

Speech by Ambassador Walter F. Mondale
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Ambassador Matsunaga, thank you for this invitation to speak today. And thank you for your continuing leadership in international diplomacy, especially in strengthening the very special relationship between Japan and the United States.

I am honored to be able to speak to this distinguished audience under the auspices of the Asian Affairs Research Council and the Mainichi Shimbun. I am delighted to have this opportunity to discuss the U.S.-Japan relationship in the context of the Asia-Pacific region.

Today, no region is more important to the United States than Asia. Forty percent of our trade is in this region. Almost two and a half million American jobs are directly related to our exports in Asia. In the years ahead, this region will be the world's center of economic growth, trade, jobs and prosperity.

Let there be no doubt: The people of the United States understand their growing stake in this dynamic region.

As you know, last November President Clinton hosted the first-ever, historic meeting of leaders from the Asia-Pacific Economic Cooperation forum. This meeting followed the annual APEC Ministerial, also held in Seattle.

APEC is the most promising vehicle for greater economic cooperation in the Pacific Rim. It is also consistent with President Clinton's vision of a "New Pacific Community" — based, as he says, on "shared strength, shared prosperity and a shared commitment to democratic values."

It was in Tokyo last July, that President Clinton laid out this vision of a New Pacific Community. That visit also set in motion the process which led to the recent summit in Washington with Prime Minister Hosokawa.

At this summit, the President and the Prime Minister enjoyed good personal rapport and discussed many issues. Nonetheless, the outcome was disappointing in

terms of the Economic Framework. But it would have been even more disappointing for both of our nations if we had accepted a cosmetic or make-believe agreement on trade. As both the President and Prime Minister pointed out, this decision not to paper over our disagreements demonstrates a new maturity in our relationship. As we move ahead, it is essential that we work out these issues with good faith, mutual trust and respect.

While much attention right now is focused on our economic disagreements, the fundamental reality remains that the United States and Japan have diplomatic, security and political relations which are alive and perfectly healthy — and our overall relationship is sound. Moreover, the profound economic and political interdependence between our two countries continues to be a basic fact of life.

The fundamental strength of our bilateral relationship is something which other nations in the Asia-Pacific region can count on.

For much of this century the Asia-Pacific region has been torn by political divisions and armed conflict. We are now on the verge of a new era of vastly expanded opportunities for mutually-beneficial relations among all nations in this region. Japan and the United States will play a critical role in the ability of the rest of the region to continue its economic development and democratic progress.

Most of the nations in the region have their main trade and investment connections with the United States and Japan. Access to our two markets is important for their economic aspirations; investment by our firms in their domestic economies is important for bringing needed jobs and technology. As these nations continue to grow, we also reap direct economic benefits from expanded markets for our firms.

But if Japan and the United States wish these mutually-beneficial opportunities to continue expanding, we need a stable and supportive regional environment. This depends on three essential elements.

First, there is political and military security.

Although the Cold War is over, the region is by no means free of potential conflict. In dealing with these present and future problems, the United States and Japan will need to continue our alliance relationship and close consultation. I can think of no area in which our cooperation has been closer, stronger and more appropriate than in the case of North Korea. The determination of our two governments to stand firmly together in dealing with the problem of nuclear weapon development in North Korea exemplifies the spirit of cooperation that will help maintain peace in the region.

The security partnership between Japan and the United States simply could not be any better. Our alliance continues to be the foundation of stability throughout the Asia-Pacific region.

Despite the reduction in our military budget, we remain fully committed to our security arrangements in the Asia-Pacific region; every country here — with the exception of North Korea — has told us that they want us to stay. And so, while we are reducing our force levels elsewhere in the world, we have made it clear that our presence in Japan, South Korea and elsewhere in this region will remain strong. Japan's very generous host nation support plays an important role. As a result, we will soon have as many forces in the Asia-Pacific region as we do in Europe — a dramatic shift from only a few years ago. Thus, there should be no doubts about our security alliance with Japan and its importance to this region.

The second element needed to ensure a bright future in Asia is regional economic cooperation.

The creation of APEC is an important institutional step forward. By including all major economic participants in this broad region, APEC is the most appropriate forum for discussion of regional economic issues.

The underlying goal for all of us involved in APEC must be to foster a more open trade and investment system. In turn, this will underwrite continued economic growth and development for everyone. Continued support and leadership by both of our governments in APEC as the most appropriate regional economic forum is essential.

We will continue to look to the GATT and the new World Trade Organization to more fully integrate the Asia-Pacific economies into the global economy. All APEC members agree that efforts to open up regional trade and investment should be consistent with the GATT, supportive of the larger international trading system and complementary to agreements reached in Geneva.

Finally, the third key element is the U.S.-Japan economic relationship itself.

As the leading economic partners for most of the other nations in the region, we bear a special leadership responsibility. The most important leadership we can demonstrate is to make our own markets as open as possible — both to provide the markets that others need for their exports and to persuade them to open their own markets in return.

This poses a special challenge to Japan. For many years, the United States and other countries have found that your markets are not as open as they ought to be. For example, Japan absorbs far fewer manufactured imports relative to the size of its economy than any other industrial nation.

If the Asia-Pacific region as a whole is to move forward economically, Japan must demonstrate through real action that its markets for goods and investment are easily accessible for foreign firms. To date, progress in this direction has been slow.

We cannot be complacent about Japan's large and persistent economic imbalances with the rest of the world. These are substantial, and they have been getting worse.

According to the IMF, in 1992 Japan had a trade surplus of 44 billion dollars with the United States. You also had surpluses of 32 billion dollars with the European Community and 41 billion dollars with the rest of Asia. In all three regions, these surpluses have expanded significantly since 1990 — and in the case of Asia and the European Community, they have almost doubled.

Under these conditions, the status quo is simply unsustainable.

We have been encouraged by the recent support for deregulation and other economic reforms by Prime Minister Hosokawa and many Japanese business leaders. However, deregulation and reform need to move beyond rhetoric, and they need to have a tangible impact on making markets more open for foreign firms. Progress cannot wait indefinitely.

Unfortunately, the Framework negotiations leading up to the recent bilateral summit meeting in Washington failed to produce acceptable agreements for improving access to Japan's markets. Your government had also pledged to bring about a "highly significant" reduction in the global current account surplus through domestic economic growth. A stimulus package finally materialized earlier this month, but experts agree that its impact is not going to be strong or sustained enough to produce the level of growth which is needed.

Despite the setback with the Framework, our governments must continue to work together to correct Japan's economic imbalances and bring about real, observable improvements in the openness of your markets. At this point, the ball is in Japan's court. We have no plans at this time to re-start the negotiations.

What I find so hard to understand is the impression that the United States, by asking you to stimulate your economy and open your markets, is somehow telling Japan to do something against its own interests.

Our economic relations are not a zero-sum game, where Japan must lose if other countries win. It is a fundamental principle of modern economics — proven time and time again — that, when markets are open, both sides win.

After all, boosting domestic demand and opening markets would help strengthen your economy. It would

- create new opportunities for both Japanese and foreign companies;
- spur innovation and improved productivity;
- create new choices and opportunities for your consumers; and

- improve the constricted living standards of the Japanese people, bringing them more in line with your great wealth as a nation.

Consider the housing situation in Japan. On average, the Japanese people live in homes that are almost one-third the size of those in America — and they cost more than twice as much. This is not simply a result of Japan being an island nation. Government regulations, land-use rules and tax policies all have a lot to do with it. And so do closed markets for wood products and other building materials. With real economic reform and market-opening, these costs which the Japanese consumer must pay would decline substantially.

Another example is rice. For years, we were told that Japanese consumers would not eat American rice — and, of course, they did not have the chance to. But now, with the emergency imports, rice from the United States and other countries is finally available in Japan. And guess what? Your consumers are lining up in the stores to buy American rice — and they are liking it!

The only sure way to know what Japanese consumers want is to let businesses, both foreign and domestic, compete on a fair and level playing field. Let them take their chances in an open market — and let the consumers make their own choices. This is all that we ask.

I did not come to Japan to be a trade negotiator. I really think there are so many better things to do with my time here as Ambassador. And there are so many better things for Japan and the United States to be doing.

But we must work through our economic differences. Then, our two great nations will be able to concentrate more fully on using our enormous power and influence to make a difference in dealing with the many challenges ahead — not only in the Asia-Pacific region, but globally.

As Ambassador, I look forward to working with your government — and with each of you — to build on the many strengths and successes of our bilateral relationship. The entire world is counting on the special partnership between our two nations.



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