

U.S. - JAPAN BUSINESS COUNCIL
(MONDAY, FEBRUARY 13, 1995)

THANK YOU FOR INVITING ME HERE THIS MORNING.

WE ALL KNOW THAT COOPERATION BETWEEN THE BUSINESS LEADERS OF THE UNITED STATES AND JAPAN IS AN ESSENTIAL ELEMENT IN SUPPORT OF THIS CRITICAL BILATERAL RELATIONSHIP. IF WE MANAGE THIS RELATIONSHIP WELL, PRACTICALLY EVERYTHING IN THE WORLD -- ECONOMIC GROWTH, SECURITY, AND THE QUALITY OF LIFE ON OUR PLANET -- WILL BE IMPROVED. IF WE DO NOT, NEITHER JAPAN NOR THE UNITED STATES WILL BE ABLE TO ACHIEVE THE KIND OF FUTURE WE WOULD LIKE FOR OUR GRANDCHILDREN.

SINCE OUR ECONOMIC RELATIONSHIP IS CENTRAL TO ALL OF THIS, I WANT YOU TO KNOW HOW GRATEFUL I AM FOR YOUR LEADERSHIP.

BEFORE I GET INTO THE SUBSTANCE OF MY REMARKS, I WANT TO SAY A FEW WORDS ABOUT THE KOBE EARTHQUAKE. AS YOU KNOW, THIS DISASTER IS THE WORST SINCE THE GREAT KANTO EARTHQUAKE OF 1923. I RECENTLY VISITED THE KOBE AREA, AND I WAS APPALLED BY THE MAGNITUDE OF THE DISASTER. I KNOW THAT MANY OF YOU HAVE OFFICES THERE THAT WERE DAMAGED AND EMPLOYEES WHO SUFFERED, AND I WANT TO EXTEND TO YOU MY CONDOLENCES. PARTICULARLY I WISH TO EXTEND OUR DEEPEST REGRETS TO OUR JAPANESE FRIENDS HERE TODAY.

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THESE DAYS, WE OFTEN HEAR OF "JAPAN FATIGUE" IN THE AMERICAN PRESS, REFERRING TO A FEELING AMONG SOME IN THE AMERICAN BUSINESS COMMUNITY THAT THE ENERGY NEEDED TO PENETRATE THE JAPANESE MARKET WOULD BE BETTER DIRECTED AT MARKETS WHERE THE PAYOFF MAY BE MORE IMMEDIATE. I CAN UNDERSTAND THIS SENTIMENT, BUT I BELIEVE THAT FARSIGHTED AMERICAN BUSINESS LEADERS RECOGNIZE THAT A STRONG PRESENCE IN THE JAPANESE MARKET IS ESSENTIAL TO CORPORATE SUCCESS. THE PRESENCE OF SO MANY TOP AMERICAN CORPORATE CHIEF EXECUTIVE OFFICERS HERE TODAY TELLS US THAT AMERICAN BUSINESS IS INDEED HERE IN FORCE -- ENERGETICALLY COMPETING IN THIS ENORMOUS MARKET.

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. 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. AND DESPITE OUR TRADE PROBLEMS, U.S. EXPORTS TO JAPAN TOTAL MORE THAN OUR EXPORTS TO THE U.K. AND GERMANY COMBINED.

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OF EMPHASIS, WE MIGHT CALL THEM BAMS, STANDING FOR "BIGGEST AGGREGATE MARKETS," AND AT THE TOP OF THE LIST WOULD BE JAPAN.

AS YOU KNOW, UNDER THE FRAMEWORK AGREEMENT, OUR GOVERNMENTS AGREED TO BRINGING ABOUT A "HIGHLY SIGNIFICANT" REDUCTION IN THE CURRENT ACCOUNT DEFICIT AND A "SIGNIFICANT" INCREASE IN ACCESS AND SALES OF PRODUCTS IN THE SO-CALLED "BASKET" CATEGORIES.

WE HAVE MADE PROGRESS. OVER THE LAST TWO YEARS WE HAVE CONCLUDED TRADE AGREEMENTS IN SEVERAL DIFFERENT AREAS INCLUDING: RICE, APPLES, CONSTRUCTION, INSURANCE, INTELLECTUAL PROPERTY, FINANCIAL SERVICES, CELLULAR PHONES, GLASS, AND GOVERNMENT PROCUREMENT OF MEDICAL EQUIPMENT AND TELECOMMUNICATIONS.

THESE AGREEMENTS ARE GOOD FOR BOTH OF US AND FOR THE WORLD TRADING SYSTEM. IN CELLULAR PHONES, FOR EXAMPLE, WE REACHED A MARKET OPENING AGREEMENT LAST APRIL, AND NOW IDO'S BUSINESS IS BOOMING AND SO IS MOTOROLA'S. JAPANESE COMPANIES ARE ALSO THRIVING -- SIX JAPANESE COMPANIES NOW SHARE ABOUT 75 PERCENT OF THE EQUIPMENT MARKET HERE FOR MOTOROLA-TYPE PHONES. CONSUMERS HERE ALSO ARE BENEFITING FROM THIS AGREEMENT -- A HAND SET THAT USED TO RENT FOR 100,000 YEN NOW SELLS FOR HALF THAT.

WE HAVE MADE GOOD PROGRESS, BUT THE GAME IS FAR FROM OVER AS THE STUBBORNLY HIGH TRADE DEFICIT CLEARLY TELLS US. WE ARE JUST BEGINNING TALKS ON THE CRUCIAL 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.

WE MUST ALSO REMEMBER THAT SIGNING AN AGREEMENT IS ONLY HALF THE STORY. WE ARE NOW ENTERING INTO WHAT MIGHT BE CALLED THE SECOND GENERATION OF CONCERNS BEARING ON THE IMPLEMENTATION OF THESE AGREEMENTS. IF FULLY IMPLEMENTED, WE WILL SEE SIGNIFICANT IMPROVEMENT IN WORLD ACCESS TO THE JAPANESE MARKETS. BUT WE MUST BE SURE THAT THE SPIRIT OF THESE ACCORDS IS REALIZED IN ACTUAL PRACTICE. WE WILL BE WORKING WITH THE JAPANESE GOVERNMENT TO SEE THAT THIS IS THE CASE, AND I AM ASKING AMERICAN BUSINESSES

TO WORK WITH US AS WELL. AN ENERGETIC U.S. BUSINESS INVOLVEMENT IS CRUCIAL TO SUCCESS. WE ARE NOT SEEKING, NOR IS AMERICAN BUSINESS ASKING FOR, A GUARANTEED SHARE OF THE MARKET HERE. BUT WHAT WE 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.

LET ME CLOSE BY MAKING JUST A FEW COMMENTS ABOUT APEC, THE ASIAN PACIFIC ECONOMIC CONFERENCE. THIS UNIQUE AND HISTORIC ORGANIZATION OF THE NATIONS IN THIS REGION OFFERS THE PROMISE OF AN OPEN SYSTEM OF TRADE IN GOODS AND SERVICES AND CAPITAL FLOWS. THE BOGOR RESOLUTION, APPROVED IN JAKARTA THIS PAST NOVEMBER, COURAGEOUSLY COMMITS APEC MEMBERS TO THIS GOAL TO BE ACHIEVED IN STAGES OVER THE NEXT TWENTY-FIVE YEARS. AMERICA AND JAPAN--THE WORLD'S MOST IMPRESSIVE ECONOMIES-- HAVE AN ENORMOUS STAKE IN ITS SUCCESS. ALREADY MY COUNTRY HAS 50% MORE TRADE WITH THE COUNTRIES OF APEC THAN WITH EUROPE AND TRADE WITH APEC IS GROWING RAPIDLY. THE MAGNITUDE OF THE ENORMOUS ECONOMIC MIRACLE OCCURRING IN THIS REGION IS DIFFICULT TO FULLY COMPREHEND. MALAYSIA, FOR EXAMPLE , NOW IMPORTS MORE AMERICAN GOODS THAN DOES RUSSIA, AND LITTLE SINGAPORE IMPORTS MORE OF OUR GOODS THAN DOES EITHER SPAIN OR ITALY.

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THANK YOU.

(FINAL)

**U.S. - JAPAN BUSINESS COUNCIL
AMBASSADOR'S REMARKS
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