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REMARKS OF AMBASSADOR MONDALE  
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(Ad lib introductory remarks.)

I know that you will have many opportunities during this conference to discuss the macroeconomic aspects of our trade relationship. I believe you heard from Ed Lincoln, my Special Economic Advisor, this morning, and tomorrow, Matthew Goodman, our Embassy Financial Attache, will be talking to you as well. So I thought that I might instead talk a bit about our overall relationship, and where we stand today on the trade and security fronts.

First, on trade. Much is being written and said about the U.S. -Japan trade relationship these days. Yet I believe that it is important that we not lose sight of the forest for the trees. So let me start out by saying this: 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. Capital flows and direct investment opportunities 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 are committed to leading the world -- through the World Trade Organization, through NAFTA, and in other ways -- toward a more open global trading and financial system.

One of the strengths of the U.S. -Japan alliance lies in our common belief that this free flow of trade among nations is critical to 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. Last year in Jakarta, the members of APEC agreed to set liberalization of trade and investment as a goal for this region. This year, Japan, as host of the next APEC meeting in Osaka, is uniquely positioned to lead in shaping a trade blueprint that will take APEC one step closer to this goal. We will do everything we can to support Japan's leadership in this area.

Bilaterally, our two nations are working to increase the transnational flow of goods and services through the "Framework" agreement. As you know, under the Framework, our governments agreed to bringing about a "significant" increase in foreign access and sales to the Japanese market, and to achieve a "highly significant" reduction in the current account deficit.

We have made much progress. We have concluded agreements to open Japan's market to foreign insurance, financial services, construction, intellectual property, cellular phones, glass, and government procurement of medical equipment and telecommunications. We have expanded the market here for foreign rice and apples.

I am particularly pleased with the financial services agreement we reached last January. This agreement does three things: it opens up Japan's \$1.5 trillion dollar pension and mutual fund markets to foreign money managers; it allows for a broader range of innovative financial products to be issued in Japan; and it removes an array of out-of-date restrictions on capital flows in and out of Japan. I am confident that, if fully implemented, the financial services agreement will be a boon to American investors and financial intermediaries, and it will also benefit Japanese pension beneficiaries and investors.

Progress in our trade talks is not a zero sum game. Experience proves that opening markets in Japan is a win-win proposition. In so

many of the agreements we have concluded with Japan so far, we are finding the results to be good for the U.S. And Japan alike.

Take the cellular phone agreement, for example. When we negotiated and reached an agreement to open up the cellular phones market in the Tokyo-Nagoya region last April, these negotiations were greeted with sharp, acrimonious resistance. But what has happened?

Not only has Motorola done very well, but the company that handles Motorola's equipment, I.D.O., also is reaping great profit. Other Japanese companies are thriving too -- six Japanese companies now share about 75 percent of the equipment market here for Motorola-type phones.

For 14 years before this agreement, the market in the crucial Tokyo-Nagoya corridor was 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 becoming one of the most modern and efficient cellular phone markets to be found anywhere. Japanese consumers also are benefiting -- 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 still coming down.

The same holds true for the semiconductor agreement. Once again this agreement was greeted with great resistance and even anger. Yet 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. 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.

There is another point that needs to be made here. And that is that the benefit to third countries, especially in Asia, of our bilateral trade agreements is often overlooked. Our goal is not bilateral advantage but open global markets. On any number of the agreements reached with Japan over the past decade or so, not only has the U.S. succeeded in selling more to the Japanese consumer, but so have others. 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. In 1988, we opened Japan's beef and citrus markets. Today, 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. And while our share of the orange juice import market has actually declined -- from 44 percent to 23 percent -- since we signed the agreement, Brazil's has expanded to roughly 70 percent of the import market. 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.

So I ask those who so roundly object to our bilateral trade negotiations to consider the wisdom of their opposition in light of the positive experience we are having. We should keep this positive track record in mind as we seek further progress in our trade relationship, particularly as we turn to the last remaining high priority sector to be negotiated under the Framework -- autos and auto parts.

Opening markets to foreign competition only strengthens a nation's competitiveness. Look at what has happened in the U.S. : By promoting world competition, we are now the most competitive and productive nation in the world by a large margin. We have our edge

back in telecommunications, cars, medical equipment, computers, microprocessors and computer chips, printers, financial services and in a host of other areas. This happened because we kept our markets open and had no choice but to meet the discipline of world competition.

In Japan, wherever her companies compete with the world they are often among the very best. But where Japan protects itself from world competition her industries are not impressive. Gradually, these industries are shrinking as competition moves overseas.

We have seen this happen quite recently in the financial sector where inefficient capital markets have undermined Japan's overall competitiveness. In the last few years, we have seen a sharp shift -- the "hollowing out" of Japan's financial markets. The number of foreign firms listed on the Tokyo Stock Exchange has fallen from 127 in 1991 to only 86 today. Trading in Tokyo is 25 percent below expectations, and foreign securities firms are moving their regional headquarters to Hong Kong and Singapore.

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 is a further reflection of Japan's over regulated market.

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

No one can doubt that we owe the last fifty years of peace and prosperity in this region to the remarkable security alliance that our countries share. While there are those who say that the end of the cold war means that our two nations no longer need to maintain a

strong security relationship, I do not believe that this is true or can be true.

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. We concluded that the U.S. -Japan security alliance remains as critical to us as ever and that Japan's role in America's Asian-Pacific strategy is central. Let there be no doubt: for the foreseeable future, America is here to stay.

The U.S. -Japan security partnership endures because it is based on shared, vital interests. We both 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.

Regional prosperity depends upon regional stability. Often in Japan and back home I find that discussions of the U.S. -Japan security relationship and of our economic relationship are cast in "either - or" terms. But nothing could be further from the truth. Security and prosperity are deeply intertwined. If we are to have continued economic growth in this region, then we must maintain regional stability and security. At the same time, the world must



understand that America's security depends not only on maintaining a strong defense capability, but also on expanding trade, spurring global economic growth, and promoting democracy abroad.

I believe that in the years ahead we will see a continuation of the close security cooperation between the U.S. and Japan that has been such a vital 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.

Politically, we count on this partnership today to project our common interests around the world. Economically, no other country, or group of countries, comes close to what the Japanese market means for American business. 70 cents out of every dollar of U.S. trade in Asia is with Japan. In terms of security, the U.S. -Japan alliance is the cornerstone of our presence in this part of the world.

The American public certainly has no doubt about the importance of the U.S. -Japan relationship. A poll recently released by the prestigious Chicago Council on Foreign Relations showed that 85 percent of Americans, and 96 percent of our nation's leaders, rank Japan as our number one vital interest.

In closing, let me say this: Fifty years ago, our nations ended the saddest chapter in our history, and opened what was to become the most remarkable, prosperous partnership in modern times. Today, cooperation with Japan is at the core of America's political approach toward Asia and the world, and our coordination is in fact intensifying in the face of new uncertainties.

We succeeded in reaching this level of partnership because fifty years ago, after a bitter and horrible war, our brave leaders and citizens had the vision to join together to build a stronger U.S. -

Japan partnership and to secure a lasting peace. This vision is as relevant to us today as it was then. As we look to the future, let us not forget the remarkable nature of this alliance and the great promise it holds. Let us join together, once again, guided by a common vision of partnership and peace for generations to come.





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