

HOUSING EXPORT OPPORTUNITIES IN JAPAN  
SEATTLE -- SEPTEMBER 12, 1996

THANK YOU FOR WELCOMING ME TO THIS BEAUTIFUL CITY AGAIN. IT IS A PLEASURE TO HAVE GOVERNOR LOWRY WITH US, AND JIM FITZGERALD OF THE JAPAN-AMERICA SOCIETY. I WOULD ALSO LIKE TO THANK HENSON MOORE OF AFPA (AMERICAN FOREST AND PAPER ASSOCIATION) AND MR. UMEMO (FORMER DIRECTOR-GENERAL, MINISTRY OF CONSTRUCTION) FOR THEIR KEY ROLES IN THIS CONFERENCE.

IT IS GREAT TO BE BACK IN SEATTLE, WHERE APEC WAS RAISED TO THE SUMMIT LEVEL, WHERE U.S. INTERESTS IN ASIA ARE AT THE FOREFRONT OF YOUR DAILY LIVES, AND WHERE I DON'T HAVE TO BOTHER WITH ANY MORE PLANE TRANSFERS TO RETURN TO TOKYO. THIS IS A GREAT PLACE TO VISIT AS JOAN AND I RETURN TO TOKYO, AND I AM PLEASED TO MAKE IT AN OVERNIGHTER SO THAT I CAN PARTICIPATE IN THIS IMPORTANT HOUSING CONFERENCE. I CALL IT IMPORTANT FOR TWO VERY GOOD REASONS: FIRST, WE NEED TO DISCUSS MARKET OPPORTUNITIES IN JAPAN, AND SECOND, IT'S IMPORTANT BECAUSE IT WAS MY IDEA -- AN IDEA HATCHED DURING A MEETING WITH U.S. INDUSTRY REPRESENTATIVES IN TOKYO LAST SPRING. I TAKE FULL CREDIT IF IT IS SUCCESSFUL.

THIS EVENING I WOULD LIKE TO MAKE A FEW COMMENTS ABOUT THE CURRENT STATE OF AMERICA'S BILATERAL TIES WITH JAPAN -- WHICH RUN BROAD AND DEEP -- AND THEN FOCUS FOR A MOMENT ON THE TOPIC OF HOUSING.

AS AMBASSADOR IN TOKYO, I HAVE EXPERIENCED THE GREAT ENERGY OF ASIA, AND BEEN REMINDED OF THE CRUCIAL NATURE OF U.S. INVOLVEMENT THERE. I'VE DEEPENED MY APPRECIATION FOR THE GLOBAL REACH OF JAPAN'S INFLUENCE. THE UNITED STATES AND JAPAN ARE THE DRIVING FORCES OF ASIA'S DYNAMISM, SERVE AS THE BACKBONE OF PACIFIC STABILITY, AND PLAY A GLOBAL ROLE THAT EXTENDS FAR BEYOND THE REGION WE SHARE. IT IS THEREFORE COMFORTING TO ME THAT OUR TWO NATIONS ARE ABLE TO COOPERATE ON SUCH A BROAD RANGE OF IMPORTANT ISSUES.

(SECURITY) OVER THE PAST TWO YEARS, BOTH NATIONS HAVE FELT IT NECESSARY TO DEAL IN SOME DEPTH WITH OUR SECURITY RELATIONSHIP. AS YOU KNOW, A TRAGIC RAPE IN OKINAWA ONE YEAR AGO IGNITED PARTICULAR CONCERNS ABOUT THE IMPACT OF OUR PRESENCE IN JAPAN AND RAISED FUNDAMENTAL QUESTIONS

ABOUT THE ROLE OF THE SECURITY TREATY. HAVING REAFFIRMED BOTH COUNTRIES' COMMITMENT TO THE SECURITY RELATIONSHIP IN THE POST COLD WAR ERA, OUR LEADERS IN APRIL AGREED TO UPDATE DEFENSE GUIDELINES TO ENHANCE MUTUAL COOPERATION BETWEEN OUR FORCES IN THE CASE OF A CHALLENGE TO SECURITY IN THE AREA AROUND JAPAN.

WE ALSO ANNOUNCED A SERIES OF STEPS ON OKINAWA TO REDUCE THE EXTENT OF OUR LAND HOLDINGS AND MINIMIZE THE IMPACT OF U.S. MILITARY ACTIVITIES ON THE PEOPLE OF THAT SMALL ISLAND PREFECTURE. EARLIER JAPAN HAD AGREED TO EXTEND FOR ANOTHER FIVE YEARS THE CRUCIAL HOST NATION SUPPORT AGREEMENT THAT PROVIDES MORE THAN \$5 BILLION FOR OUR BASES, AND THE TWO GOVERNMENTS HAD SIGNED A VERY IMPORTANT ACQUISITION AND CROSS SERVICING AGREEMENT. EVEN THE OFTEN SKEPTICAL PRESS IN BOTH COUNTRIES KNEW THESE INITIATIVES REPRESENTED SUBSTANTIAL PROGRESS IN STRENGTHENING OUR ALLIANCE. BOTH GOVERNMENTS ARE NOW WORKING HARD TO IMPLEMENT THE AGREEMENTS REACHED.

(POLITICAL COOPERATION) WE CONTINUE OUR COOPERATIVE EFFORTS ACROSS A BROAD RANGE OF POLITICAL ISSUES, INCLUDING THE KEDO EFFORT TO DISCOURAGE NUCLEAR WEAPONS ON THE KOREAN PENINSULA, SUPPORT FOR PEACE IN THE MIDDLE EAST AND ELSEWHERE, AND EFFORTS TO MODERNIZE THE UNITED NATIONS. WE FIND MORE INTERESTS IN COMMON AS WE WORK MORE CLOSELY TOGETHER ON INTERNATIONAL ISSUES.

(COMMON AGENDA) IN ADDITION, WE CONTINUE TO MOVE FORWARD ON THE HIGHLY SUCCESSFUL "COMMON AGENDA" BY WORKING BILATERALLY AND WITH THIRD COUNTRIES ON HEALTH, ENVIRONMENT, EDUCATION, AND OTHER ISSUES. AT THE APRIL SUMMIT WE ADDED TO THE LIST THE GROWING PROBLEM OF INFECTIOUS DISEASES AND THE CHALLENGE OF TERRORISM.

(STUDENT EXCHANGES) WE ARE ALSO MAKING PROGRESS IN ANOTHER AREA OF GREAT INTEREST TO ME: INCREASING THE NUMBER OF AMERICANS STUDYING IN JAPAN. JAPAN HAS AGREED TO INCREASE THE NUMBER OF OUR HIGH SCHOOL AND COLLEGE STUDENTS THERE, AND THE JAPANESE GOVERNMENT WILL INVITE 1,000 AMERICAN TEACHERS TO VISIT ANNUALLY, TOGETHER WITH MORE VISITS BY SCHOOL ADMINISTRATORS, ARTISTS, AND SCIENTISTS.

THESE INITIATIVES ARE IN ADDITION TO THE JAPANESE GOVERNMENT'S WELL-ESTABLISHED "JET" PROGRAM, THROUGH WHICH RECENT COLLEGE GRADUATES, PRIMARILY FROM THE UNITED STATES, TEACH IN JAPANESE SCHOOLS AND WORK IN LOCAL GOVERNMENT OFFICES. THIS AND OTHER FANTASTIC EXCHANGE OPPORTUNITIES ARE CREATING A LARGE GROUP OF YOUNG AMERICANS WHO ARE FAMILIAR WITH JAPAN. THEY ARE A TREMENDOUS ASSET FOR OUR COUNTRY. AT THE SAME TIME THERE ARE MORE THAN 40,000 JAPANESE STUDENTS IN AMERICAN COLLEGES AND UNIVERSITIES, MORE THAN ANY OTHER COUNTRY SENDS TO THE UNITED STATES. THIS IS ALL VERY GOOD NEWS FOR FUTURE UNDERSTANDING AND COOPERATION BETWEEN OUR TWO COUNTRIES.

(TRADE) ON TRADE ISSUES, OUR LEADERS IN APRIL REAFFIRMED THEIR COMMITMENT TO THE FRAMEWORK AGREEMENT CALLING FOR INCREASED ACCESS AND SALES OF AMERICAN PRODUCTS IN JAPAN'S MARKET. THIS FRAMEWORK IS VITAL TO OUR MUTUAL ECONOMIC WELL-BEING, AS IT HELPS BALANCE OUR TRADING AND INVESTMENT RELATIONSHIP.

ON SPECIFIC ISSUES, WE HAVE CONCLUDED SOME TWENTY-THREE MARKET ACCESS AGREEMENTS OVER THE PAST THREE YEARS, INCLUDING THE SEMICONDUCTOR ACCORD EARLY LAST MONTH. THESE AGREEMENTS REPRESENT SUBSTANTIAL PROGRESS ACROSS A BROAD RANGE OF SECTORS.

HOWEVER, THERE IS MUCH MORE WORK TO BE DONE. WE HAVE YET TO REACH AGREEMENT ON THE IMPLEMENTATION OF OUR INSURANCE ACCORD, AND WE HAVE FUNDAMENTAL DISAGREEMENTS ON CIVIL AVIATION. BARRIERS TO JAPAN'S FILM MARKET ARE BEING DISCUSSED IN WTO. MORE BROADLY, JAPAN STILL NEEDS TO DO MORE TO OPEN ITS ECONOMY TO FOREIGN GOODS, SERVICES, AND INVESTMENT.

JAPAN REMAINS TOO CLOSED AND TOO OVER-REGULATED. PERVERSIVE KEIRETSU RELATIONSHIPS REMAIN RESISTANT TO MARKET FORCES. FOREIGN INVESTMENT IN JAPAN IS IMPEDED BY A NUMBER OF FACTORS -- FROM HIGH COSTS TO RED TAPE. SINCE TRADE FOLLOWS INVESTMENT, THIS IS A VITAL ISSUE FOR THE LONG TERM. IN SUM, WE CONTINUE TO FACE A VARIETY OF MARKET BARRIERS WHICH ARE VERY TROUBLING REGARDLESS OF OUR OVERALL PROGRESS.

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BUT LET'S LOOK POSITIVELY AT AN AREA WHERE WE MIGHT MAKE SOME HEADWAY -- EXAMINING POTENTIAL OPPORTUNITIES IN THE HOUSING AREA. I AM HOPEFUL THAT WE CAN CAPITALIZE ON POSITIVE TRENDS IN THIS MARKET, AND THAT HOUSING AND HOUSING MATERIALS WILL BECOME ANOTHER U.S. SUCCESS STORY. AS WITH OTHER MARKET ACCESS ISSUES, THERE ARE NO FREE TICKETS TO SUCCESS, HOWEVER.

PRIME MINISTER HASHIMOTO MENTIONED HOUSING DEREGULATION AS A HIGH PRIORITY FOR JAPAN DURING HIS MEETING WITH PRESIDENT CLINTON IN SANTA MONICA IN FEBRUARY. THE PRIME MINISTER'S INITIATIVE APPEARS TO HAVE HELPED GALVANIZE THE GOVERNMENT OF JAPAN'S "PROGRAM TO REDUCE HOUSING CONSTRUCTION COSTS," ANNOUNCED IN EARLY MARCH AND AUGMENTED A DEREGULATION ACTION PLAN LATER THAT MONTH. I'LL LEAVE THE DETAILS OF THOSE PLANS TO THE EXPERTS, BUT I DO WANT TO UNDERScore OUR FEELING THAT THIS INITIATIVE IS AN IMPORTANT AND AMBITIOUS ONE -- WORTHY OF CAREFUL ATTENTION.

MANY OF THESE MEASURES HAVE BEEN IN THE PIPELINE FOR SOME TIME AND IT IS TOO EARLY TO PASS FINAL JUDGMENT. BUT I THINK OUR EMBASSY STAFF FROM THE FOREIGN AGRICULTURAL AND COMMERCIAL SERVICES HERE TODAY CAN ATTEST TO AN UPSWING IN U.S. INDUSTRY ACTIVITY IN THE JAPANESE HOUSING MARKET, WHICH IS EVOLVING DUE TO A WIDE RANGE OF INTERNAL AND EXTERNAL FACTORS. I WOULD LIKE TO FOCUS ON A FEW THAT SEEM PARTICULARLY SIGNIFICANT.

THE APPEAL OF WESTERN LIFESTYLE: EVEN IN JAPAN'S VERY UNIQUE AND HISTORY-BOUND CULTURE, THERE ARE MANY ASPECTS OF WESTERN LIFESTYLE THAT JAPANESE FIND QUITE APPEALING. U.S. HOUSING, FOR EXAMPLE, IS OFTEN ASSOCIATED WITH ABSTRACT NOTIONS LIKE INDIVIDUALITY AND OPENNESS, OR MORE TANGIBLE COMFORTS SUCH AS SPACIOUSNESS AND COST-SAVINGS. ELEMENTS OF NORTH AMERICAN HOUSING CONCEPTS ARE INCREASINGLY ASSIMILATED INTO THE JAPANESE HOME -- THIS RUNS THE GAMUT FROM 2X4 PLATFORM FRAMING TO ENERGY-EFFICIENT DOUBLE-PANE WINDOWS, FROM CENTRAL HEATING/COOLING SYSTEMS TO HARDWOOD FLOORING AND FURNITURE.

PERHAPS THE DESIRE FOR MORE INNOVATIVE HOUSING IS ONLY NATURAL FOR A COUNTRY WHOSE ECONOMIC POWER IS NOT YET FULLY REFLECTED IN POPULAR LIVING STANDARDS, AND JAPAN HAS ALWAYS BEEN WILLING TO BORROW IDEAS, STYLE, AND

TECHNOLOGIES FROM OTHER CULTURES. IN FACT, ONE OBSERVER OF JAPAN'S SO-CALLED "IMPORTED HOUSING" BOOM REMARKED THAT THE CURRENT TREND REPRESENTS AN INEVITABLE THIRD STREAM OF FOREIGN INFLUENCE IN JAPANESE LIFESTYLE -- FOLLOWING THE WIDE-SPREAD ADOPTION OF WESTERN CLOTHING AND FOREIGN CUISINE. I HOPE THAT'S AN ACCURATE ANALYSIS.

NO MORE "RABBIT HUTCHES." SOME YEARS AGO, A EUROPEAN REPORT NOTED THAT JAPANESE LIVE IN "RABBIT HUTCHES." THIS REMARK SEEMS RATHER HARSH GIVEN THE AESTHETIC GRACE AND BEAUTY OF TRADITIONAL JAPANESE HOMES, BUT THE JAPANESE HAVE TAKEN IT PERSONALLY.

IN SPITE OF LIMITED LAND SPACE AND HIGH CONSTRUCTION COSTS, PARTICULARLY IN URBAN AREAS, THE AVERAGE FLOOR SPACE OF JAPANESE HOMES IS GRADUALLY RISING. ATTRACTIVE, PLANNED SUBURBAN DEVELOPMENTS ARE SPRINGING UP THROUGHOUT THE COUNTRY AND BUILDERS ARE OFFERING A MORE IMPRESSIVE RANGE OF OPTIONS, WITH IMPORTED DESIGN AND MATERIALS INCREASINGLY EVIDENT. COMPETITION TO LOWER COSTS AND IMPROVE ENERGY AND SAFETY FEATURES IN THE HOUSING SECTOR HAS INTENSIFIED. WE ANTICIPATE THAT THE JAPANESE GOVERNMENT WILL CONTINUE TO ENCOURAGE THESE TRENDS.

PROGRESS ON WOOD PRODUCTS ACCESS: THE U.S. AND JAPAN HAVE DISCUSSED WOOD PRODUCTS TRADE FOR OVER A DECADE IN A WIDE RANGE OF BILATERAL AND TECHNICAL FORA. OUR 1990 AGREEMENT HAS BEEN REASONABLY SUCCESSFUL IN OPENING NEW DOORS FOR VALUE-ADDED WOOD IMPORTS AND WOOD FRAME CONSTRUCTION -- ALTHOUGH WE STILL ENCOUNTER A VARIETY OF HURDLES INCLUDING HIGH TARIFFS, RESTRICTIVE BUILDING CODES, AND UNIQUE PRODUCT STANDARDS.

OVER THE LAST TWO YEARS WE HAVE NEGOTIATED LESS RESTRICTIVE CRITERIA FOR IMPORTED MATERIALS, IMPROVING UPON THE 1990 AGREEMENT. WE ARE HOPEFUL THAT FURTHER DEREGULATORY MEASURES, SUCH AS EXPANSION OF THREE-STORY, MULTI-UNIT WOOD CONSTRUCTION AND FURTHER RECOGNITION OF U.S. WOOD PRODUCT GRADEMARKS, WILL IMPROVE PROSPECTS FOR U.S. EXPORTS IN THE NEAR FUTURE.

THE GREAT HANSHIN EARTHQUAKE: LAST YEAR'S TRAGIC EARTHQUAKE IN KOBE HAD A TREMENDOUS IMPACT ON JAPANESE HOUSING CONSTRUCTION, AND ON

PROSPECTS FOR U.S. IMPORTS. THE STRONG PERFORMANCE OF 2X4 AND PRE-FABRICATED HOUSING DURING THE QUAKE RESULTED IN A MARKED SHIFT IN CONSUMER PREFERENCES. IN THE KOBE AREA, THE RE-BUILDING EFFORT IS WELL UNDERWAY, WITH CONSTRUCTION OF 2X4 HOMES UP 55 PERCENT FOR THE FIRST HALF OF THIS YEAR.

THIS DOES NOT MEAN THAT JAPAN WILL ABANDON ITS TRADITIONAL CONSTRUCTION METHODS. THE JAPANESE POST AND BEAM INDUSTRY IS ALSO LOOKING FOR NEW PRODUCTS AND TECHNOLOGIES TO BUTTRESS SEISMIC PERFORMANCE, AND TRADITIONAL METHODS REPRESENT THE VAST MAJORITY OF WOOD FRAME HOUSING STARTS. BUT I WAS PLEASED TO LEARN THAT THE JAPAN ASSOCIATION OF POST & BEAM HOME BUILDERS (JAHB) RECENTLY SENT A MISSION TO THE U.S. TO EXPLORE WAYS TO STANDARDIZE PRODUCTION AND BETTER UTILIZE IMPORTED MATERIALS.

I CANNOT STATE UNEQUIVOCALLY THAT JAPAN IS "THE" MARKET FOR YOUR BUSINESS. HOUSING IS A COMPLICATED BASKET OF GOODS AND SERVICES ANYWHERE IN THE WORLD. CUSTOMER DEMANDS TEND TO BE HARDER TO MEET IN A FOREIGN MARKET, PARTICULARLY ONE AS REGULATION-PRONE AND UNIQUE AS JAPAN. BUT THE GOOD NEWS TODAY IS THAT THE JAPANESE GOVERNMENT IS MOVING IN THE RIGHT DIRECTION, ACCOMMODATING INCREASINGLY RECEPTIVE CONSUMER PREFERENCES. JAPANESE HOME BUYERS DESERVE MORE, AND WE CAN HELP PROVIDE WHAT THEY WANT: A TASTE OF THE AMERICAN DREAM.

THE EMBASSY HAS MADE SUPPORT OF U.S. HOUSING AND BUILDING MATERIAL EXPORTS A HIGH PRIORITY AND STANDS READY TO HELP YOU ACHIEVE THIS GOAL.

X-X-X (optional conclusion)

TOGETHER, THE U.S. AND JAPAN CAN TACKLE ALMOST ANY PROBLEM THE WORLD FACES. WE CAN AND WE ARE TAKING GREAT STRIDES IN IMPROVING THE HUMAN CONDITION. CONVERSELY, ANTAGONISM BETWEEN SUCH INFLUENTIAL STATES CAN UNDERMINE OUR ABILITY TO CONTRIBUTE TO PEACE, PROSPERITY, AND HUMAN LIBERTY. WE MUST CONTINUE TO WORK CLOSELY TOGETHER ON ALL FRONTS.

TRADE IRRITATIONS CONTINUE TO IMPEDE SMOOTH U.S.-JAPAN RELATIONS, AND EFFORTS TO ENHANCE COOPERATION IN THIS ARENA HAVE BROAD-REACHING CONSEQUENCES. HOUSING IS CERTAINLY AN AREA IN WHICH BOTH COUNTRIES HAVE

MUCH TO GAIN FROM EXPANDED U.S. PARTICIPATION IN JAPAN'S CHANGING MARKET. IF WE ALL PITCH IN, THE RESULT WILL BE STRONGER TIES ALL AROUND -- LIKE THE NEIGHBORLY GOODWILL FOSTERED BY A GOOD BARN-RAISING. ON A MORE PRACTICAL LEVEL I HOPE THIS CONFERENCE HELPS U.S. FIRMS THINK MORE CONCRETELY ABOUT NEW OPPORTUNITIES.

THANK YOU.





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