE OPENED THE BEEF AND CITRUS MARKETS HERE. NOW, SIX YEARS LATER, ALMOST HALF OF JAPAN'S BEEF IMPORTS COME FROM NON-U.S. SUPPLIERS. AUSTRALIA'S SHARE OF BEEF IMPORTS HAS GROWN FROM 10 PERCENT TO 30 PERCENT. CITRUS IMPORTS COME NOT ONLY FROM THE U.S., BUT ALSO FROM COUNTRIES LIKE BRAZIL. OUR SEMICONDUCTOR AGREEMENT OPENED THE JAPANESE MARKET NOT ONLY FOR AMERICANS, BUT ASIANS AS WELL. KOREA'S SEMICONDUCTOR SALES HERE HAVE INCREASED FOUR-FOLD -- TO ABOUT 10 PERCENT OF THE IMPORT MARKET -- AND IS LIKELY TO CONTINUE TO GROW. OUR SUCCESS IN OPENING THE JAPANESE RICE MARKET IN THE URUGUAY ROUND PAVES THE WAY FOR IMPORTS OF ASIAN RICE -- FROM

THAILAND, CHINA, THE PHILIPPINES -- NOT JUST AMERICAN RICE.

NOW WHILE WE INTEND TO MONITOR THESE AGREEMENTS CLOSELY AND WHILE WE WILL PRESS FORWARD TO REACH ADDITIONAL AGREEMENTS, I WANT TO CLOSE WITH AN OBVIOUS POINT: THE REST IS UP TO YOU. YOU MUST PURSUE THESE MARKETS VIGOROUSLY WITH COMPETITIVELY PRICED SUPERIOR PRODUCTS. I HOPE YOUR HOME OFFICES WILL SEE THESE NEW OPPORTUNITIES AND INCREASE THE SUPPORT YOU NEED TO DO YOUR JOB.

THE ESSENCE OF OUR CASE -- AND ITS MOST APPEALING FEATURE FOR JAPAN'S INDUSTRY, CONSUMERS AND TAXPAYERS -- IS THAT WE ASK ONLY FOR OPEN GLOBAL COMPETITION IN THIS MARKET. THIS IS WHAT WE SHOULD WELCOME. THERE WAS A RECENT SURVEY OF THE WORLD'S ECONOMIES WHICH RATED THE UNITED STATES AS THE WORLD'S MOST COMPETITIVE AND PRODUCTIVE ECONOMY BY A LARGE MARGIN. WE HAVE NOTHING TO FEAR AND EVERYTHING TO GAIN FROM THE DISCIPLINE OF AN OPEN MARKET HERE.

I HOPE YOU WILL PRESS YOUR PRODUCTS NOT ONLY IN THE TOKYO AREA BUT THROUGHOUT JAPAN. THESE REGIONS REPRESENT ENORMOUS MARKETS: KANSAI IS ALMOST AS BIG AS SPAIN IN ECONOMIC TERMS; THE NAGOYA REGION IS TWICE AS BIG AS SOUTH KOREA; KYUSHU AND THE TOHOKU-HOKKAIDO REGION ARE ALMOST THE SAME SIZE. OUR CONSULATES IN THESE AREAS ARE COMMITTED TO HELPING AMERICAN COMPANIES. IN FACT, WE ARE ASKING THE DEPARTMENT OF COMMERCE TO INCREASE THE NUMBER OF COMMERCIAL ATTACHES SO THAT THEY ARE ON HAND TO BE OF HELP TO YOU. PLEASE TAKE ADVANTAGE OF THIS.

RECENT STATISTICS REFLECT THE GROWING SALES OF FOREIGN PRODUCTS IN JAPAN. YOU WILL ALWAYS KNOW WHAT APPROACH IS BEST. YOU ARE THE EXPERTS, YOU KNOW YOUR PRODUCTS AND YOU KNOW THIS MARKET. IN THE FINAL ANALYSIS, THE SUCCESS OF AMERICAN EFFORTS DEPENDS UPON YOU.

AS YOU MOVE FORWARD BE ASSURED THAT YOU WILL HAVE OUR HELP AND SUPPORT.

November 14, 1996 11 56

THANK YOU.

APPENDIX
OBJECTIVE CRITERIA FOR INSURANCE.

THE QUANTITATIVE CRITERIA WILL REVIEW THE CHANGE AND RATE OF CHANGE IN:

- 1) NUMBER OF PRODUCT AND RATE APPROVALS
- 2) VALUE OF PREMIUMS BY FOREIGN PROVIDERS
- 3) MARKET SHARE FOR FOREIGN FIRMS.

THE QUALITATIVE CRITERIA WILL USE STANDARDS SUCH AS WHETHER THE MINISTRY OF FINANCE IS:

- 1) PROMPTLY REVIEWING APPLICATIONS
- 2) MAKING STANDARDS TRANSPARENT
- 3) PROVIDING OPPORTUNITIES FOR FOREIGN FIRMS TO COMMENT ON INSURANCE REFORM.



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