

KEIDANREN KEIZAI KOHO CENTER

NOVEMBER 24, 1993

*Chair  
Shunichi Miyazaki  
Dir Gen  
Keeleener*

[YOU WILL BE INTRODUCED BY GAISHI  
HIRAIWA, THE CHAIRMAN OF KEIDANREN.]

THANK YOU, MR. CHAIRMAN, FOR THAT  
VERY KIND INTRODUCTION. [ AND THANK YOU  
FOR THIS OPPORTUNITY TO DISCUSS JAPAN'S  
GLOBAL TRADE IMBALANCE AND WHAT  
ACTIONS MIGHT BE TAKEN TO CORRECT IT. ]

I APPRECIATE YOUR VERY KIND AND  
GENEROUS INVITATION TO PARTICIPATE IN  
THIS DISCUSSION ABOUT AN ISSUE WHICH IS  
OF GREAT CONCERN NOT ONLY TO THE UNITED  
STATES, BUT TO ALL OF JAPAN'S TRADING  
PARTNERS.

EXACTLY ONE WEEK AGO, I LEFT TOKYO  
FOR SEATTLE. AT THE TIME, THE POLITICAL  
REFORM PACKAGE HAD NOT YET PASSED THE  
LOWER HOUSE OF THE DIET; NAFTA HAD NOT  
YET BEEN RATIFIED BY THE U.S. HOUSE OF  
REPRESENTATIVES; AND THE APEC  
MINISTERIAL MEETING AND THE INFORMAL  
LEADERS MEETING HAD NOT YET BEEN HELD.

**SO, MUCH GOOD NEWS HAS HAPPENED  
THIS PAST WEEK. EACH OF THESE EVENTS  
OFFERS HOPE FOR EVEN MORE POSITIVE  
CHANGES AHEAD.**

**- THE LANDMARK VOTE IN FAVOR OF  
POLITICAL REFORM PROMISES TO MODERNIZE  
JAPAN'S POLITICAL SYSTEM -- MAKING IT  
MORE ACCOUNTABLE TO THE PUBLIC AND  
POSSIBLY STIMULATING BROADER CHANGES IN  
JAPANESE SOCIETY.**

**- THE NAFTA VOTE -- REAFFIRMING AMERICA'S COMMITMENT TO FREE TRADE AND OPEN MARKETS -- WILL REDUCE TRADE BARRIERS AND PRODUCE NEW ECONOMIC OPPORTUNITIES, NOT JUST IN NORTH AMERICA BUT WORLDWIDE.**

**- LIKEWISE, THE MEETINGS IN SEATTLE SET THE STAGE FOR INCREASED ECONOMIC COOPERATION AMONG THE NATIONS OF THE ASIA-PACIFIC REGION AS A MEANS TO EXPAND OPEN GLOBAL TRADE AND COMMERCE.**

IN ADDITION TO THE MINISTERIAL MEETING, THERE WAS A HISTORIC AND SUCCESSFUL GATHERING OF LEADERS FROM THE REGION -- RESULTING IN AN "ECONOMIC VISION STATEMENT" WHICH EXPRESSED THEIR COMMITMENT TO APEC AND, AMONG OTHER RECOMMENDATIONS, CALLED FOR CREATION OF A PACIFIC BUSINESS FORUM.

PRIME MINISTER HOSOKAWA AND THE ENTIRE JAPANESE DELEGATION WERE DEEPLY ENGAGED IN LAST WEEK'S MEETINGS -- AND JAPAN'S SUPPORT AND LEADERSHIP WILL CONTINUE TO BE CRUCIAL TO THE SUCCESS OF APEC.

PRIME MINISTER HOSOKAWA AND  
PRESIDENT CLINTON ALSO HAD A VERY  
POSITIVE BILATERAL MEETING IN SEATTLE.  
THESE TWO ENERGETIC LEADERS HAVE NOW  
ESTABLISHED A SOLID BOND WITH EACH  
OTHER. THIS SHOULD BE A REASSURING  
REALITY -- NOT ONLY TO THE AMERICAN AND  
JAPANESE PEOPLE, BUT TO THE WORLD.

ALSO OF GREAT SIGNIFICANCE,  
ALTHOUGH ON A DIFFERENT SUBJECT, LAST  
NIGHT THE CONGRESS FINALLY ADOPTED A  
LONG OVERDUE MEASURE TO CONTROL THE  
SCANDALOUS AVAILABILITY OF GUNS IN  
AMERICA.

LAST WEEK, PRESIDENT CLINTON RECEIVED THE PARENTS OF YOSHI HATTORI IN THE WHITE HOUSE AND HEARD THEIR PLEA FOR GUN CONTROL. YESTERDAY, THE HATTORIS -- IN A WIDELY COVERED EVENT -- VISITED THE GRAVE OF PRESIDENT JOHN F. KENNEDY, WHOSE LIFE WAS TAKEN, AS WAS THEIR SON'S, IN A *Wanted* WANTED ACT OF GUN VIOLENCE.

TODAY, WE CAN FINALLY SAY THAT AMERICA IS BEGINNING TO ACT ON THE ABUSE OF GUN OWNERSHIP IN OUR NATION.

THE HATTORI'S -- THROUGH THEIR  
DIGNIFIED EFFORT TO BRING SOME MEANING  
TO THEIR SON'S TRAGIC DEATH -- DESERVE  
THE THANKS OF THE AMERICAN PEOPLE FOR  
THE DECENCY AND THOUGHTFULNESS OF  
THEIR MESSAGE TO MY NATION.

THEIR SON IS GONE. BUT THE  
MESSAGE OF THE SENSELESS ACT WHICH  
TOOK HIS LIFE HELPED SPUR OUR NATION  
TO ENACT THIS REFORM. FOR THIS, THE  
AMERICAN PEOPLE WISH TO EXPRESS OUR  
PROFOUND APPRECIATION AND  
ADMIRATION FOR THE EFFORTS OF THIS  
REMARKABLE COUPLE.



AS YOU KNOW, ANOTHER BIG EVENT IS COMING UP IN LESS THAN A MONTH. THIS IS THE DEADLINE FOR THE URUGUAY ROUND OF THE GATT. THE OUTCOME OF THESE NEGOTIATIONS WILL HAVE A LOT TO SAY ABOUT THE POSSIBILITIES FOR FUTURE ECONOMIC GROWTH IN THE WORLD, AND WE MUST STRIVE FOR A SUCCESSFUL CONCLUSION TO THESE TALKS.

IN THEIR "VISION STATEMENT," THE APEC LEADERS ACKNOWLEDGED THAT, IN THEIR WORDS: "THE FOUNDATION OF OUR ECONOMIC GROWTH HAS BEEN THE OPEN MULTILATERAL TRADING SYSTEM. THEREFORE, WE PLEDGE OUR UTMOST EFFORTS TO BRING THE URUGUAY

ROUND TO A SUCCESSFUL CONCLUSION BY  
DECEMBER 15. WE ARE DETERMINED [THAT]  
THE ASIA PACIFIC REGION WILL LEAD THE WAY  
IN TAKING CONCRETE STEPS TO PRODUCE THE  
STRONGEST POSSIBLE OUTCOME IN GENEVA."

THE GATT IS SO CRITICALLY  
IMPORTANT BECAUSE IT ~~IS~~ REPRESENTS A  
CONCERTED INTERNATIONAL EFFORT TO  
DEREGULATE AND OPEN MARKETS IN ORDER TO  
EXPAND TRADE WORLDWIDE. AND THIS IS  
ABSOLUTELY NECESSARY TO ADDRESS THE  
FOREMOST PROBLEM IN THE GLOBAL ECONOMY  
TODAY -- WHICH IS INADEQUATE GROWTH.

FORTUNATELY, THE AMERICAN ECONOMY NOW SEEMS TO BE GROWING AT A HEALTHY RATE. BUT THE EUROPEAN ECONOMIES ARE NOT. AND, AS YOU WELL KNOW, MOST OBSERVERS BELIEVE THE PROSPECTS FOR THE JAPANESE ECONOMY -- AT LEAST IN THE SHORT TERM -- ARE NOT AT ALL ENCOURAGING.

BUT IF WE ARE TO HAVE STRONG GROWTH IN THE WORLD ECONOMY, IT MUST STILL BE POWERED BY THE MAJOR INDUSTRIAL ECONOMIES. THUS, THE UNITED STATES HAS A RESPONSIBILITY; EUROPE HAS A RESPONSIBILITY; AND SO DOES JAPAN.

AT THIS POINT, WHAT THE WORLD ECONOMY NEEDS AND WHAT THE JAPANESE ECONOMY NEEDS ARE FUNDAMENTALLY THE SAME. THIS IS SUSTAINED DOMESTIC DEMAND-LED GROWTH IN THE JAPANESE ECONOMY.

I REALIZE THAT JAPAN TAKES SERIOUSLY ITS RESPONSIBILITIES -- AS AGREED TO IN THE G-7 COMMUNIQUE FROM JULY -- TO "ENSURE SUSTAINED NON-INFLATIONARY GROWTH LED BY STRONG DOMESTIC DEMAND." THIS GOAL WAS REAFFIRMED IN THE BILATERAL FRAMEWORK AGREEMENT.

THE GOVERNMENT OF JAPAN IS NOW IN THE PROCESS OF DECIDING WHAT STEPS ARE NEEDED.

IT IS NOT MY PLACE TO TELL THIS GOVERNMENT WHAT IT SHOULD DO. NONETHELESS, I HOPE IT WILL BE ABLE TO PURSUE A COURSE THAT IS SUCCESSFUL IN GETTING THE JAPANESE ECONOMY MOVING AGAIN ON A SUSTAINED BASIS.

BECAUSE YOURS IS THE SECOND LARGEST ECONOMY ON EARTH, IT IS NO EXAGGERATION TO SAY THAT THE REST OF THE WORLD WILL BE AFFECTED BY WHAT JAPAN DOES.

MANY JAPANESE LEADERS ALSO AGREE THAT JAPAN NEEDS TO "RESTRUCTURE" ITS ECONOMY TO ACHIEVE SUSTAINED DOMESTIC DEMAND-LED GROWTH WHICH WILL CONTRIBUTE TO HIGHER LIVING STANDARDS FOR THE PEOPLE OF JAPAN.

JAPAN'S ECONOMIC SUCCESS OVER THE PAST FOUR DECADES WAS BUILT ON A STRATEGY OF EXPORT-LED GROWTH. THE IMPERATIVE WAS TO INCREASE DOMESTIC SAVINGS AND INVESTMENT TO FUEL EXPORT-ORIENTED INDUSTRIES. DOMESTIC CONSUMER DEMAND WAS SUPPRESSED, AS WERE IMPORTS AND INFLOWS OF FOREIGN INVESTMENT.

IN BOTH THE G-7 COMMUNIQUE AND THE U.S.-JAPAN ECONOMIC FRAMEWORK, THE GOVERNMENT OF JAPAN HAS ACKNOWLEDGED THE NEED FOR GREATER OPENNESS IN THE ECONOMY.

PRIME MINISTER HOSOKAWA AND MANY OTHERS HAVE EMPHASIZED THAT IT IS TIME THE JAPANESE PEOPLE ENJOYED THE BENEFITS OF THEIR HARD WORK -- AND THE HIGH YEN -- IN ORDER TO BRING JAPANESE LIVING STANDARDS MORE IN LINE WITH YOUR WEALTH AS A NATION.

OF COURSE, AS PAINFUL AS THE DISCIPLINE OF FREE COMPETITION CAN BE TO AN ECONOMY IN TRANSITION, IT IS BECOMING ABUNDANTLY CLEAR THAT THE LONG-TERM PROSPERITY OF A SOCIETY DEPENDS ON ITS ABILITY AND WILLINGNESS TO MEET THE CHALLENGES OF COMPETITION IN AN OPEN MARKET. COMPETITION DELIVERS REWARDS IN THE FORM OF IMPROVED PRODUCTIVITY, GREATER INNOVATION AND HIGHER LIVING STANDARDS.

NO ONE KNOWS THIS BETTER THAN JAPAN'S ECONOMIC LEADERS.



TO PREPARE FOR THE FUTURE, JAPAN NEEDS A HEALTHY, GROWING ECONOMY WHICH IS MORE FULLY INTEGRATED INTO THE INTERNATIONAL SYSTEM OF OPEN TRADE AND COMMERCE. IN TURN, THIS WILL HELP REDUCE JAPAN'S GLOBAL TRADE IMBALANCE.

SEVERAL AREAS OFFER PROMISE:

FIRST, THERE IS THE GATT.

DECEMBER 15 IS THE DEADLINE NOW LOOMING FOR CONCLUSION OF THE URUGUAY ROUND OF NEGOTIATIONS. THIS IS A FIRM DEADLINE.

THE URUGUAY ROUND WILL NOT  
SUCCEED UNLESS THE MEMBERS OF THE G-7  
WORK TOGETHER TO ENSURE THIS OUTCOME.  
WE ARE ENCOURAGED BY JAPAN'S  
STATEMENTS OF SUPPORT AND ANNOUNCED  
INTENTIONS TO BRING THIS ROUND TO A  
SUCCESSFUL CONCLUSION.

IT IS IN EVERYONE'S INTERESTS TO  
STRENGTHEN THE GATT, BECAUSE VIRTUALLY  
EVERY COUNTRY STANDS TO GAIN FROM A  
MORE OPEN INTERNATIONAL TRADING SYSTEM.

ACCORDING TO A NEW REPORT BY THE  
OECD, THE NET ANNUAL GAIN IN WORLD INCOME  
COULD REACH AT LEAST 270 BILLION DOLLARS

BY THE YEAR 2002 IF WE SUCCEED IN  
CONCLUDING THE URUGUAY ROUND NEXT  
MONTH. JAPAN WILL BE ONE OF THE BIGGEST  
WINNERS.

FAILURE OF THESE GATT  
NEGOTIATIONS, ON THE OTHER HAND, WOULD  
PRODUCE TERRIBLE UNCERTAINTY IN THE  
ECONOMIC AND POLITICAL RELATIONS AMONG  
NATIONS; IT WOULD DISCOURAGE INTEGRATION  
OF DEVELOPING COUNTRIES AND FORMER  
COMMUNIST ECONOMIES INTO THE WORLD  
ECONOMY; AND IT WOULD DEMORALIZE EFFORTS  
TO MAINTAIN AND BROADEN OUR GLOBAL  
TRADE AND FINANCIAL SYSTEM.

CONSISTENT WITH GATT, APEC -- THE ASIA PACIFIC ECONOMIC COOPERATION FORUM -- IS ALSO VITAL TO THIS EFFORT TO EXPAND TRADE AND STIMULATE GLOBAL GROWTH.

LAST WEEK'S EVENTS IN SEATTLE MARKED AN IMPORTANT STEP IN THE DEVELOPMENT OF THIS PROMISING VEHICLE FOR GREATER ECONOMIC COOPERATION IN THE PACIFIC RIM. THE TRADE AND INVESTMENT DECLARATION THAT WAS ADOPTED AT LAST WEEK'S MEETING WILL HELP LIBERALIZE REGIONAL TRADE AND INVESTMENT, STRENGTHEN THE MULTILATERAL TRADING SYSTEM AND SERVE AS A BULWARK AGAINST

**THE DEVELOPMENT OF EXCLUSIONARY AND  
PROTECTIONIST TRADING BLOCS.**

**LIBERALIZATION OF TRADE HAS BEEN  
THE PRIMARY FORCE FOR GLOBAL ECONOMIC  
EXPANSION OVER THE PAST FOUR DECADES.  
WITH ITS EXPORT-LED GROWTH, JAPAN HAS  
BEEN A MAJOR BENEFICIARY OF THIS SYSTEM  
OF OPEN WORLD COMMERCE. IF WE CAN  
STRENGTHEN THIS SYSTEM, THERE WILL BE  
MORE GAINS YET TO COME -- FOR JAPAN AND  
EVERY OTHER NATION.**

A SECOND IMPORTANT AREA WHERE JAPAN CAN ACHIEVE PROGRESS ON ITS TRADE IMBALANCE IS THROUGH THE "FRAMEWORK FOR A NEW ECONOMIC PARTNERSHIP."

A PRODUCT OF THE JULY SUMMIT, THE FRAMEWORK HAS THREE COMPONENTS:

- FIRST, IT AIMS TO ADDRESS MACROECONOMIC IMBALANCES. JAPAN HAS AGREED TO BRING ABOUT A "HIGHLY SIGNIFICANT" DECREASE IN ITS CURRENT ACCOUNT SURPLUS BY PURSUING "STRONG AND SUSTAINABLE DOMESTIC DEMAND-LED GROWTH" AND "INCREASING THE MARKET ACCESS OF COMPETITIVE FOREIGN GOODS AND

SERVICES." IN TURN, THE UNITED STATES INTENDS TO REDUCE OUR BUDGET DEFICIT, PROMOTE SAVINGS AND STRENGTHEN OUR INTERNATIONAL COMPETITIVENESS.

- SECOND, WE ARE NEGOTIATING AGREEMENTS TO ADDRESS SECTORAL AND STRUCTURAL BARRIERS WHICH LIMIT IMPORTS AND FOREIGN INVESTMENT IN JAPAN. NEGOTIATIONS ARE TAKING PLACE IN FIVE AREAS, OR "BASKETS." THESE INCLUDE: GOVERNMENT PROCUREMENT OF TELECOMMUNICATIONS, COMPUTERS AND MEDICAL EQUIPMENT; REGULATORY REFORM; OTHER MAJOR SECTORS INCLUDING AUTOMOBILES AND AUTO PARTS;

**ECONOMIC HARMONIZATION; AND  
IMPLEMENTATION OF EXISTING AGREEMENTS.**

**IN THE FRAMEWORK, OUR TWO  
GOVERNMENTS HAVE AGREED TO EVALUATE  
THE PROGRESS ACHIEVED IN THESE BASKETS  
BY USING "OBJECTIVE CRITERIA, EITHER  
QUALITATIVE OR QUANTITATIVE OR BOTH AS  
APPROPRIATE."**

**- THIRD, OUR TWO GOVERNMENTS HAVE  
AGREED TO COOPERATE ON ISSUES OF GLOBAL  
IMPORTANCE -- INCLUDING ENVIRONMENTAL  
PROTECTION, POPULATION, AIDS, TECHNOLOGY  
DEVELOPMENT AND HUMAN RESOURCES.**



THE FRAMEWORK REFLECTS A COMMITMENT TO ALLOW MARKET FORCES TO DETERMINE TRADE PATTERNS. THE FRAMEWORK DOES NOT TRY TO MANAGE TRADE. ITS PURPOSE IS TO UNMANAGE TRADE. IT ALSO ACKNOWLEDGES THE CENTRAL ROLE OF THE GATT IN RESOLVING TRADE DISPUTES, MAKING CLEAR THAT ALL MARKET OPENING MUST BE ON A NON-DISCRIMINATORY BASIS.

AS YOU KNOW, JAPANESE NEGOTIATORS MET EARLIER THIS MONTH IN WASHINGTON WITH THEIR AMERICAN COUNTERPARTS TO CONTINUE THESE FRAMEWORK TALKS, AND THERE WILL BE

ADDITIONAL MEETINGS NEXT MONTH. LAST WEEK IN SEATTLE, PRESIDENT CLINTON AND PRIME MINISTER HOSOKAWA REAFFIRMED THE IMPORTANCE OF THE FRAMEWORK AND ITS TIMETABLE FOR ACTION. WE EXPECT THE FIRST SPECIFIC AGREEMENTS TO BE READY BY FEBRUARY 11, WHEN THE PRESIDENT AND THE PRIME MINISTER WILL MEET IN WASHINGTON.

THE FRAMEWORK IS CONSISTENT WITH THE GOVERNMENT OF JAPAN'S OWN STATED GOALS OF RESTRUCTURING THE ECONOMY TO EXPAND DOMESTIC DEMAND AND IMPROVE MARKET ACCESS TO PROVIDE GREATER BENEFITS TO CONSUMERS.

THE FRAMEWORK IS ALSO AN  
ESSENTIAL STEP TO BRING BETTER BALANCE  
TO OUR RELATIONSHIP AND ELIMINATE A  
SOURCE OF CONTINUING FRICTION BETWEEN  
OUR TWO NATIONS.

ECONOMIC DEREGULATION IS A THIRD  
AREA WHERE JAPAN CAN MAKE A DIFFERENCE  
IN REVITALIZING ITS ECONOMY. HERE, THE  
ECONOMIC REFORM RESEARCH COUNCIL HEADED  
BY MR. HIRAIWA IS OF NOTABLE IMPORTANCE.

AS YOU KNOW, FROM THE VERY START, PRIME MINISTER HOSOKAWA HAS EMPHASIZED THE IMPORTANCE OF DEREGULATION TO OPEN THE ECONOMY TO BENEFIT JAPANESE CONSUMERS AND STRENGTHEN THE NATION FOR THE ECONOMIC CHALLENGES AHEAD.

BUILDING ON THE MAEKAWA REPORT OF 1986, THE ECONOMIC REFORM RESEARCH COUNCIL WAS ESTABLISHED TO LAY OUT SPECIFIC STEPS FOR MAKING THE JAPANESE ECONOMY MORE RESPONSIVE TO MARKET FORCES. ITS DELIBERATIONS ARE BASED ON THE GUIDING PRINCIPLE THAT "THE ECONOMY SHOULD BE OPEN IN PRINCIPLE, AND CLOSED ONLY AS AN EXCEPTION."



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