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THE REUTER TRANSCRIPT REPORT

HEARING OF THE SENATE FOREIGN
RELATIONS COMMITTEE

SUBJECT: CONFIRMATION HEARING OF
WALTER F. MONDALE AS AMBASSADOR
TO JAPAN

CHAIRMAN: SENATOR CHUCK ROBB (D-VIRGINIA)

WEDNESDAY, JULY 28, 1993

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VICE PRESIDENT MONDALE: Well, thank you very much, Mr. Chairman and members of the committee. It may be endurance, but somehow I was able to endure it with a lot of enthusiasm. (laughter).

I am very pleased to be back in the Senate where I spent so many, many wonderful years and to be back here before this committee in my position as the nominee for ambassador to Japan.

What I would like to do here, Mr. Chairman, is put my statement in as though read, and then I'll just hit a few points and then we can get to the questions.

SENATOR ROBB: Without objection, your entire statement will be included in the record as if read. Whatever portions you'd like to give, we'd be pleased to hear.

VICE PRESIDENT MONDALE: Thank you. I was pleased to accept the President's nomination as our ambassador to Japan for three basic reasons. One is the fundamental importance of our relationship to Japan. I think the senators, the speaker of the house, the bipartisan nature of the comments today underscore the importance which Americans see to be the case with us and Japan. As the president has said, there is no more important bilateral relationship in the world than that which exists between the United States and Japan. Our two nations now share a fundamental interdependence, and our destinies have become inseparable.

Second, there is the key role which an American ambassador can play in that relationship. We've had a tradition of sending our best to Japan -- Edwin E. Reischauer, whose name has been mentioned, Mike Mansfield, who is with us today, is the best; Mike Armacost, who has just left that post and I think gets very, very high grades; and we've seen where an ambassador can make a difference in terms of conveying our message to the Japanese leadership and people and representing American interests in ensuring that American policies toward Japan are based on an accurate understanding of Japanese realities.

Third, I am pleased to accept this nomination because of the great interest that Joan and I have in Japanese culture, history, and society. We are enthusiastic about this opportunity to live and work in Japan, to

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explore the many facets of this very impressive society and its wonderful people. For all of those reasons, I am pleased to be nominated by the President and to be with you today.

I would like now to outline briefly how I view our nation's relationship with Japan and my major responsibilities as ambassador.

For the latter half of this century, the postwar international structure has reflected the power realities of 1945 and the bipolar division of the cold war. This structure needs to be adjusted to reflect the new realities. We need to rethink traditional foreign policy priorities, many of which were based on a Soviet threat that no longer exists. We must now turn our attention to new challenges, including the health of the global economy, regional stability, ethnic and nationalist conflicts, environmental protection, arms proliferation, and democracy and human rights.

As I see it, there are three main elements in our bilateral relationship: Our security alliance, our economic relationship, and our cooperative efforts on regional and global problems. Our most pressing need at this time, as was reflected in many of the comments which we've heard from the committee, is to correct the imbalance in our economic relationship. This is important in its own right; it is also important because constant trade friction weakens public support in both the United States and Japan for our alliance and it threatens our ability to cooperate on a broader agenda. Because our two nations now account for one third of the global GNP, we have an obligation to the world to take care of our economic problems. Thus the President has made the economic relationship the most urgent item on our agenda with Japan.

We in the United States are now beginning to take the difficult and long needed steps to solve some of our own economic problems by reducing the deficit and making investments which will improve our competitiveness. We look to Japan to address its own economic agenda with equal vigor, including help with promoting global economic growth and removing both formal and informal barriers to the flow of goods, services, and investment. At the recent summit held in Tokyo, all of the participants agreed on the need for Japan to significantly reduce its external imbalances. Thanks to the efforts of President Clinton and Prime Minister Miyazawa and negotiators in both countries, we now have a framework for negotiations in which Japan is pledged to, quote, highly significant reductions in its global current accounts surplus and has also agreed to address specific sectoral and structural issues. The overriding task is to move our economic relations away from continued tension and toward greater shared benefits.

The huge and persistent trade imbalance has not just hurt American workers and businesses; it has also hurt the Japanese people. It has deprived them as consumers of the full benefits of a more open and competitive market. The economic framework agreed upon earlier this month should bring more openness, more trade, more growth, and more jobs not only in the United States and Japan but around the globe.

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A second challenge is to maintain understanding and support in both countries for our security relationship. This was also touched on a couple times. It's crucial to keep this in perspective, for it is critical to both our interests as it was during the cold war. The threat may now be less apparent, but the U.S.-Japan security treaty remains the foundation of stability in east Asia. Our military presence in Japan and throughout the region is the single most important element in east Asia's security equation. We must ensure that our presence remains strong, both to deter military threats and to provide reassurance against national rivalries which could undermine the region's hard-earned stability.

A third challenge is to build our cooperation on global issues, including protecting the environment, controlling the proliferation of weapons of mass destruction, enhancing the effectiveness of the United Nations with the focus on peacekeeping, assisting developing countries, building of democracy and respect for human rights, and securing a stable transition in the former Soviet union. No two countries have more to offer in this regard because of our financial and technical resources, technological resources, our human talent, and our commitment to creating a better world. It is in our interests to encourage and assist Japan in its global leadership role. That is why our government has stated its firm support of a permanent seat for Japan in the UN Security Council.

A fourth challenge we face is to have a better understanding of our relationship with Japan in the context of the Asia Pacific region, which has emerged as the center of a world economic growth. The US has traditionally looked more toward Europe than Asia. We now find our trade and investment shifting towards the Pacific, and this is likely to accelerate. In his speech at Waseda University, the President said that the time has come to create a new Pacific community based on economic growth, democracy, and regional security. He emphasized our relationship with Japan as, quote, the centerpiece of our policy toward the Pacific community. We are the region's two wealthiest and most influential powers. No region-wide effort can flourish without our close cooperation and friendship.

Finally, I would add that we face the challenge of building greater human and institutional connections between our two societies. In the last half century, the bonds between our two countries have expanded substantially. Nonetheless, the reality of our interdependence has outpaced our mutual understanding as a people. Language, distance, cultural differences, and some insularity in each of our countries interferes with communications, and we must do better.

Specifically, we need to correct the imbalance in the number of exchange students. With more than 40,000 Japanese in American universities -- and may I say we're glad to have them -- but with fewer than 1,300 Americans studying in Japan, it means that there are 32 Japanese students here for every American student over there. To the extent that I can, I hope to encourage more student exchanges with Japan. I would agree with Senator Fulbright, who once said educational exchange can turn nations into people, contributing as no other form OF communication can to the humanizing of international relations.

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This is a brief sketch of the agenda I see before our two countries. I hope to convey to the Japanese people and leadership as accurately as I can the views and positions of our government on the full range of bilateral, regional, and global issues. I plan to devote much attention to help correct the economic imbalances which have posed the most immediate challenges to our relationships.

I will try to encourage and participate in a broad ranging defense and security policy dialogue with Japan. I intend to see that the embassy is fully engaged with the Japanese political, business, bureaucratic, academic, and arts worlds and, I should say, religious world, so that we can report accurately on Japanese views, help analyze emerging trends in Japanese society, convey the American perspectives on issues and build bridges of understanding between our two nations. When needed, I will convey to the President and the Secretary of State my suggestions of how we might enhance our relationship with Japan for our mutual benefit. I also hope to stay in close contact with this committee and with the members of this committee and other leaders of the Congress as I conduct my efforts as ambassador.

Finally, I hope to show by my own example that our two nations can discuss our differences with civility and without mutual bashing of each other. Too much is at stake in our relationship to allow uncontrolled emotion to interfere with communications. Inevitably our two nations will have some differences, for we are sovereign nations; each of us have our own national interests.

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And these will sometimes diverge to create frictions, and we do no good by ignoring them. But nevertheless, we cannot afford to allow our relationship to drift toward alienation and antagonism. We must be civilized and work to manage our conflicts and to rise above them when our common interests take priority as they often will. If the United States and Japan can work together, the fact is that practically every problem in the world will get better, or at least become much easier to handle.

But if our relationship deteriorates, then every one of these problems will get worse or become that much harder or even impossible to solve. We have a responsibility not only to ourselves but to the world to make sure that our special relationship continues to thrive. Our two nations have already accomplished so much through active cooperation. If we can

Our two nations have already accomplished so much through active cooperation. If we can continue to work together, we can accomplish much more. As our nation's ambassador to Japan, I hope to see that this happens. I look forward to working with the members of the committee as well as the members of the Congress as we seek to advance American interests through a strengthened relationship with Japan. Thank you very much.

SENATOR ROBB: Thank you very much, Mr. Vice President. And before we turn to questions, we have been joined by the ranking member of the subcommittee, Senator Murkowski.

Senator Murkowski, would you like to make an opening statement?

SENATOR MURKOWSKI: Thank you very much, Mr. Chairman. I want to join with my colleagues and welcoming the honorable vice president Walter Mondale to the committee. We had an opportunity to have an extended conversation and I certainly look forward to supporting your nomination. As you know, I spent an awful long time of my Senate career pursuing positive recommendations with regard to our trading relationship with Japan, and I think, as you and I discussed, we need consistency, we need to be firm, and I know from our conversations that you share my commitment to these goals.

I think it's noteworthy the following that you have -- you're following two outstanding ambassadors, Mike Armacost and, of course, Mike Mansfield, who's in the audience. I think the initial interest in your nomination is appropriate. I think it's symbolic that you have been chosen by our new president by your background, your experience and your respect all of appropriate in recognizing the importance of the ambassadorship to Japan, and I don't think that should be underemphasized by any means.

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As you and I both know, our economy and the Japanese economy contribute to about 40 percent of the world's GNP, and we are closely linked and increasingly interdependent on one another. We also share a broad common interest in supporting international peace and security throughout the world, an obligation that we can't take lightly by any means.

We have problems between our countries. For the most part, these are associated with trade. They continue to, I think unnecessarily, cloud our relationship. I think your contribution will be significant in that area as was Ambassador Mansfield and Ambassador Armacost.

I'm going to bring up an issue that ordinarily wouldn't find its way into your nomination hearing but, I think, represents an inconsistency with regard to our relationship and should bear some examination, recognizing the responsibility of the State Department, and I bring up the issue of American embassy construction, which is currently before the State Department and generating some controversy. As you know, since 1986 I have been involved in trying to open up Japan's closed market associated with the construction industry. The issue of the dango (phonetic) is familiar to most members of this body relative to the manner in which the Japanese construction industry basically rigs the bidding by, rather than a competitive bidding process, it simply goes through a negotiated process and makes a determination who's going to get the bids. We've always said that it's in the best interests of the Japanese taxpayer that there be competition, and we want American firms to participate with in Japanese public works construction. But so far very little has been actually completed. We're not talking about building highways or buildings in Japan, but we're talk about architectural engineering technology that we've developed and we can be very competitive in if given the opportunity.

Recently the State Department has made a decision to award the contract to renovate the American embassy in Tokyo -- your future home, Mr. Vice President -- to a Japanese company over the bids of two American companies, and I think this strikes me as a prime example of the problems with the US approach to our trade problems with Japan. In other words, we send a mixed message. On the one hand our USTR announced in April that Japan discriminates against American companies in awarding government construction contracts. This finding by the USTR was based in large part on the blatant evidence politicians and construction companies rigged the system in Japan. The USTR is engaging in ongoing negotiations with the Japanese to bring an end to these practices.

On the other hand, the State Department chooses to award a major contract in Japan to a Japanese construction contractor. Moreover, the State Department makes this decision in the midst of recognition in Japan itself that the Japanese construction companies have been a major source of the political corruption that led to the no-confidence vote and the subsequent elections in Japan.

I think it's most extraordinary, and I -- I would for the record, Mr. Chairman, excerpt part of the Justice release of December 22, 1989. It's

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entitled "Another Japanese company settles bid rigging charges." The Department of Justice announced today that Obayashi Corporation has made a \$642,000 payment to the United States as a result of settlement of charges that it was one of 140 Japanese construction companies that rigged bids for construction contracts at U.S. Navy base Yokosuka in Japan.

And the assistant attorney general goes on to say that this is the latest settlement and reconfirms the department's efforts to make those who defraud American taxpayers pay for their illegal efforts. Persons -- this is the gentleman who put out the press release -- also emphasized that those payments will help to ensure free and fair trade between the US and Japan.

Now, I don't know all the particulars about this specific case, but I do know that Obayashi has been given the contract award for the US embassy renovation in Japan. I understand one of the American companies appealed the decision; but regardless of the outcome, I think that the State Department's decision simply sends the wrong signal to the new Japanese government and the Japanese people. On the one hand we want market access, we want competitive bidding and on the other, the contract is awarded to a Japanese firm that paid a \$642,000 settlement to the United States for bid rigging.

Now, Mr. Vice President, I know you're going to be moving right into the middle of this problem; so I wanted you to be aware of it and I thought it appropriate too, recognizing the limitations on time, to bring it up in your confirmation hearing. I would hope that you would tell the Japanese what I've been attempting to tell them for the last seven years, that it's in the best interests of both the Japanese taxpayer who is footing the bill for the corruption and collusion in the Japanese system and American companies for Japan to drop its designated bidder system which is the root cause of much of the corruption in their system. I know that some may say that's an internal matter, but we welcome Japanese construction in the United States. They competitively bid, they keep our construction industry on its toes in a competitive manner, and I think we are simply asking for the same opportunity, and that's reciprocity. I have the utmost respect for my Japanese friends and feel that if we demand consistency, why, they'll respect our wishes as well.

Finally, I want to you the best of luck, and I look forward to working with you certainly in an open and bipartisan manner as I have with the other ambassadors and as we address market access reciprocity and construction problems and most of all the importance of our bilateral relationship which, as Mike Mansfield used to say, is the most important bilateral relationship which the United States has. And I certainly agree with him. So you can count on my support, and I look forward to the balance of the hearing. Thank you, Mr. Chairman.

VICE PRESIDENT MONDALE: Thank you very much, Senator. I remember our good conversation we had, and I was impressed by the years of intensive personal interest you've shown in US-Japanese relations and economic matters and the rest. I look forward to working with you on

these and other matters.

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SENATOR ROBB: Thank you, Senator Murkowski. We'll begin with a standard round, if somebody's got the timer. Mr. Vice President, we thank you. I personally thought your statement was very thoughtful; it laid out some parameters for exploring that special relationship as well as the way you hope to be able to conduct your official duties as our ambassador to Japan, and I think at this particular stage and given the situation in Japan politically right now as well as our bilateral relationships and the constant change in the international concern about any developments in those areas that this establishes an appropriate beginning.

Let me ask a couple of questions, if I may, that relate to that special relationship and particularly to the trade portion of it. The President and his chief advisors immediately preceding the G-7 meeting in Tokyo and subsequently reaffirmed during the meeting and immediately thereafter established a new negotiating framework. Indeed, you discussed a framework on a larger scale as to how relationships between our two countries might take place, and I personally commend you for suggesting that we keep our eyes on the substantive and important details and try to resist at all costs the kind of dialogue or rhetoric that could be characterized as bashing because I don't think that it serves the interest of either country, and I applaud you for saying that right up front.

The negotiating framework established a series of five baskets of trade issues, and I was wondering if you had any comment as to how this might differ from the structural impediments initiative that had been carried forward and whether or not this either departs or builds on that in terms of what differences we might expect from what we have had recently with respect to SII.

VICE PRESIDENT MONDALE: I think it's obvious that for some years now the American administrations have been concerned about these rising adverse current account balances, and there have been attempts with which this committee is very familiar in one way or another to address parts of it or all of it, and they have not been -- many of them have been helpful. But we are left, nevertheless, with the fact that current account balances are getting worse and not getting better.

What was significant, it seems to me, about the agreement between President Clinton and Prime Minister Miyazawa was that both governments accepted pretty much what I've just said -- that the problem had to be dealt with successfully this time. And so they committed to a highly significant significant -- using their words -- agreed to by both governments -- reduction in the current account I am balances over the mid term and they committed themselves to significant marketing opening across that broad spectrum of trade, services, finance, government purchases and the rest in a fairly strict timetable timetable, committed to quantitative guidelines, some way of measuring, assessing whether success is being made, and then in my opinion we'll find out.

By but in my opinion the most -- one of the most hopeful elements of this -- and I will say that when I was in the White House, the toughest thing we tried to do was coordinate economic policy. We had every agency,

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every department going in different directions and rarely talking to each other -- or, even worse, talking to each other -- (laughter) -- and our country just, you know, on security issues with the National Security Council we coordinate; it's not perfect, but it's become a pretty respected thing. But in economic matters, administrations of both political parties, I think the president has had an awful time trying to come up with an American economic strategy.

President Clinton set up for the first time an economic council in the White House patterned after the NSC to coordinate and organize and discipline our own government in the implementation of presidential policy, and I think it's already made a big difference. I've had old hands tell me this is the first time they've seen negotiations where all of the departments were singing off the same sheet. The second thing that I think is helpful here is the agreement to have semi-annual presidential/prime ministerial meetings.

My experience over in the White House is when the president gets involved, the agencies get their act together and have to answer questions, decisions have to be made because, after all, it comes together when the President moves. And the fact that we will have semi-annual meetings now with these commitments being assessed and analyzed and negotiated for these agreements, I think offers the most hopeful structure and set of specifics, at least, we've had to date. Now, we'll see; but I think we have in place at least a hopeful strategy.

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SENATOR ROBB: Mr. Vice President, in terms of developing this strategy and in terms of the specific language that was used in reaching that agreement, that was announced, the phrase "objective criteria" was used, and it appears that there is a difference of interpretation on both sides of the Pacific and in terms of whether or not that might ultimately lead to measurable results in terms of the ability of US exporters to penetrate Japanese markets and whether or not numerical figures might be attached at some time in the future.

Would you care to comment on the proper interpretation, if you will, of that particular phraseology? I realize that you did not negotiate it, that you were not in place, but you will be, certainly, in the fulcrum of the implementation stage, and for many the question of whether or not specific numerical goals can be attached is an important question.

I would add, parenthetically, that you and I have will a discussion about our own concepts of free trade and whether or not measuring bilateral balances is appropriate. I'm putting that question aside and asking if you have any interpretation of the language.

VICE PRESIDENT MONDALE: The language in the framework agreement says the two governments will assess the implementation of measures and policies taken at each sectoral and structural area within each basket. This assessment will be based on sets of objective criteria, either qualitative or quantitative or both, as appropriate, which will be established using relevant information and data that both governments will evaluate, and then the heads of state and the negotiators will measure progress against those data thus developed. It doesn't say what the data is going to be. There have been discussions about it. It could be dollar volumes, it could be numbers of joint partnerships, it could be different measures in different fields -- for example, in financial institutions, entry into markets where we're now essentially excluded, and it could be multiple indicators.

And I would say this is one of the essential matters to be negotiated, and I think we'll have to see what comes out of those negotiations. I don't think there's -- I don't know of a single -- I anticipated the question, and it's difficult to go beyond that.

SENATOR ROBB: I think you would agree that it does at the very least provide employment opportunities for attorneys and other interpreters on both sides.

VICE PRESIDENT MONDALE: And a sacred objective (laughter).

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SENATOR ROBB: Let me just ask you one other question that relates to that agreement. Just prior to the meeting, the Japanese government and then Prime Minister Miyazawa indicated that the -- or I guess others who might be involved in a successor government, the government itself, gave indications that it would be bound by any agreement that President Clinton and then Prime Minister Miyazawa entered into.

Would you want to comment on the effect of the recent parliamentary elections, the fact that the LDP, in this case, did not get the majority, the fact that a significant change, certainly, is taking place within the structure and framework of the Japanese government and what effect this will have on that particular agreement?

VICE PRESIDENT MONDALE: As you know, although agreements like those announced in Tokyo are announced by the then heads of state, these are agreements between governments. These shall binding on both nations and their governments to the extent that such agreements are binding, regardless of who's in charge at the moment. If you didn't have that understanding, international affairs would be in continuing disarray. So there have been several statements -- I believe I'm right on this -- by governmental leaders that the government of Japan intends to proceed according to this agreement to implement these agreements.

Now, as you rightly point out, there's just been an election. For the first time since the LDP was set up in the early 50's, an election was held in which they did not get an operating majority. And as we meet today, the situation is -- (bell ringing) -- has my answer run out of time? (Laughter.)

SENATOR ROBB: This is principally to constrain the questioners and not the answerer, Mr. Vice President.

VICE PRESIDENT MONDALE: This is a reform that's been added since I've been here, and I think it's unconstitutional (laughter). In any event --

SENATOR ROBB: The subject of a future debate, sir.

VICE PRESIDENT MONDALE: Under the law of Japan as I understand it, their new government must be in place -- or the prime minister must be selected within 30 days. So I think it may slow us down a little bit, but we are expecting to proceed on schedule as per that agreement.

SENATOR ROBB: Thank you, sir. My time for the first round has expired. I'm going to call on the ranking member at this point, Senator Murkowski, for any questions he might have.

SENATOR MURKOWSKI: I'm going to defer to Senator Lugar, who was here prior (inaudible) and I'll question next.

SENATOR ROBB: A precedent that, as a relatively junior member of the full committee, that I would encourage others to subscribe to when it's appropriate.

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Senator Lugar, we're delighted to recognize you.

SENATOR LUGAR: Well, thank you very much. Vice President Mondale, in the statement of objective that you have, you mention that you would try to encourage and participate in broad ranging defense and security policy dialogue with Japan and you look forward to talking often and at length with Japanese leaders about common political, economic, economic and military objectives and within the context of our security alliance.

What is your perception of the type of relationships that Japanese statesmen want to fashion with us? Specifically, are they hopeful of a new formulation, a reiteration of the current situation, or one that recognizes Japan's remarkable strengths and formalizes the way in which, in a bilateral sense, we approach not only Asia but a whole host of humanitarian, economic, and not security problems around the world? How far-reaching do you perceive Japanese leadership is now in refashioning the security relationship?

VICE PRESIDENT MONDALE: I think first of all the bedrock of our relationship is in existence now. It's the military security treaty; it's the other political and security understandings that we have with the government of Japan; it's the continuing cooperative relationship between our military forces and theirs, which I think has to be restated as the essence of the source of stability in that whole region.

And I don't think either -- I've watched this current debate in Japanese politics, and I was reassured to note that practically all the political parties in one way or another made a statement reassuring, I think, us that whatever their differences on other matters, they saw it the same way.

So I think that's -- we can't -- as we talk about the other matters that your question raises, you have to pin that down. And the President, in his visit to Tokyo and in Korea, went out of his way to make that point. Because while there may be some differences between our parties from time to time, I think that every president of every political party since the peace treaty in Japan has reaffirmed that situation, and we do it again, and that will be one of my essential assignments there to make certain we move forward.

Having said that the end of the cold war has changed a lot, but it has not removed potential threats from that region. We have a government in North Korea that's isolated, undemocratic, paranoid, and dangerous. Speculation is that it may be trying to develop its own nuclear weapons and delivery systems which, incidentally, might reach as far as Japan. Well, that is a very dangerous and unsettling development, and in your opening statement you alluded to that. This cannot -- this has to have the attention of the United Nations, ourselves, the Japanese -- we have to have everyone in that region. We can't -- this must be dealt with. Of course, the South Koreans are concerned about it, as they should be. Throughout the region, they're

concerned about it. So our military agreement, our nuclear umbrella, our continuing willingness to stand behind our assurances for the defense of Japan made in that treaty, must be up front.

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Then we have the broader issues of security throughout the Asian Pacific region, and here Japan and the United States are working together in the context of the ASEAN meetings just completed in Singapore, and I think we're going to see more of that, regional discussions throughout that region, with China, with Russia, with the other -- I think they call it the post-ministerial conference where we talk not just about economic matters but how do we retain stability and peace in a region which has been notoriously unstable over the last several hundred years? So the new Pacific community and all that -- so -- and, of course, then cooperation between the United States and Japan and the United Nations in the broader global issues.

One of my hopes is that now that the cold war is over, we can engage the Japanese in working with us in these commonly perceived objectives because together -- we're working together on these things -- we're going to accomplish an awful lot.

SENATOR LUGAR: I appreciate you mentioned the regional ASEAN meeting, and that did take on, apparently, a very far ranging agenda that Secretary Christopher addressed in which the delegates were thinking about the relationship with China and with Vietnam and a lot of players coming into it a situation that is different. And as you're expressing in that answer, it's a moving situation which you're going to be a major participant in pinning down, as you stated, the president's done that -- the basic relationships, but there are all sorts of new things out there.

VICE PRESIDENT MONDALE: Right. And you know it's new -- they don't have the old security structures that we have in Europe like NATO and this sort of thing, so they're developing this newly wealthy area. This burgeoning area of economic vitality could also be a very dangerous area in terms of political and military instability, and that's -- this new effort of ASEAN and APEC, or the Asian Pacific community, offers for the first time, I think, a serious cooperative dialogue that will help lead toward more stability. These are just beginning evolutionary, in some ways tentative, steps; but they're nevertheless very important, and I as ambassador am going to do my part to try to encourage the Japanese to continue that effort and enhance their role in the region and in the world.

SENATOR LUGAR: In the meetings that I've mentioned that some of us had with the Japanese statesmen in June, one of the more interesting and profound comments made by economists were to the effect that in Japan as well as perhaps in the United States there are needs for new products, new technological breakthroughs that will be interesting to consumers, that one reason why the Japanese economy has faltered, and they suggested one reason why ours might have, is that large consumer breakthroughs like the television sets or items of this sort are markets now that are fairly mature, and we need to be working together, in a sense, as we try to think through how breakthroughs are

going to come in the world economy. The president is going to be meeting at the summit on the jobs issue again, but the jobs issue may be derivative of things that people want to buy or consumer demand with which to buy them.

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As you've visited with Japanese friends, what is your own sense about the maturity of that economy and its interplay with our own? Because currently that's such an important factor as far as our own growth and recovery.

VICE PRESIDENT MONDALE: Yeah. Well, following the war the Japanese economy was prostrate, was not able to compete in the world, and in these last 45 years it's become, in many ways, with us, the most impressive economy in the world in all respects, high technology and the rest. But it nevertheless is, as they concede in their framework, an economy which is often characterized by practices both with government and private parties and together that denies the kind of cooperation, the kind of strengths and efficiencies that a free market could provide for them and for us.

We're both technological giants, we're both nations capable of incredible productivity; we have different strengths. And if they could open up their markets and we could get that issue behind us and we could cooperate on these new steps that are coming up, you know, the revolution in digital technological communications and the rest that we're about to enter -- I think the potential for their consumers, our consumers, and the world would be just incredible, and I hope that that's the direction we'll go in.

SENATOR LUGAR: Well, we wish you every success in helping on that. I appreciated specifically your mention of student exchanges, and I was not aware that the disparity was that great -- 40,000 Japanese students in our country and only 13 hundred Americans in Japan.

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That was a very important contribution just of information to this hearing and a challenge, certainly, to us in that area.

VICE PRESIDENT MONDALE: May I say that one of the things I've noticed is that there are a few members of the Senate who have managed over the years to take a pretty vigorous interest in US Japanese matters. You're one of them; Senator Murkowski has been involved; others have been involved -- Bill Bradley and so on -- the list is longer than the one I've just given. Nancy Kassebaum, I believe has been visiting there several times. I would hope that we could get more senators, despite how busy they are, to take a more personal interest of the kind that you've demonstrated.

SENATOR LUGAR: Thank you very much.

SENATOR ROBB: Thank you, Senator Lugar. Senator Pell?

SENATOR PELL: Thank you very much, Mr. Chairman. I was struck with Senator Murkowski's points he's making about the building of the embassy. I would suggest we insert in the record an article from the New York Times yesterday on this subject. And I would just point out that the Japanese bid, according to the article was \$7.1 million as opposed to the American company's \$10.2 million, which may have played a role in the Japanese -- in our decision.

Asking Vice President Mondale, what are your views with regard to Japan's aspirations to join the Security Council? What are the obstacles there? If she did join, would it be without the veto but as a permanent member? What is your thought?

VICE PRESIDENT MONDALE: As you know, our government strongly supports the inclusion of Japan as a member of the Security Council. Before these hearings I went to the United Nations and met with the Japanese ambassador there and with our own permanent representative, Madeleine Albright, to become more familiar with what is happening on the achievement of that objective because as ambassador I'm going to try to help toward that end. And I found that both countries were cooperating to bring this about.

They're still in the early stages of the effort, I believe, but there is, I think, a general understanding at the UN of our position and the Japanese position, and I think the UN would be strengthened in Japan were on the Security Council. The current membership reflects the power situation at the end of World War II, and there have been several countries, none more impressive than Japan, who I think could bring great strength to that essential institution of the United Nations.

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SENATOR PELL: Is it the American thought that she should have a veto or not?

VICE PRESIDENT MONDALE: I frankly -- well, strike that. My understanding is that these matters are now being worked -- this is not a simple one-on-one game. There are other nations that feel that they too should be on the Security Council. Depending on the day, that list can get pretty long, and then there's the issue of what kinds of powers, veto power or not, that they have, whether they're rotating memberships and all the rest. Our position is, as I understand it, that Japan should be a permanent representative to the Security Council.

SENATOR PELL: Maybe someone can answer that question?

VICE PRESIDENT MONDALE: We have not taken the position; I think we're waiting for these negotiations to conclude.

SENATOR PELL: All right. Thank you. Another problem you have --

VICE PRESIDENT MONDALE: Pardon me. I think they're discussions; they're not negotiations.

SENATOR PELL: Right. Another problem you have to deal with is the difficulties of -- we fought a pretty tough war to make sure that Japan would not have a military capacity. At the same time, there seems to be considerable movement that she should have a capacity to help in peacekeeping in their part of the world. What are your views on that; and in that regard, what are the obstacles? I mean all of us with gray hair remember that war, and you have an automatic hurdle to overcome.

VICE PRESIDENT MONDALE: Right. One of the reasons for the military security treaty is to provide an alternative for the Japanese so they do not have to build up a military force. This is, of course, their decision; but there has been a consistent majority view, as I understand it, year after year among the Japanese people that they would like essentially the current status, and that provides for self-defense forces and it provides the responsibility for defense of certain sea lanes out to a thousand miles. And slowly now they're starting to step out with peacekeeping forces.

But as I understand the law, it prohibits peacekeeping efforts where combat is involved or likely to be involved. They were, as you know, very, very helpful in Cambodia, and the transitional forces there under UN aegis were commanded by a Japanese commander and, knock on wood, up to this point the results in Cambodia have been quite successful. So I believe that we would like to encourage that peacekeeping involvement and I will do so as ambassador.

SENATOR PELL: Thank you. In connection with the negotiations we may conduct with the Japanese, I would hope in view of the very senior role that you have had in our government that they would be conducted with you very much as participant and we would not send out special ambassadors who

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were not reporting in to you, that you would be able to maintain that position. Is that your understanding?

VICE PRESIDENT MONDALE: Oh, yes -- (laughter) -- to be serious about the question, I have the assurance from the President, the Secretary of State; I talked to the heads of all the departments, and my relationship with them and with the President is such that I am sure that I will be a full participant in these matters. The President himself has invited me to talk with him personally whenever I feel it's necessary as has the Secretary of State and as the heads of the other departments, and I intend to be an active, involved, engaged ambassador in these matters.

SENATOR PELL: Thank you very much indeed, and I know you will be a great ambassador.

Thank you, Mr. Chairman.

SENATOR ROBB: Thank you, Senator Pell. Senator Murkowski?

SENATOR MURKOWSKI: Thank you Mr. Chairman. Mr. Vice President, you and I conversed at some length over the inequities of our trade relationship that's been going on for some time. You're not the new new kid on the block, so to speak, to take up the subject. It's been dealt with by other ambassadors; it's been dealt with my other administrations. And we seem to just have a continuing dialogue relative to the inequity, and I'm looking at a chart here which shows since 1983 to 1992 the trade imbalance.

And it's difficult for you to see, but what it shows is the Japanese -- the trade surplus with the United States for that period of time, '83 to '92, and it lists specifically the exports which are exports from Japan to the United States. And starting off in 1983, those exports were about at the level of 42 million, and now we're looking at those exports being about 95 -- excuse me, billion -- 95 billion. So we've had a constant increase in Japanese exports to the United States.

Now, Japanese imports or US imports to Japan started out in '83 at about 24 billion; they're about 45 today. So we still have this differential of trade imbalance which amounts to somewhere in the area of \$45 to \$50 billion, although this year it's expected to go up to \$60 billion. Great minds and much "misaware" -- which is the pronunciation I use for firewater -- have gone and flowed relative to this inequity, and the ability to resolve it seems to have been lost in time and space. It's a continued topic; but outside of talking about it, we don't seem to be able to address a methodology to narrow it.

I'm wondering if you have any specific recommendations. You know, it's great to generalize; we ought to do something about the budget; we ought to do something about the trade imbalance. We have to be specific, and I think that the State Department, the administration and, certainly, you have an obligation to come up with specifics. I wonder if you could enlighten us briefly?

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VICE PRESIDENT MONDALE: This is what we discussed about in our meeting which I found very valuable. At this point I could recount the elements of the framework, but I know you're thoroughly familiar with it, but I think when the Japanese government says "we will bring about a highly significant reduction in current account imbalance," those words must mean something and that they will agree to specific quantitative guidelines and a time frame for the various elements in so-called baskets which cut across the whole framework of their economy, and when they agree to the semi-annual summit meetings or heads of state meetings where these matters are going to be at the core of those highly pressured events, I think that we have that we'd have some reason for optimism. Now, we'll see. I want to -- I think the proof will be in the eating of this thing.

But I think some things have changed. In addition to the structure of our own government, which I think needed this centralizing mechanism that we now have in the economic council and needed the consistent personal attention of the President together with government wide staff of superb leaders, and I think he's put together a brilliant team -- I think some other things have happened that are worthy of note.

I sense that in the United States and around the world there has been a big change in the academic and scholarly community about this problem, that they now realize the need for something of the kind of a framework. Ten years ago that was not as clear. I think there's much more consensus in the body politic of America about the seriousness of this problem than there was ten years ago and I think there's a broader consensus in the Congress than there was. And I think that the government of Japan sees that, that this is becoming a matter which is less and less deferrable. And it's not only the United States, but it's Japan's trading partners around the world who are looking at a current account imbalance now of 140 -- somebody said \$150 billion. That's that is not sustainable, and so I'm hoping that -- let me put it this way. I think that the agreement between the United States and Japan at the summit between Clinton and Miyazawa was not a casual undertaking.

I hope when I come back here a year from now we can say this was a fundamental watershed event beginning the kinds of market openings that are needed and also the macroeconomic policies in terms of stimulation and the rest that are also essential and part of this. If that happens, then that's one thing; if it doesn't, I'll bet you'll have some more questions.

SENATOR MURKOWSKI: Now, Mr. Vice President, I'm going to mark my calendar, and it will be interesting to reflect a year from now on what advancements we've made. I think we all recall over the last decade and certainly the twelve years since I've been here that we have always been waiting for a set of events -- at one time the strengthening of the dollar vis-a-vis the yen or the yen vis-a-vis the dollar that was going to take care of the inequity. It was going to be a new communique from our US trade representative. It was going to be

the threat of sanctions and 301's. It was going to be any number of things, and it's been things, it's been talk, it's been conversation.

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And as a consequence, you have to recognize the reality that you call "wolf, wolf" and, you know, if there's nothing behind it why, it perpetuates. And I think it's fair to say that this has perpetuated. We've made demands; the Japanese have heard our demands. There has been acknowledgement of our demands, but there's been no real progress in narrowing that trade inequity, and that's just the hard, cold fact of reality. And we're going to be looking at that reality under your tenure and, obviously, we have a measuring device, which is the trade imbalance that has existed.

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I would hope that we could be specific. Japan is a country that is dependent on importing substantial resources for there economy. We have encouraged, from our state of Alaska, the purchase of liquefied natural gas. It's a big, big project. You and I discussed the project. The first gas that was ever imported from anywhere came from my state of Alaska back in 1967, a million tons. It opened up the feasibility and the technology of moving LNG. Now that contract has been renewed since that time. It's about a million and a half tons from the Kenai LNG, but now Japan is consuming about 34, 35 million tons. They're purchasing most of that gas from Indonesia. There isn't a trade inconsistency with Japan and Indonesia.

I think Japan should look to its best customer, the United States, and recognize the necessity of taking care of its best customer just as you and I would do in business, sensitive to the best customer's concerns as well. And, you know, energy is a big ticket item. If Japan were to buy LNG from the United States and Alaska, you're looking at about \$4 billion a year in one single project. That's a lot more than you're going to find in apples and oranges and grapefruit and beef, and I think Japan has to look towards some of the mega-projects that we can develop that are in harmony with our own environment and ecology.

I think we need to bring this matter to the highest level of government, namely, the executive branch, to be specific. 'Buy LNG from the United States; participate in the largest construction project that's currently on the boards.' We're looking at something somewhere in the area of a \$30 billion construction project. The Japanese could supply the pipe; they could supply the LNG tankers. You're talking about a big ticket item that will address specifically this inequity. And I would encourage you, Mr. Vice President, to consider the merits of this because we have it for sale. They are our market. It's a matter of putting the two together. We can be competitive with Indonesia, but this is a big, big project. We're talking about moving somewhere, into the marketplace, about 11 million tons in order for the project to be feasible, viable, and cost competitive with Indonesia.

VICE PRESIDENT MONDALE: I thank you. We discussed that, and I will look into that if confirmed in my job. Let me just say one thing, although none of this is new at all to you. The whole thrust behind the agreement between the president and Prime Minister Miyazawa was just that -- to get specific. These were really tough negotiations because we wanted to avoid negotiations where you just have general discussions about doing better.

I think the history on that has not been encouraging, at all. And so these were undertakings in which both governments agreed that the present

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situation in a sense is unsustainable. Both governments agreed to opening up the markets. We agreed to deal with our deficit for the first time, which gives us some credibility that we didn't have before in insisting on a corollary effort on their part where they need to step up to, in effect, some parts of their markets that are closed.

Then it goes beyond that to set up specific timetables, specific areas of negotiations, specific agreements on quantitative and qualitative standards, and all of it with an undertaking to meet semi-annually with the President and the Prime Minister to assess progress based on those standards.

Now, I know, because I've talked to all of our people involved in this, every one of those steps were negotiated with great difficulty, but it's there, and the undertaking is there, and I believe that we have some reason to have some confidence that we're going to be going toward this specific goal. Now, there's other patterns, as you know. Currency values is not unrelated to this problem at all. One of the reasons that the current account imbalance has deteriorated the last couple of years is that the yen got cheaper as against the dollar in world markets and, while there's a lag, as we know, between those currency values, that still is, when you look at current account imbalances, is not the makeup of the internal trade -- but it does have some effect.

The other thing is if they're stimulating their economy; they have a substantial public surplus. If you look at all Japanese governments and you look at their budgets together, they are not in deficit; in fact, they're in surplus. So this matter was discussed with them in Tokyo and they undertook to continue a program of domestic-led growth. For every one percent that they increase domestic growth, it pulls in about \$5 billion in imports, of which about something like 20 percent would be American imports.

So that's an important part as well. All these things work together, and of course you add the GATT talks, which is another important part of this thing, and then some of the sectoral matters that you and I are discussing between the United States and Japan on a bilateral basis. All of this requires attending to.

SENATOR MURKOWSKI: Thank you, Mr. Vice President.

SENATOR ROBB: Thank you, Senator Murkowski -- (inaudible).

SENATOR MURKOWSKI: I'll have more in the second round.

SENATOR ROBB: Yes. Senator Kerry? You did not have not opportunity to offer an opening statement. If you'd like to make any kind of a statement and then proceed with your round of questions, please do.

SENATOR KERRY: Thank you very much, Mr. Chairman. Well, I apologize for not having been here throughout. Nobody knows better the way it works around here than the distinguished vice president. Let me first join others in saying what a pleasure it is to see Senator Mansfield, Ambassador

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Mansfield here, a man whom we all admire so very much, and who, when I was on the outside looking in, was one of the towering figures of the Senate, and he has left enormous shoes to follow over there, and we're just delighted that he's here.

I really think that your -- I know other colleagues have addressed this, but I'd just like to say something about it also -- I think your appointment is a magnificent appointment on several different levels, but perhaps most importantly for the purpose that the president has selected you, to say to Japan how much we do value the relationship and how important it is to have someone of your experience and capacity there carrying on and advocating the interests of both of our nations in the world as these two great nations try to work out difficult problems.

And I think there's a very important message in his doing that. But I might also add on a personal level that I think that there's a second message which comes with it. I doubt it was the purpose of it, but I think that your career of public service is in fact crowned, in a way, by your willingness to accept this. There are many people who have served as vice president of the United States who would say I've done my duty and who also might fall prey to the false notion that doing something else at a different level is somehow not befitting.

I think it is just a huge statement about your commitment to public service, about your own perceptions of yourself and roles, about your commitment to your country and about the task at hand that you are willing to serve yet again and to go to Japan at this moment in time. I really think it is a very large gesture, if you will, of commitment and patriotism, and I really do commend I for it. And I think as a sort of role model to a lot of people in public life, it's a statement of significant import that you're willing to leave the private practice of law and get out of the, sort of, life of somebody who'd left politics behind and dig back in. And I certainly thank you for doing that. I think it's wonderful.

Mr. Vice President, a lot of colleagues have dwelled on the issue of trade, and trade is obviously of enormous importance. I don't want to spend my whole question period on it; I do want to ask you just a couple of things about it though. It seems to me that the Japanese, who are friends and are important partners in a lot of endeavors, need to really understand that this is not another round of rhetoric here in the United States, that there is an increasing understanding of and sophistication about trade issues. And, whereas many people were willing in the past to accept assurances that things might change, the semiconductor agreement is perhaps the harbinger that we're not so willing to stand pat as we have been in the past.

I notice that Ambassador Armacost -- in response to Japanese official assertions about things getting better and as the economy grows better, the balance will change automatically, that Ambassador Armacost has scoffed at saying -- let me quote -- "I hope people are not being too persuaded by some of the PR that's been flowing so freely recently which is designed to dismiss the trade problem or



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