

***U.S. Ambassador Walter Mondale  
Kansai Federation of Economic Organizations (Kankeiren)  
and other regional economic organizations***

***Osaka Royal Hotel  
January 28, 1994***

Thank you Mr. Uno for that very, very kind introduction. Thank you for inviting me to speak to this organization today.

I was last in the Kansai region in 1988 and I remember what a wonderful visit that was. This morning as I looked at the harbor and saw all the activities here and the beauty of this region, I was reminded again of why you're called the cultural and commercial heartland of Japan. I'm very pleased to be here as is my wife who's running around looking at pottery somewhere as we speak here today.

As home to many of Japan's largest and most advanced corporations and financial institutions, this region is well prepared to help lead the way in building Japan's economic future and further strengthening your links to the world. I understand the theme of the Kansai region is internationalization -- to make Kansai the center of increasing involvement in all aspects of the world in which you live. Certainly the completion of the Kansai International Airport is a profound part of that process. I commend you for this undertaking and for its completion and we look forward to seeing the contribution of that airport, not only to this region but to the world.

This morning I went to the Procter & Gamble technical center in Kobe. It's one of the largest investments of any American company in Japan. I suspect that several of you have been in it or seen it. In my opinion it symbolizes exactly what we should be trying to accomplish in Japan, and exemplifies the best of what we can accomplish together. The P&G company invested several million dollars in that center. They have a major research organization, technical organization, developing products for the consumers of Japan and for the region. They have hired several thousand Japanese employees -- up to the managerial level and the scientific level -- in the production of goods and all aspects of their successful activities in Japan. In a few years, they've gone from a modest investment in Japan to a very successful one, growing from just a few hundred million dollars in sales to over \$3 billion in gross proceeds this year. They hope by the end of the century to be up to \$7 billion in this country.

They have learned how to develop special products that are unique to Japanese consumers. They've learned how to adjust to the needs of consumers in this country. Because of the competition that they have brought to this area, prices have been lowered to the benefit of consumers. There's more product choice for the consumer. So, in a real sense, everybody benefits by this example. This example shows the benefits of investments here, revenues here, jobs here, new products for the consumer, better choice, and better prices. Because of P&G's success, it contributes to a positive, improved balance of payments between the United States and Japan and between Japan and this whole region. It is causing our countries to grow closer together in that one area.

P&G have a whole floor dedicated to teaching Japanese (staff) to speak English and American employees to speak Japanese and they've got the partitions in the offices low enough so that people have to come to know each other. They can't hide behind the partitions. And the idea is to create, out of two different cultures, one unit of people at work together. And it's working, very successfully. I make that point because that is where we should be going. That is the internationalization that you're talking about, in real terms, and everybody is succeeding. And the point is that when you pursue this way, it's not what we call a "zero sum" game. It's not taking something from Japan and giving it to the United States or the other way around. It is a case of combining and everybody does better. It's what is called, a "win-win" situation. More wealth is being created and everybody benefits. I think that's the essential overwhelming argument for free markets -- everybody wins.

As we meet today, as your chairman pointed out, my country and Japan are in the midst of some very, very difficult negotiations and I'm very concerned about them.

One aspect of our relationship is very successful. Some parts of the Japanese economy are quite open, and Americans and people from around the world such as P&G are doing very well. But there's another part of the market which we've had a great deal of difficulty penetrating which is characterized by 'keiretsu,' characterized by regulations, by tariffs and other techniques that we believe effectively seals us off from the Japanese market and that's the source of our problem. There are two things that we're urging Japan to do in these so-called "Framework Talks."

In the Framework Agreement, in July 1993, the United States undertook to reduce its deficit in a dramatic way and to improve productivity. That was our side of the bargain. The Japanese Government agreed to stimulate its economy, to get some domestic growth, vibrant growth in the Japanese economy.

Since that time the United States has done what it promised. If you followed the news, we had a tremendous struggle in the Congress. It resulted in the largest tax increase in the history

of the United States and draconian cuts in spending to move us away from those disgraceful deficits that you and our European friends rightfully criticized us about. And this year, the estimated national debt is dropping substantially below what was predicted. It's still too high, but there's been a very dramatic shift away from those ever rising deficits that we've seen for the last several years.

Secondly I think, partly because of this, interest rates came down, inflation came down, productivity improved and we're now getting very impressive growth in the U.S. market. In the United States we feel pretty good about that. It was tough. Raising taxes is very tough to do in any country, but we did it.

But we haven't seen the Japanese side yet implement programs for its side of the agreement and your economy is very sluggish. You may still be in a recession. I don't know what the data suggests but from everything I can see growth is almost flat and projections for next year are for very modest increases in economic growth, if any. And so one of the things that we're urging your government to do is to put in place -- we don't say what it should be because that's none of our business -- a significant stimulus package that will cause your economy to begin to pick up. We also hope that you will allow that stimulation to stay in place long enough to make the sick economy healthy.

We argue that we think the world does not need more credit. It needs more demand right now. And the U.S. is giving the world demand by the growth in our economy. But if the Japanese economy continues to remain sluggish while the U.S. grows, this current account balance could, in all likelihood, get worse, not better. The U.S. will be sucking in imports because we're growing and you will be stagnant. The current account balance that we're trying to improve will go in the wrong direction. So we're on our knees pleading to your government to stimulate its economy.

The second thing we need to do to implement the Framework Agreement is have significant openings in certain areas of the Japanese economy that we regard as largely closed. One is in the field of government procurement -- what is called the first basket -- particularly with respect to telecommunications and medical equipment. The second basket is in insurance and the third basket is autos and auto parts. That's where we're having tremendous difficulties right now.

As you may know, representatives from our two governments met in Washington early this week, at what are called deputies meetings, and no progress was made. It may be that we went backward. That's the situation today.

I hope that somehow, in the remaining couple of weeks, we can

find a formulation to get back on the positive track and resolve these difficulties. We have said, and I repeat here today, that the U.S. will not accept cosmetic agreements. There have to be real openings into these sectors of the Japanese market. I think too often, as the U.S. and Japan discuss these issues, we approach the discussions as though it's a zero sum issue. They are not. That's the point which I made earlier in my remarks.

There seems to be the perception that, if the U.S. succeeds in opening some part of the Japanese market, it's really taking something away from the Japanese and giving it to the Americans. I would like to go back to my point that I made with the P&G example. I believe that both sides will win.

For years, the U.S. market -- and I think it is the most open in the world -- has largely let Japanese auto manufacturers come in, establish dealerships, and sell directly to the American consumer, largely without any interference. The success of Japanese automobiles in the U.S. market has been one of the most incredible success stories in modern economic history. Eighty percent of American auto dealerships sell both American cars and Japanese cars. It is a system that has worked. Japanese competition has also made Americans produce better cars. American consumers saw the quality and value in your cars and it got to the point where he preferred the Japanese car to the American car. At one point, we began to wonder whether some of our auto manufacturers would survive. But because we kept our markets open, American manufacturers were forced to, as we say, 'get with it' and produce cars that had good quality, good price, and matched the expectations of what the consumers wanted. They competed successfully with the impressive Japanese alternatives.

The process took many years and it was difficult but now American quality is there. American cars are much better than they used to be. They are much more competitive and the consumers in the United States have benefitted from it and everybody, I think, has benefitted from it.

I believe that if Japan would open its markets in those sectors I mentioned, the same story would be repeated here. Japan would benefit from competition, the consumers would benefit from competition, the current account balance would improve and the final point I'd make is this: wouldn't it be nice sometime in our lifetime to live in a world in which the Japan and United States no longer had trade disputes? Wouldn't it be nice to live in a time when all these questions were market questions, not political questions? Where the issues were questions of what the consumers wanted and not what governments were doing to either permit or deny the trade.

I believe if we could get past this period of difficult negotiations and open up our markets, Japan and the United States



could really do what I dream we could do. That is, getting past petty disputes to become true partners and work on the problems of the world -- on security, on keeping the peace, on preventing war, on developing democracy, on expanding the horizons for education and health. These are the major things that the U.S. and Japan have been discussing under the theme of global partnership as the two most productive societies on earth. Our inability to devote full attention to that important agenda is the final cost of these trade disputes which distract us. They keep pulling us off, pulling us away from the real things that two great nations ought to be doing.

I sometimes call the dispute the 'Pekinese school of diplomacy.' We seem to be yipping at each other all the time like Pekinese dogs when in fact we ought to be rising above this, solving our problems and going on to help solve together the great and tough problems that confront humanity. That's my goal and that's why I'm in this job, and those are my instructions from the President. It is my objective to try end up with these disputes resolved so that what I saw at Proctor & Gamble in the Kansai, will be possible all across Japan's economy and in our own.

Thank you very much.

\* \* \*

(Unedited)  
(not for publication)

**Ambassador Walter Mondale's Remarks**  
**To the Kansai Federation of Economic Organizations (Kankeiren)**

*Osaka Royal Hotel*  
*January 28, 1994*

Thank you Mr. Uno for that very very kind introduction and for your kind words and thank you for inviting me to speak to this organization today. I'm very pleased to be here, to be with our superb Consul General, David Pabst, who I think is well-known to many of you in this hall.

I was last in the Kansai region in 1988. I spoke to some group then and I remember what a wonderful visit that was and this morning as I looked at the harbor and saw all the activities here and the beauty of this region, I was reminded again of why you're called the cultural and commercial heartland of Japan and I'm very pleased to be here as is my wife who's running around looking at pottery somewhere as we speak here today.

As home to many of Japan's largest and most advanced corporations and financial institutions, this region is well prepared to help lead the way in building Japan's economic future and further strengthening your links to the world. As I understand the theme of the Kansai region it is internationalization to make Kansai the center of increasing involvement in all aspects of the world in which you live. Certainly the completion of the Kansai International Airport is a profound decision to be a part of that process and I commend you for this undertaking and for its completion and we look forward to seeing the contribution of that airport, not only to this region but to the world.

This morning I went to the Proctor & Gamble what they call technical center. It's one of the largest investments of any American company in Japan. I suspect that several of you have been in it or seen it and in my opinion it symbolizes exactly what we should be trying to accomplish in Japan and between our two economies. The P&G company invested several million dollars in that center. They have a major research organization, technical organization, developing products for the consumers of Japan and for the region. They have hired several thousand Japanese employees in the production of goods and up and to the managerial level and the scientific level and all aspects of their successful activities in Japan. In a few years, they've gone from a modest investment in Japan to a very successful one, growing from just a few hundred million dollars to over \$3 billion in gross proceeds this year and they hope by the end of the century to be up to \$7 billion in this country. They have learned how to develop special products that are unique to Japanese consumers. They've learned to

adjust to the needs of consumers in this country because of the competition that they have help bring to this area of your market, prices for the consumers are better than they would have been, there's more product choice for the consumer, so in a real sense everybody benefits by this example. Investment here, revenues here, jobs here, new products for the consumer, better choice, better prices because of its success it contributes to a positive improved balance of payments between the United States and Japan and between Japan and this whole region and it is causing in that one area, our countries to grow closer together. In there they have a whole floor dedicated to teaching Japanese to speak English and English employees to speak Japanese and they've got the partitions in the offices only about this high so people have to come to know each other. They can't hide behind the partitions. And the idea is to create out of two different cultures one unit of people at work together. And it's working, very successfully. I make that point because that is where we should be going. That is the internationalization that you're talking about. In real terms and everybody succeeding. And the point is that when you pursue it in that way its not what we call a zero sum game. It's not taking something from Japan and giving it to the United States or the other way around. It is a case of combining and everybody does better. It's what they call a win win situation. More wealth is being created and everybody benefits. I think that's the essential overwhelming argument for free markets, that everybody wins.

As we meet today as your chairman pointed out my country and Japan is in the midst of some very very very difficult negotiations and I'm very concerned about them.

One aspect of our relationship is very successful. Some parts of the Japanese economy are quite open and Americans and people from around the world as P&G are doing very well. But there's another part of the market which we've had a great deal of difficulty penetrating which is characterized by kiritsu, characterized by regulations, by tariffs and other techniques that we believe effectively seals us off from the market and that's where the rub is. There are two things that we're urging Japan to do in these so called Framework Talks. The first Mr. Uno talked about. In the Framework Agreement in July of last year the United States undertook to reduce its deficit in a dramatic way and to improve its productivity. That was our side of the bargain. And the Japanese Government agreed to stimulate its economy, to get some domestic growth, vibrant growth in the Japanese economy. Since that time the United States has done what we promised. As you may have followed our news, we had a tremendous struggle in the Congress and we had the largest tax increase in the history of the United States and draconian cuts in spending to move us away from those disgraceful deficits that you rightfully criticized us about as did your European friends. And this year, the estimated national debt is dropping substantially below what was predicted. Still too high but there's been a very dramatic shift away from

those ever rising deficits that we've seen for the last several years.

Secondly, I think partly because of this interest rates came down, inflation came down, productivity improved and we're now getting very impressive growth in the U.S. market and in the United States we feel pretty good about that. It was tough raising taxes is very tough to do in any country, but we did it. But we haven't seen the Japanese side yet implemented and your economy is very sluggish. You may still be in a recession I don't know what the data suggests but from everything I can see you're almost flat and maybe a little -- a little behind but almost flat and the projections for next year is for very modest increases in economic growth, if any. And so one of the things that we're urging your government to do is to put in place -- we don't say what it should be that's none of our business but we do say we hope that you'll put in place a significant stimulation package that will cause your economy to begin to pick up and that you will allow that stimulation to stay in place long enough to make the patient healthy. We argue that we think the world does not need more credit it needs demand right now and we're giving the world demand in our growth in our economy but if continue to remain sluggish and we grow, this current account balance could in all likelihood get worse not better because we'll be sucking in imports cause we're growing and you will be stagnant and the current account balance that we're trying to improve, will go the wrong direction. So we're on our knees pleading to your government to stimulate.

The second thing is to try to implement the Framework Agreement to make significant openings in certain areas of the Japanese economy that we regard to be largely closed. One is in the field of government procurement and under that the first is telecommunications and the second is medical equipment. The second basket is in insurance and the third basket is autos and auto parts. That's where we're having awful difficulties right now. As you may know the deputies from your government and ours met in Washington early this week and no progress was made and it may be that we went backward and that's where we are today.

I hope that somehow in the remaining couple of weeks that we can find a formulation to get back on the positive and resolve these difficulties. We say and I repeat here today that we will not accept cosmetic agreements. There has to be real openings into these markets. I think that we dwell in these occasions on this issue as though it's a zero sum issue. The point I made earlier in my remarks. That if we open some part of the Japanese market it's really taking something away from the Japanese and giving it to us. I would like to go back to my point that I made with the P&G example. I believe that both sides win. For years, for example, our market and I think the United States market is the most open in the world has largely let Japanese auto manufacturers come in, establish dealerships, and sell directly to the American



consumer, largely without any interference and its been one of the most incredible success stories in modern economic history. And some 80 percent of the dealerships at the local level in the United States are characterized by a dealer that sells both American cars and Japanese cars in the same place and its worked. Another thing its done is made Americans produce better cars because when you first hit our market the Japanese cars were better than the American cars and the American consumer got to the point where he preferred the Japanese car to the American car to the point where we were beginning to wonder whether some of our auto manufacturers would survive. But because we kept our markets open the American manufacturers were forced to as we say get with it to produce cars that had good quality, good price, fit what the consumers wanted and competed successfully with the impressive Japanese alternatives. And for years we went through that and now we're there. The American cars are much better than they used to be. They are much more competitive and the consumers in the United States have benefitted from it and everybody I think has benefitted from it. And I believe that if Japan would open there markets in these areas we're talking about, the same story would be repeated here. You would benefit from competition, the consumers would benefit from competition, the current account balance would improve and the final point I'd make is wouldn't it be nice sometime in our lifetime to live in a world in which the Japan and United States no longer had trade disputes. Wouldn't it be nice to live in a time when all these questions were market questions, not political questions. Where the issues were questions of what the consumers wanted and not what governments were doing to either permit or deny the trade. I believe if we could get past this and open our markets adequately, I believe then Japan and the United States could really do what I dream we could do. And as getting past petty disputes becoming true partners and working on the problems of the world. On security, on keeping the peace, on preventing war, on developing democracy, on expanding the horizons for education and health. The other things that we're talking about doing as partners in the world in the two most productive societies on earth and that I think is the final cost of these trade disputes. They keep pulling us off, pulling us away from the real things that two great nations ought to be doing. I sometimes call it the Pekingese school of diplomacy, where we seem to be yipping at each other all the time like dogs when in fact we ought to be rising above this, solving our problems and going on to help solve together the great and tough problems that confront humanity. That's my hope and that's why I'm in this job and those are my instructions from the President. It is my objective to try end up with these disputes resolved in a way that what we saw in Proctor & Gamble, will be seen across this economy and in ours.

Thank you very much.

\* \* \*

(paodoc\amb.cs)



# MINNESOTA HISTORICAL SOCIETY

Copyright in the Walter F. Mondale Papers belongs to the Minnesota Historical Society and its content may not be copied without the copyright holder's express written permission. Users may print, download, link to, or email content, however, for individual use.

To request permission for commercial or educational use, please contact the Minnesota Historical Society.



[www.mnhs.org](http://www.mnhs.org)