

ASAHI SHIMBUN BREAKFAST ROUNDTABLE  
APRIL 18, 1995

Mr. Nakae, Mr. Matsushita, Mr. Murakami. Thank you so much for inviting me here today.

I have been asked to talk about the future of the U.S.-Japan relationship. We all know that cooperation between the business leaders of the United States and Japan is an essential element in support of this critical relationship, and I am particularly pleased to see so many of Japan's leading corporate executives here with us today. What governments do is only half the story. Only the business community can seize the opportunities governments create. You are the ones who can translate free trade into booming trade and regional security into regional prosperity.

Let me talk a bit about where we are today on the trade and security fronts, and where I would like to see us headed.

First, on trade. In all of our dealings on trade, Americans are guided by one common conviction: that business must have the opportunity to compete, freely and fairly, in any sector, in any market in the world, and that capital flows and direct investment opportunity should be guided by the market and not politics.

The United States offers Japan, and all nations, the largest free market in the world. Moreover, we continue to lead the world -- through the world trade organization, through NAFTA, and in other ways -- toward a more open global trading and financial system.

This philosophy is hardly unique to America. Indeed, one of the strengths of the U.S.-Japan alliance lies in our common belief that the free flow of trade among nations is critical to improving regional and global prosperity. This is what APEC is all about, and this is what our bilateral trade agenda is all about.

Through APEC, America and Japan have joined with our regional partners to expand trade in this part of the world. The Bogor Declaration, approved unanimously in Jakarta this past November, sets liberalization of trade and investment as its goal for this region, to be achieved in stages over the next twenty-five years. Your government, as host of the next meeting of APEC in Osaka, is uniquely positioned to lead in shaping a trade blueprint that will promote growth through the expansion of intra-regional trade. We will do everything we can to support Japan's leadership in this area.

Bilaterally, our two nations are working to expand market opportunities and increase the transnational flow of goods and services through the "Framework" agreement.

We have made much progress under the Framework. We have expanded the market here for foreign rice and apples. We have opened up construction, insurance, intellectual property, financial services, cellular phones, glass, and government procurement of medical equipment and telecommunications.

Expanding market opportunities in Japan for foreign companies is proving to be good for the U.S. And Japan alike: good for business, good for Japanese consumers, and good for Japan's overall competitiveness.

When one compares the harsh rhetoric surrounding the approval of trade agreements between us, with the very positive results for both of our nations, and others, flowing from some of these agreements, surely this experience should be instructive as we proceed to reach additional agreements. Baldly put, the critics of these agreements have been proven spectacularly wrong.

When we negotiated and reached the agreement on cellular phones to open up the market in the Tokyo Nagoya region, these negotiations were greeted with sharp, acrimonious resistance. But what has happened?

IDO's business is now booming. In fact, IDO was recently recognized as one of the most attractive businesses in Japan. Motorola has also done very well. Japanese companies are thriving -- six Japanese companies now share about 75 percent of the equipment market here for Motorola-type phones. Japanese consumers also are benefiting from this agreement -- a hand set that used to rent--you couldn't buy them-- for 100,000 yen now sells for half that, and the prices are continuing to come down. For 14 years before this agreement, the market in the crucial Tokyo-Nagoya corridor had been stultified, providing distinctly unimpressive and costly cellular phone service as compared to almost every large commercial center in the world. Following our agreement, this same area is rapidly progressing toward one of the most modern and efficient cellular phone markets to be found anywhere. I ask those who so roundly objected to this agreement to consider the wisdom of their opposition in light of the positive experience we are having.

The same holds true for the semiconductor agreement. Once again this agreement was greeted with great resistance and even anger. But, not only have American companies been able to step into the Japanese market and do quite well, but Japanese companies are also benefitting. Several impressive partnerships have resulted to everyone's advantage. Texas instruments, for example, is working quite profitably with Kobe steel to produce state of the art micro chips. I recently visited the Motorola-Toshiba joint partnership in Sendai and it too is an example of success for both parties. Moreover, under this agreement, the world share of the semiconductor market here has more than doubled, to over 23%, and this contentious area of trade tensions is now a model of cooperation and success.

One often hears that progress in trade talks is a zero sum game: if Japan opens its markets, there is less for Japan and more for others. But experience proves that open markets is a win-win

proposition, with everyone benefitting. We should keep this fact in mind as we seek further progress in our trade relationship.

As we turn to the last remaining high priority sector to be negotiated under the framework -- auto and auto parts -- I hope we can keep this in mind. In this sector, as in all of the areas we have negotiated under the framework, what we are asking for is open markets, less regulation and more transparency. If we can achieve this for American autos and auto parts, then I am convinced that Japanese consumers will benefit and so will Japan's competitiveness.

Throughout the globe, economies are deregulating, competition is expanding, and markets are opening up. This same trend is present in Japan, but frankly, the pace of change here is slower than it should be. The difference between the high prices here and the much lower prices abroad reflects the continuing market barriers in this country. Japan's enormous global trade surplus, and her serious economic and political difficulties are a further reflection of Japan's over regulated market.

On the security front, change has come much more smoothly for both of us.

Since the close of world war two, the U.S.-Japan partnership has succeeded beyond our greatest expectations. Who, at the close of the Pacific war, would have predicted the remarkable peace and prosperity that now characterizes our partnership and this whole region? Who would have predicted that together, our two economies would account for 42 percent of the world GDP? Who would have predicted that our security alliance would have brought about such an unprecedented era of stability to this notoriously unstable region?

No one can doubt that we owe the last fifty years of peace and prosperity in this region to the remarkable security alliance that the U.S. And Japan share.

Today, our security alliance is more important than ever. The end of the cold war is giving rise to a new political dynamic here, marked by the collapse of the soviet union, an uncertain Russia, a stronger china, and a continued stand-off on the Korean peninsula. This new world is rich with fresh opportunities, but it is also fraught with uncertainty. At the same time, both the U.S. And Japan have a growing economic stake in the Asia-Pacific region and a tremendous shared interest in regional stability.

We recently undertook a review of America's security strategy in the east Asia-Pacific region. My government concluded that the U.S.-Japan security alliance remains as critical to us as ever. Japan's role in America's Asian-Pacific strategy is central and the U.S. Is in this region to stay.

The U.S. - Japan security partnership endures because it is based on shared, vital interests. We each have a critical stake in continued regional peace and stability, open trade, access to raw materials, and secure sea lines of communication. We both wish to see a stable, democratic, and reforming Russia participate more fully in this region. We both want to see a china that can continue economic reform and move toward democracy while engaging constructively in the region and the world. And we both want a Korean peninsula free from the threat of north Korean nuclear proliferation and conventional war.

While the U.S.-Japan mutual security treaty will remain the cornerstone of America's security strategy in Asia, the end of the cold war also opens up new possibilities for multilateral cooperation. We must encourage institutions like the ASEAN regional forum, and sub-regional north east Asian security dialogues. These regional dialogues can supplement our alliances and forward military presence, without supplanting them. And they can play a useful role in easing tensions in the region, in curbing arms races, and in building confidence.

Both the U.S. And Japan agree that regional prosperity depends upon regional stability. I believe that in the years ahead we will see a continuation of the close security cooperation that has been such a successful part of our postwar alliance.

One of the great success stories in modern political history is the story of how our two nations, who fought each other in some of the most bitter fighting in world history, now have shaped an enduring, peaceful, and prosperous alliance.

We succeeded in building the cooperative partnership we have today not only through our security ties and our flourishing bilateral trade, but also in great part by tending to the human side of our relationship. For half a century, through a wide variety of public and private programs, we have worked together to encourage the free flow of people and ideas. I am sure that you are familiar with some of these efforts -- the Garioa-Fulbright program, Rotary fellowships, our Embassy's international visitor program, high school exchange programs, and sister city exchanges, just to name a few. Many of these programs rely upon the generous support of the business community, and for this we are grateful.

Tending to the human side of our relationship is as important today as ever, and the continuing involvement of the business community is crucial. Each year, about 47,000 young Japanese people come over to the U.S. as students. This is wonderful and I wish we had 100,000 coming to the U.S. But only about 1700 American students make it to Japan each year.

This imbalance is also reflected in the abysmally low number of foreign faculty teaching in Japanese institutions of higher learning. The minuscule number of American and foreign faculty may in fact be declining further, with many long time foreign faculty members being terminated often with just a few years before their retirement.

I am confident that by engaging in a concerted, joint effort on the part of the U.S. And Japanese business community, we can make it easier for our young people to get to know each other's culture. I would like to see us work together to make more corporate internships available and more scholarships.

There is no doubt that the U.S.-Japan relationship is central to world growth and regional stability. That is certainly the view of the citizens of my nation. In a recent national survey conducted by the Chicago council on foreign relations, 85% of the public and 96% of our nation's leaders found that America's vital interests are involved with Japan, the highest of any other nation in the world. All the more reason that we need to underpin our alliance with the deep human understanding that flows from cross cultural exchange. If we do this, then I am convinced that we will succeed in ushering in another half century of peace and prosperity for our children and grandchildren.

Thank you.





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