

US-Japan Southern Conference

March 9, 1995

(Ad lib intro remarks not included.)

For all of the difficulties of doing business in Japan, some basic facts need to be recognized. Japan is the largest economy in the world outside of the United States and our largest overseas trading partner, absorbing more of our exports than any other country save Canada. Our manufactured exports to Japan are in the order of 40 billion dollars annually, and this figure continues to grow. In fact, recent figures show that our exports to Japan of semiconductors are up 28 percent; wood products, up 20 percent; pharmaceuticals, up 18 percent; optical equipment, up 13 percent; and in the automobile sector, exports are up 38 percent. And no one doubts that we will do much better in this last category once we conclude an agreement on autos and auto parts.

In agriculture, Japan is now the biggest and fastest growing market for our products. Japan imports more agricultural goods from us than all the countries of the European Union combined and double what we sell to Canada, the closest competitor. One quarter of all of our agricultural exports worldwide goes to Japan and over the next five years, the Japanese market for U.S. agricultural products is expected to grow more in absolute terms than any other market in the world-- almost 50% by the year 2000.

If I can digress for a moment, I know that there is a lot of speculation in the press these days on whether the U.S. is "bypassing" Japan -- I think they call it "Japan passing" here. But I believe it is high time that we put this rumor to rest. We cannot afford to ignore Japan nor do we wish to. No other country, or group of countries, comes close to what the Japanese market means for American business, now and for decades to come. As for our security ties, this month my government reaffirmed that the U.S.-Japan security alliance is the linchpin of our security presence in East Asia.

Since we launched the Framework a little over two years ago, we have made notable progress on the trade front. Under the Framework, our nations committed to bringing about a "significant" increase in foreign access and sales in Japan's markets in the so-called basket areas and a "highly significant" reduction in our current account deficit. We now have concluded fourteen separate market-opening agreements in a number of areas including: rice, apples, construction, insurance, intellectual

property, financial services, cellular phones, glass, and government procurement of medical equipment and telecommunications.

Of course, while we have made good progress, the game is far from over as the stubbornly high trade deficit clearly tells us. We are just beginning talks on the all-important auto sector where over half of our deficit is to be found. We have made recommendations concerning the crucial deregulation efforts now underway in Japan, and we are seeking to make Japan more open to direct foreign investments.

But as our governments continue to negotiate under the Framework and work to bring the deficit down, I believe that it is crucial for businesses like yours to move ahead, particularly where agreements have been reached. The opportunities in Japan for American business have never been better.

Moreover, for Japanese and U.S. companies, this is a win-win situation. As U.S. companies expand their presence in Japan, so too, I believe, will new opportunities emerge for Japanese businesses that are willing to work with our companies. In fact, in every trade agreement we have reached with Japan, we have found the results to be good for us, good for Japanese competitiveness, and good for Japanese consumers.

Let me give you an example of what I am talking about: I see Norm Neureiter here and others from Texas Instruments. Well, as many of you know, as a result of the semiconductor agreement, companies like Texas Instruments have been able to step into the Japanese market in an aggressive way and do quite well. But, just as important, Japanese companies are also benefiting from this. In Texas Instruments' case, by working hand in hand with Kobe steel to produce state of the art micro chips.

The same thing happened following the cellular phone agreement. We concluded a market-opening agreement in this area last April, and now Motorola's business is booming. At the same time, IDO, the Japanese company that handles Motorola phones is also seeing its business soar. Other Japanese companies are also thriving -- six Japanese companies now share about 75 percent of the equipment market here for Motorola-type phones.

As for American food products, Japanese discount merchandisers, large chains like DAIEI that cater to Japanese consumers tired of high prices, are seizing upon our competitive, lower cost goods -- to their benefit and ours.

This brings up another reason why I am convinced that the opportunities for American companies in Japan are so great. Whenever we get our products out directly to the Japanese consumer, cutting through the layers of distributors, the consumers let us know in the clearest possible way that they like what we have to offer -- America's competitive, low cost, high quality goods sell like hot cakes. This is the case whether we are talking about computers, or apples, or microchips, or beef.

Let me turn now to just some of the areas where I see great opportunities opening up for American business.

Looking to the future, one of the biggest growth markets for American companies here is likely to be in the area of information technologies -- including semiconductors, computers and software, telecommunications equipment and services, and information services. The Japanese government, like the other G-7 countries, has committed to developing a vast information infrastructure, and MITI and the Ministry of Post and Telecommunications have already issued vision papers along these lines.

This is an area where American technology and know-how is extremely competitive. As Japan begins to develop this sector, my government is committed to promoting U.S. sales and we expect to keep in close touch with you, the business community, and with the Japanese government to ensure foreign participation from the earliest stages.

Another sector that I believe shows great promise is in financial services. We recently concluded a financial services agreement and this is opening up new markets for our companies in the securities and asset management areas, like public pension funds and asset-backed securities. By making Japanese regulatory practices more transparent and increasing accountability, the agreement makes this sector far more attractive to U.S. firms.

I am particularly hopeful when it comes to mutual funds, another huge and growing market. Under this latest agreement, American firms for the first time are

able to manage pension fund money and mutual funds under the same roof. This significantly lowers the cost of doing business in Japan. The agreement also calls for greater data disclosure and changes in accounting procedures that will make attracting investors easier than ever.

Other market sectors in Japan are also opening up. In construction, we reached a market opening agreement a little over a year ago. Up to now, the cost of building a home here has been anywhere from 2 to 4 times greater than what it would cost to build the same house in the U.S. Now, as our competitive materials and know-how are allowed in, the cost of housing is likely to ease up a bit. I recently came back from a trip to Sendai, where I visited an "American Village" -- an entire housing complex where American and Japanese firms were working together to build homes using American housing materials and American techniques.

You know, getting to where we are today in our trade relationship has required a lot of perseverance in negotiating agreements. It took us 24 years of negotiations before we finally succeeded in bringing American apples to the Japanese consumer and I know we've been talking autos as far back as I can remember.

But while negotiating agreements has been crucial, it is only a first step, and these agreements are meaningless without the aggressive follow-through of businesses and institutions like yours, which understand that market opening agreements mean increased opportunities for U.S. and Japanese companies alike.

In this regard, nowhere is it more fitting than before a group like this one to underscore the value of getting out of Tokyo and into Japan's regional markets. I know that many of the Japanese companies with us here today have successfully pursued this strategy in the American market, particularly in our southern States. Well, the same holds true for Japan, and if you consider the size of some of Japan's regional markets, the potential returns are tremendous. Just one part of Japan, the Kansai region, has an economy of \$700 billion--larger than Korea, Taiwan, Hong Kong, and Thailand combined. One city--Nagoya--has a GDP as large as Canada's. Many American businesses have already caught on to this trend -- companies like Teradyne, that next month will be opening a manufacturing plant in Kumamoto, on the island of Kyushu.

In closing, let me add a personal comment: One of the things that I have tried to do here in my tenure as Ambassador is to make sure that the full attention of my Embassy and staff is focused on making our great bilateral partnership work -- be it on the security front, or trade, or our human ties. In terms of our commercial ties, this means doing all we can to assist U.S. companies in competing in the Japanese market, and also it means helping businesses from both our nations work together to build lasting commercial partnerships. I hope that, for those of you who have not already done so, you are able to take some time to visit our commercial section, our agriculture section, or our regional Consulates. I believe that they can be helpful to you.

My government is not seeking, nor is American business asking for, a guaranteed share of the market here. What we do want and need is a full opportunity to reach the Japanese consumer, and to have Japanese business and government deal openly and fairly with competitors from America and around the world. For us to meet this goal, an energetic U.S. and Japanese business involvement is crucial. And it is seeing groups like this one here today that should give us all reason to be optimistic about the U.S.-Japan trade relationship.

Thank you.



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