

ACCJ -- JULY 17, 1995

THANK YOU, TOM, FOR THAT KIND INTRODUCTION AND FOR INVITING ME HERE THIS MORNING. IT IS ALWAYS A PLEASURE FOR ME TO MEET WITH THE MEMBERS OF THE ACCJ BECAUSE YOU ARE THE REAL SUCCESS STORIES IN OUR TRADE RELATIONSHIP. I MUST SAY THAT I AM DEEPLY IMPRESSED WITH YOUR STAYING POWER. YOU HAVE HEARD ME SPEAK MANY TIMES BY NOW, YET YOU STILL COME BACK FOR MORE. WITH ENDURANCE LIKE THIS, I KNOW THAT WE CAN SUCCEED IN THIS MARKET.

AS YOU KNOW, WE HAVE JUST COMPLETED SOME VERY INTENSE NEGOTIATIONS OVER AUTOS AND AUTO PARTS. THANKFULLY, I BELIEVE WE REACHED A STRONG, SOLID AGREEMENT THAT, IF FULLY IMPLEMENTED, WILL BEGIN TO OPEN JAPAN'S HUGE AUTO AND AUTO PARTS MARKET TO COMPETITIVE FOREIGN PRODUCTS. THIS MORNING, I WANT TO ADDRESS THE SUBSTANCE OF THIS AGREEMENT, AND ALSO WHERE I BELIEVE WE NEED TO GO FROM HERE.

GIVEN THE OFTEN HEATED RHETORIC SURROUNDING THE AUTO NEGOTIATIONS, I CAN'T BLAME ANYONE FOR BEING CONFUSED ABOUT WHAT WAS ACHIEVED. THAT SAID, IT WOULD BE A MISTAKE TO LET THE INTENSITY OF THE DEBATE DETRACT FROM THE SUCCESS OF THIS AGREEMENT. THIS IS AN AGREEMENT WITH SUBSTANCE, AND BOTH SIDES CAN RIGHTFULLY CLAIM THE AUTO AGREEMENT A SUCCESS.

LET ME DESCRIBE, BRIEFLY, WHY I SEE THIS HISTORIC AGREEMENT AS SUCH AN IMPORTANT STEP FORWARD.

-- THROUGH THEIR VOLUNTARY PLANS, JAPANESE COMPANIES WILL UNDERTAKE A SIGNIFICANT INCREASE IN THE PURCHASE OF U.S. AUTO PARTS, AND A SIGNIFICANT INCREASE IN THE PRODUCTION OF AUTOS IN THE U.S. BY 1998, JAPANESE COMPANIES WILL BE PRODUCING A HALF A MILLION MORE UNITS IN THE U.S. THAN THEY DID IN 1994. WE ESTIMATE AN ADDITIONAL 6.75 BILLION DOLLARS WORTH OF U.S. PARTS PURCHASES BY JAPANESE MAKERS THROUGH THEIR PLANS TO INCREASE PRODUCTION WHILE BOOSTING LOCAL CONTENT. WE ALSO ESTIMATE THAT THEY WILL IMPORT AN ADDITIONAL TWO BILLION DOLLARS' WORTH OF FOREIGN PARTS BY 1998, OF WHICH THE U.S. SHARE WILL LIKELY OCCUPY A LARGE PORTION. THESE MEASURES ARE CONCRETE AND QUANTIFIABLE. THEY WILL ADD UP TO MORE JOBS IN THE U.S. AND A MEANINGFUL REDUCTION IN OUR TRADE DEFICIT.

-- ON DEALERSHIPS, THE GOVERNMENT OF JAPAN HAS COMMITTED TO OPENING THE DEALER NETWORK HERE TO FOREIGN CAR MAKERS. WE EXPECT THAT THESE ACTIONS WILL LEAD TO 200 NEW OUTLETS HANDLING AMERICAN CARS BY NEXT YEAR AND 1000 BY THE YEAR 2000. THE GOVERNMENT OF JAPAN HAS AGREED TO A NUMBER OF POSITIVE STEPS, SUCH AS HELPING TO CONNECT JAPANESE DEALERS WITH AMERICAN MANUFACTURERS, AND INTRODUCING LEGISLATION IN THE DIET TO STRENGTHEN THE JAPAN FAIR TRADE COMMISSION. IF THESE MEASURES ARE CARRIED OUT FAITHFULLY, THE BIG THREE BELIEVE THAT THEY WILL BE ABLE TO SELL 300,000 VEHICLES A YEAR IN JAPAN BY THE END OF THE CENTURY.

-- THE SHAKEN INSPECTION SYSTEM THAT HAS EFFECTIVELY SHUT OUT AMERICAN PARTS FROM JAPAN'S REPAIR MARKET WILL BE OVERHAULED. THE GOVERNMENT OF JAPAN HAS AGREED TO A NUMBER OF ACTIONS -- FROM REDUCING THE PERSONNEL REQUIREMENTS FOR CERTIFIED GARAGES TO ALLOWING SPECIALIZED GARAGES LIKE BRAKE SHOPS. AS A RESULT, FOR THE FIRST TIME, AN ELEMENT OF PRICE COMPETITION WILL BE INTRODUCED INTO THE SYSTEM AND JAPANESE CONSUMERS WILL HAVE MORE CHOICE.

-- ON DEREGULATION, MEASURES WILL GO INTO EFFECT THAT WILL EASE THE WAY FOR FOREIGN AUTOS INTO THIS MARKET. IN THIS AGREEMENT, THE GOVERNMENT OF JAPAN HAS COMMITTED WITHIN NINE MONTHS TO RESOLVE 23 LONG-STANDING COMPLAINTS OVER STANDARDS AND CERTIFICATION BARRIERS TO THIS MARKET. FOR EXAMPLE, FOR YEARS WE HAVE BEEN TRYING TO DO AWAY WITH UNNECESSARY REGULATIONS LIKE THE REQUIREMENT FOR A CATALYTIC CONVERTER OVERHEAT WARNING LIGHT. DOING AWAY WITH THIS KIND OF REGULATION AND OTHERS LIKE IT WILL ALLOW US TO BRING OUR CARS IN MORE QUICKLY AND AT LOWER COST.

-- FINALLY, THIS AGREEMENT HAS A BUILT IN REVIEW SYSTEM THAT WILL ALLOW US TO MEASURE THE PROGRESS WE ARE MAKING IN ACHIEVING OPENNESS IN THIS MARKET. NO MATTER HOW MUCH YOU GET IN AN AGREEMENT, IT IS ONLY AS GOOD AS THE GOOD FAITH EFFORTS OF THE PARTIES TO IMPLEMENT IT. WHILE THERE IS NO SILVER BULLET FOR OPENING THE MARKET, THE REVIEW CRITERIA AND PROCESS THAT WE HAVE ARRIVED AT WILL GO A LONG WAY IN ENSURING THE SUCCESS OF THIS AGREEMENT.

NONE OF THE AGREEMENTS WE HAVE CONCLUDED SO FAR HAVE COME EASILY. THIS IS UNFORTUNATE, BUT WE CANNOT LET IT DETER US. AMERICA IS DETERMINED TO ASK FOR AND GET REAL MARKET OPPORTUNITIES FOR U.S. BUSINESS IN JAPAN.

THE REASONS FOR OUR PERSISTENCE ARE OBVIOUS. THIS MARKET IS HUGE. JAPAN MAY WELL BE A SMALL ISLAND COUNTRY, BUT HER ECONOMY IS THE SECOND LARGEST IN THE WORLD; HER PURCHASING POWER IS PHENOMENAL. U.S. - JAPAN TRADE MUST BE A TWO-WAY STREET; IT IS INCONCEIVABLE THAT WE WOULD SETTLE FOR ANYTHING LESS.

JAPAN'S RESISTANCE TO AMERICA'S MARKET OPENING EFFORTS IS PARTICULARLY IRONIC GIVEN THE TREMENDOUS BENEFIT THESE AGREEMENTS HAVE BROUGHT TO JAPANESE CONSUMERS.

SECTORS THAT WERE ONCE THE HOTTEST POINTS OF CONTENTION ARE NOW SHOWING SOME OF THE HIGHEST GROWTH RATES FOR FOREIGN SALES. SIMPLY PUT: GIVEN THE CHOICE, JAPANESE CONSUMERS WELCOME COMPETITIVE FOREIGN PRODUCTS.

STOP INTO ANY DAIEI STORE AND YOU CAN SEE WHAT I AM TALKING ABOUT. REMEMBER THE AMERICAN BEEF THAT WAS NOT RIGHT FOR JAPANESE INTESTINES? LAST YEAR ABOUT 450 MILLION DOLLARS WORTH MET JAPANESE CONSUMER TASTES JUST FINE. AMERICAN BROCCOLI IS SELLING LIKE HOT CAKES, UP 70% FROM LAST YEAR. U.S. AGRICULTURE EXPORTS HIT 12 BILLION DOLLARS LAST YEAR. THIS IS NOT PEANUTS!

HOW ABOUT SEMICONDUCTORS? WHEN THE SEMICONDUCTOR AGREEMENT WAS NEGOTIATED, SOME SAID U.S. SUPPLIERS WERE UNRELIABLE, AND OUR PRODUCTS OF POOR QUALITY -- NOT FIT FOR THE JAPANESE MARKET. TODAY, YOU WILL FIND TEXAS INSTRUMENTS' CHIPS IN SONY HANDY CAMS AND INTEL CHIPS INSIDE ALMOST ALL THE "PC"S. FOREIGN MARKET SHARE IN JAPAN HAS CLIMBED FROM 10 PERCENT, WHERE IT HAD BEEN STAGNATING FOR YEARS BEFORE THE AGREEMENT WAS SIGNED, TO AROUND 24% TODAY. WE SOLD ABOUT \$2.9 BILLION DOLLARS' WORTH OF SEMICONDUCTORS TO JAPAN LAST YEAR ALONE, UP ABOUT 14% OVER THE PREVIOUS YEAR.

THE SAME THING HAPPENED IN TELECOMMUNICATIONS. WHEN WE REACHED AN AGREEMENT TO OPEN THE CELLULAR PHONE MARKET IN THE TOKYO-NAGOYA CORRIDOR A YEAR AGO LAST APRIL, WE WERE GREETED WITH SHARP, ACRIMONIOUS RESISTANCE. BUT WHAT HAS HAPPENED?

SUBSCRIBERSHIP IS UP 10 TIMES FROM WHAT IT WAS BEFORE THE AGREEMENT. AND THIS SHOULD COME AS NO SURPRISE -- A HAND SET THAT USED TO RENT FOR 100,000 YEN (YOU COULDN'T BUY THEM), TODAY SELLS FOR HALF THAT. MOTOROLA NOW HAS ABOUT A 25% SHARE OF THE CELL-PHONE HAND SET MARKET. BUT WHAT IS EQUALLY IMPORTANT IS THAT THE REMAINING 75% IS HELD BY A DIVERSE GROUP OF FOREIGN AND JAPANESE MAKERS.

PAST AGREEMENTS HAVE BROUGHT TRUE PROGRESS AND BENEFITS TO U.S. AND JAPANESE BUSINESS, AND TO JAPANESE CONSUMERS. THEY HAVE WORKED BECAUSE THEY ARE IN EVERYONE'S MUTUAL INTEREST.

THAT SAID, I WANT TO EMPHASIZE THAT NEGOTIATING A SUCCESSFUL AGREEMENT IS NOT THE END OF THE PROCESS -- IT IS THE START. CONTINUOUS MONITORING IS NEEDED TO ENSURE THAT THESE AGREEMENTS ARE BEING FULLY IMPLEMENTED AND THAT WE ARE GETTING THE ANTICIPATED RESULTS IN THE MARKET PLACE. YOUR CONTRIBUTION TO THIS PROCESS IS VITAL, AND I ASK THAT YOU WORK CLOSELY WITH US IN THIS MONITORING PHASE, AS YOU HAVE IN EVERY OTHER ASPECT OF OUR MARKET-OPENING EFFORTS.

THERE ARE THOSE WHO SAY THAT IT IS TIME FOR JAPAN TO SAY "NO" TO THE U.S. AND OTHER FOREIGN NATIONS. IN EFFECT, THEY ARE CALLING FOR JAPAN TO TURN ITS BACK ON GLOBAL PARTNERSHIP AT A TIME WHEN WHAT WE NEED FROM JAPAN IS MORE INTERNATIONAL LEADERSHIP, NOT LESS. I BELIEVE THAT WE MUST NOT BE MISLED BY THIS VOCAL MINORITY.

THE FACT IS THAT FURTHER OPENING JAPAN'S MARKETS TO FOREIGN GOODS AND SERVICES IS VITAL NOT ONLY FOR THE PROSPERITY OF THE U.S. AND JAPAN, BUT ALSO FOR GLOBAL ECONOMIC GROWTH. THE INCREASED PRESENCE OF U.S. AND OTHER FOREIGN INDUSTRIES IN JAPAN WILL FUEL THE WORLD ECONOMY, NOT STIFLE IT. IT WILL CREATE NEW BUSINESSES, NOT DESTROY THEM. AND IT WILL CREATE NEW JOBS, NOT MORE UNEMPLOYMENT.

SINCE THE END OF THE COLD WAR, COOPERATION BETWEEN THE U.S. AND JAPAN HAS INTENSIFIED ACROSS THE BOARD. ON SECURITY, OUR BILATERAL ALLIANCE CONTINUES TO BE CRITICALLY IMPORTANT FOR THE DEFENSE OF JAPAN AND FOR OUR FORWARD DEPLOYED PRESENCE IN THIS REGION. POLITICALLY, OUR COORDINATED RESPONSE, ALONG WITH SOUTH KOREA, TO THE NORTH KOREAN NUCLEAR THREAT IS UNPRECEDENTED. ON TRADE, WE ARE WORKING TOGETHER IN NEW WAYS TO ACHIEVE OUR COMMON OBJECTIVES, INCLUDING THROUGH APEC, A FORUM WHICH I BELIEVE WILL ONLY GROW IN IMPORTANCE IN THE DECADES AHEAD.

WE CANNOT ALLOW THE EXTENSIVE COVERAGE OF OUR TRADE DIFFERENCES TO ERODE THE PUBLIC GOODWILL THAT WE HAVE BUILT UP OVER THE LAST FIFTY YEARS.

AS WE GO FORWARD IN RESOLVING OUR TRADE DIFFERENCES, I AM DETERMINED THAT WE NOT NEGLECT THE IMPORTANT HUMAN UNDERPINNINGS OF THE U.S. - JAPAN RELATIONSHIP. IF WE ARE CAREFUL ABOUT THIS ASPECT OF OUR RELATIONSHIP, THEN I AM CONFIDENT THAT AMERICANS AND JAPANESE WILL BE ABLE TO ENJOY BOTH THE BENEFITS OF OPEN TRADE AND A DEEP SENSE OF FRIENDSHIP. I KNOW WE CAN DO IT. I KNOW THAT WE CAN BOTH SELL CARS AND CHEER NOMO'S PITCHING AT THE SAME TIME.

THANK YOU.



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