

AMB. LORD: First let me say we admire this movement toward democracy and human rights, and I met last week with members of the DPP and opposition party, as well as meeting continually with Ding Mo Shurt (ph) and many others, again unofficial capacity. I'm frankly reluctant to comment on Taiwan's politics and what might happen, so I think I will be very cautious.

SEN. : Well I guess the question would be what would be the U.S. response if the PRC makes good -- (inaudible) -- use force to quell independence in Taiwan?

AMB. LORD: Well we've made very clear that we would take seriously any threats and I think I'll leave it at that.

SEN. : So our policy might change if that happens?

AMB. LORD: Well what we'd like to see is that the relationship and the dialogue across the straits make progress so that this issue can be resolved peacefully. We made it very clear we expect it to be resolved peacefully.

SEN. : I want to thank you, Mr. Ambassador, for spending as much time as you have with members of this committee. I know the Chairman appreciates it, and I know you've got a tough job to do, and I admire your effort to be responsive and yet recognize that there is a role for diplomacy here. I am sure you caught the tenure of the majority of the committee members relative to the changes that are taking place in the world. I think it's fair to see that regardless of the pace that the administration recognizes adjustments if you will, as opposed to major changes in our policy as far as Taiwan, I believe and I am going to foster efforts by the Congress and the Senate to encourage first the administration to move, and if they don't move a little faster, well I will try to do it legislatively. So I guess it's fair to say you have put me on notice.

AMB. LORD: I think these kinds of exchanges are very helpful. It's always a pleasure to be with this committee. I won't repeat my arguments. I understand your point of view, I understand the visceral desire -- (inaudible). We genuinely think we have moved forward here, more than any other administration, and we think we've done it in a way that serves American national interests. Reasonable people can disagree and I look forward to our continuing dialogue.

SEN. : So we might be helping each other -- we just might not be in the right position to acknowledge it. Thank you very much, Mr. Ambassador. I would take the liberty of calling our next panel.

(end unofficial transcript)

9.28-94

EPF304 09/28/94

#### U.S. BACKS JAPAN'S BID FOR PERMANENT SEAT ON U.N. SECURITY COUNCIL

(Transcript: Amb. Mondale's 9/28 press conference in Tokyo) (5480)

Tokyo -- The United States fully supports Japan's bid for a permanent seat on the United Nations Security Council, according to Walter F. Mondale, the U.S. ambassador to Japan.

"My government's support is rock solid," Mondale said during a September 28 press conference at the American Embassy in Tokyo.

"We applaud Foreign Minister Kono's just concluded speech before the U.N. General Assembly indicating that Japan will expand its role in U.N. activities, and we agree that Japan could best do so through a permanent seat on the U.N. Security Council," Mondale said.

Following is a transcript of Mondale's remarks:

(begin transcript)

AMBASSADOR MONDALE: Thank you for coming today. I predict that there will be a few questions asked other than on the issue that I raise today, but the reason I've asked you to come is to make clear my government's support of Japan's bid for a permanent seat on the U.N. Security Council.

We applaud Foreign Minister Kono's just concluded speech before the U.N. General Assembly indicating that Japan will expand its role in U.N. activities, and we agree that Japan could best do so through a permanent seat on the U.N. Security Council.

Support for Japan's U.N. Security Council membership has been the policy of successive U.S. administrations for more than two decades. President Clinton has personally underscored his backing for Japan's membership and my government's support is rock solid. I've just received a report from our permanent representative at the U.N. informing me that the working group at the U.N. which works on these matters at their first meeting there is demonstrated growing signs of receptivity to the inclusion of Japan and Germany as permanent members.

We appreciate the many contributions Japan has made to international peace and security up to now, and we would welcome an expanded global role for Japan. We applaud Japan's deployment of self-defense forces and civilian elements to U.N. missions in Cambodia, Mozambique, and now, Central Africa. In addition to these efforts at peacekeeping, Japan is involved in the U.N. in a wide range of important other missions. She has participated in U.N. monitoring missions, sending observers to such places as Angola, El Salvador, and South Africa. She is the second largest contributor, financial contributor to peacekeeping. Her support has been crucial to the growing U.N. peacekeeping commitments. Japan was a generous contributor to the U.N. effort in Somalia; and in addition to these peacekeeping contributions, Japan is the second largest donor to the United Nations refugee efforts, and, of course, is the world's largest contributor of development assistance and is now a key leader in the whole effort to reform the United Nations in all respects -- budgetary, financial and administrative.

I want to make clear that my government sees no requirement in the U.N. Charter or elsewhere that permanent members of the Security Council participate in U.N. peacekeeping activities. The United Nations -- and other nations -- commend Japan's engagement in humanitarian and peacekeeping operations. Japan's actions promote the core principles of the United Nations.

We hope that the Japanese government will build on the momentum achieved from its successful participation in U.N. developments to date and we encourage Japan to actively seek out new areas for participation. I've just read Foreign Minister Kono's speech, and certainly that is the policy of his government. A more prominent role for Japan would demonstrate that Japan is shouldering responsibilities commensurate to its impressive international stature.

There are many opportunities for Japan to participate in U.N. peacekeeping and humanitarian operations. How Japan chooses to play a broader role is, of course, for the Japanese to decide.

We are pleased to support this new initiative, and I'm happy to take your questions.

Q. Ambassador Mondale, personally my own opinion is Japan should become as an Asian country a permanent member of the Security Council. But since the East-West problem has almost receded, the North-South economic problem is still there, we see at least nine out of ten problems that the United Nations, the world is facing all over the globe is based on ethnic, religious and many other reasons. Now we find that since it's a global body, aside from Germany and Japan, if one country from Africa, Latin America and another country most populous from the

Asian side and on the ethnic side if there is someone from like a Muslim country, Islamic country because there are so many problems that have come up there based on religious, ethnic and other things so that way we can see that there's a kind of balance at the Security Council because all the permanent members have a veto power.

So what do you think of that aside from these two countries if suggestions are made to make it more global as permanent member of the Security Council an African, a Latin American and other most populous country in Asia and based on the religions because all of the religions will be there, the only thing will be one billion Muslims of the world will not have anybody there as a permanent member. I would suggest, what about Saudi Arabia? They have the center of the Islamic faith there and very balanced, very friendly, and I think the world has seen how they work together for the peace in the region and all over the world, and holding the energy policy in such a way that the world really doesn't go into turmoil. That's my question.

MONDALE: Your question raises another part of what is now the subject being dealt with by the so-called "working group." What this is a part of is an overall effort to restructure the United Nations to make it more efficient, more responsive, and more reflective of the world as it is today and not as it existed immediately following World War Two. The reason that Japan is being considered -- and I hope will become a member of the Security Council -- is that it's really an anachronism that this nation with all that it's doing, which I've described in general a few minutes ago, and being as it is the perhaps one of the, if not the most, the second most impressive economy in the world, the largest reserve nation in the world, a democracy and all the rest, the fact that it wouldn't be a member of the Security Council is, as I said, an anachronism. But there are these other concerns that your question embodies that are now being considered by the working group as part of this overall reorganization. Since I'm not there and I'm not a part of that working group, I don't think I can go beyond what I've just said.

Q. This announcement comes as the U.S. and Japan are engaged in some very tough trade negotiations in Washington. Has there been any linkage between this announcement, the timing of this announcement, saying that if there's cooperation in reaching a trade agreement that the United States will pledge support for Japan in other areas such as this?

MONDALE: None whatsoever. This timing is based on the fact that the foreign minister has just delivered his speech at the U.N. General Assembly. In his speech he asked for international response to his suggestion and as ambassador to Japan I'm giving our response in support of their effort. It is not conditioned or in any way related to the trade talks.

Q. Can you followup on that and make some comment on the trade talks now. Hashimoto has expressed some pessimism. Could you comment on that and also let us know whether partial deals are acceptable deals to stave off sanctions?

MONDALE: It's hard for me to give specific answers on the current status of the talks because it's now a very intensive and dynamic series of discussions that are going forward. I believe that the meeting between Minister Hashimoto, Ambassador Kantor and Secretary Brown just ended, and I do not have yet a report on that. The second thing is there's a whole range of negotiations going forward. The one on public procurement, one on insurance, one on glass, and one in the auto sector. There may be others that I haven't been told about, but that's a good start. And some of them, particularly the ones on insurance and public procurement have been going on intensively for some time. Just how this is going to work out, what kind of results might develop, whether agreements will be made, I cannot say yet. Or whether part of some of these will be agreed upon and other parts will have to be negotiated further

down the road, I just can't answer your question at this point.

Q. Regarding the Framework talks let me cite just a couple of positive developments taking place in the automobile industries of the two countries. First, Detroit's big three automakers are expected to reap huge record profits this year. Second, Honda and Toyota recently announced their plans to increase their production in the United States by 30, 50 percent creating more jobs in the United States. And third, foreign automakers have been boosting their sales on the Japanese market, pushing up their combined share to more than ten percent. Now given such circumstances, let me say those episodes seem to indicate that things are moving in the right direction without government intervention. Given such circumstances, isn't it less urgent or less pressing for the two governments to reach any agreement, government-to-government agreement on the automobile issue?

MONDALE: The points that you make are well taken. The auto industry in the United States has had a good year. Certainly the American auto industry has become much more competitive than it was and much more profitable; that is true. It is also true that there has been significant new investment by Japanese auto manufacturers producing cars in the United States. There've been some recent announcements of even more investment; that's very positive and we welcome it. And it is also true that there have been some increases in the sale of U.S. autos in the Japanese market. I grant all of that.

The problem is that the imbalances essentially remain the same. For example, although the Japanese auto industry spends some 130 billion dollars on auto parts, less than three percent of that is from foreign sources. While there have been increases in the sale of American autos in Japan, they are still very modest. I don't know what the total is, I'll stand corrected to say something like 25,000 cars have been sold in the market. There's still tremendous difficulty getting dealerships. There are other problems connected with it that are at the center of these negotiations. I've mentioned the auto part figures, there needs to be change there so that despite what you've said, and that is all positive, there still remains some very difficult issues that are now being discussed in Washington.

Q. The trade problems between the United States and Japan have been going on for more than a generation now. In this present situation, are we seeing more of the same or are the two countries really at a crossroads?

MONDALE: You could, I suppose, argue it from several different angles. You are correct that these disputes, negotiations have been going on for a long time. In some cases they've been successful; and where they have been successful, I think it proves that these are win-win results. For example, in importation of beef, that market now is in excess of a billion dollars, and the price for beef to the Japanese consumer has come down as a result of the competition; and with the reduced tariffs that will go in over the next few years, it will come down some more. The importation of citrus under an earlier agreement -- I think the importation of citrus has been cut by nearly four-fold; and the increase in the use of citrus by Japanese consumers has increased substantially; and the cost of citrus products to the Japanese have dropped by nearly half. So these are success stories.

The semiconductor agreement has been a very successful agreement. It has helped bring about impressive cooperation between U.S. and Japanese firms and other foreign firms, and the Japanese have been improving the competitiveness of products, improving employment here, improving the range of choice to the consumers. The opening, to some extent, in retailing here has helped bring about -- for example in the toy field -- increased imports, substantial decreases in prices to the Japanese consumer, better choice and all the rest. So that where that happens, it has been very positive for everyone. The problem is that



those trade balances remain insupportable, something like 130 billion dollars in current -- and trade balances figures are off a little bit, but essentially that -- and in many areas it remains closed. We are trying to resolve the priority issues in the remaining few days here. I'm hopeful that it's going to be done. It's clear that both governments are trying every way they can to bring a resolution to these issues and if we're able to do so, everybody's going to be better off.

Q. I'd like to ask a question regarding Haiti. What do you think of Japan's possible role in the current multinational mission in Haiti and also possible future in U.N. peacekeeping missions in Haiti?

MONDALE: I have not been involved in an intensive way with that, but your foreign minister has advised our government that Japan will be willing to help in the humanitarian and other kinds of assistance needed to revive a really desperate nation. I don't believe that humanitarian forces are contemplated to be coming from Japan, but in other ways Japan has indicated a willingness to help. I don't think it has yet been decided exactly what that will be, but that they're willing to do so was made clear.

Q. On the U.N. bid. Does permanent member mean that Japan should have a veto; and what sort of influence do you think Japan would have as a member?

MONDALE: A decision has not yet been made on the veto power question, and that's part of what the working group is dealing with now. An earlier question pointed out, however, that all permanent members have traditionally held the veto power. So that's one of the realities that the working group will be dealing with. I contemplate that Japan would be a very influential member of the Security Council. And I pointed out in my earlier remarks the growing range of contributions that the Japanese are making to the United Nations now. Some years back they were criticized as "a minimalist power" in terms of foreign policy. They were strong economically, but they seemed very reluctant and hesitant. But I think while there's still some of that, they are showing a growing assertiveness; and we think this is a very healthy trend.

The speech by Foreign Minister Kono I think if you read it, it strongly suggests this interest on the part of Japan to be a much more supportive force for a stronger and more productive United Nations across the board. They've sent a very strong ambassador to the United Nations to help lead this effort, and across the board I think we're seeing growing evidence of much interest on their part and that will be very welcome. I have received a message from our ambassador there, Madeline Albright, who feels in no uncertain terms that this can be a very significant new contribution to the possibilities for a more effective United Nations. So we feel very good about it, and I think the report she gave me on the growing support in the working group suggests that this is a widely held view.

Q. Is there a U.S. position on the veto?

MONDALE: We are not taking a position yet except in the context of the working group.

Q. Back to trade. Most of the other G-7 nations have come out against the use of sanctions. How does this effect your thinking as you move toward Friday's deadline? Do you see some of that stance as being kind of the nice cop who then takes advantage of the U.S. marketing open measures and also how does glass fit in with this? It kind of came in late, and it's not really a priority item. Can you fill us in on that?

MONDALE: You're correct, glass was not some months back at the center of the negotiations. It was not one of the original priority items, but it is an area that was once an agreement -- our opinion was not successful, and we need to make progress to have a more open market. My figures could well be off by a margin of thirty or forty percent which is pretty good for me (laughter) but I think the glass

market here is about five billion dollars -- a huge market -- and the percentage of foreign glass coming into this market is, I think, less than three percent, and it has actually dropped a little bit. And the other part of it is that the American and European glass industry is highly efficient and advanced technologically and very competitive in all open markets except here. It's far less expensive, they have other qualities to advance technological glass production that are not widely found in the Japanese market; and with housing costs and construction costs being so high in Japan, this is another area where the Japanese would benefit enormously with a more open market.

So both countries have agreed over the last two months with a growing sense that we will try to get an agreement if possible on glass. On the question of sanctions, I will say, as I have said repeatedly -- we hope there will be no sanctions. We hope to resolve this issue. That's not the objective of this. We have laws that our government complies with. For example, in the public procurement field by the end of this month, September 30th, if we haven't gotten agreement under law we have to invoke the sanctions. There'll be another thirty days before they actually go in place, but that will happen in the absence of agreement but we very much want agreement, we would like to avoid those sanctions.

Q. Mr. Ambassador you've stated that to clarify an earlier question on Minister Hashimoto's visit, he indicated before he left that the Japanese government had not changed its position regarding numerical targets or indicators in the trade talks. Given that and presuming that they have not reached an agreement today, does it seem that no agreement will be reached from the viewpoint of the U.S. and that sanctions would be inevitable in that sense?

MONDALE: I think that that's premature. I've been reading the various dope stories that come out, and I want you to know that no one respects journalists more than I do. It's a noble and magnificent profession without exception; but some of these stories do not exactly jive with what I'm hearing, so let's wait and see what happens and then I'll comment on it.

Q. Over the past twenty years or so the U.S. and Japan have made so many different kinds of arrangements, SII and so on and so forth, but the U.S. side still has enormous trade imbalance. In other words, those agreements did not seem to have accomplished anything at all or little, if ever. My question is will that be an idea for both sides for both the United States and Japan to consider using something like VRA, voluntary restraint agreement, which was imposed -- have been in effect for cars until the end of March of this year. Is that something that both sides can consider as one of the numerical indicators?

MONDALE: We do not want to reimpose VRA, voluntary restraints. We have an open American market. We want to keep an open American market. We have benefited from an open market. I think one of the reasons that the United States is now widely perceived as the most competitive economy in the world by quite a margin is that we've done two things. We've kept our markets open so that our American businesses have had to compete against global competitors; and in almost every aspect of the American market, that competitive pressure has made us take the decisions and the rest that have now put us back out in front in almost every area of competition. So we see no benefit that flows at all from the VRA.

I think there's two things to be said about your other point which is essentially correct -- that these trade imbalances still remain insupportable. One is that over the last couple of years while the United States has been growing very vigorously as an economy, the Japanese economy has been in a recession, and that's one of the reasons we've been urging Japan to put in place a stimulation package to get some growth here to help bring down that deficit by importing more goods. Recently the government made a decision to keep in place the tax cut for about three more

years, and we have commented positively on that because I think there's some evidence that the one year tax cut has had some positive impact on economic growth here, and we think it's a good idea to keep that stimulation at work to get some growth because we think that will have an impact.

The second thing -- although it gets lost in these statistics -- is that where we have made progress, and I've cited some of the examples, there have been growing imports and the consumer here has done better, and I think everybody has won. But we have to continue to work on the trade restraints here that makes in some aspects substantial proportions of the Japanese economy unresponsive to market forces. This can be demonstrated by the much higher level of prices. It costs Japanese consumers almost twice as much of their budget for food as it does say in the United States. Housing is twice or three times more expensive and more remote from work. Across the board there have been studies from various independent sources showing that the cost of living here is much higher than many other places in the world, and I think that reflects the absence of competition, so we have to keep working not just on the macro side but the sectoral side.

Q. When you say the imbalances are insupportable does this imply that the ultimate goal of the United States is to have bilaterally balanced trade which seems far beyond anything that anybody's contemplated recently?

MONDALE: I'm glad you asked that question. In every respect our negotiating strategy is to bring about an open market here for global trade. In almost every area where we have made progress in opening the market here, half or more of the imports have come from other sources. Beef, citrus, semiconductors, rice and so on, which I think clearly demonstrates that our goal here is an open market in which all world producers may compete. I'm referring here to the global figure, the 130 billion dollars that does dampen demand in the rest of the world, it does export unemployment, it does fuel protectionist pressures, and that's why I say it's insupportable.

Q. Then does this mean that the United States accepts that there's a structural imbalance given the nature of the economies as they exist now between the United States and Japan and therefore does the United States accept that there will be a certain large, though smaller than it is now, deficit for the foreseeable future?

MONDALE: There have been many studies trying to estimate what would happen if you had a totally free economy here, what would happen to the trade balances. And they range from fairly modest figures up to a 50 billion dollar swing. I don't think anybody knows for sure, but what we say is these are all speculative figures. Let's have as open a market as possible, and let the Japanese consumers and businesses decide what the best product is, what is the best price. In other words, it's not just an issue of macroeconomics, it's also an issue of fairness.

Q. A question about the after-market for shock absorbers. I understand both countries have pretty much reached that Japan will be opening, not opening, probably easing regulations on the installation and/or replacement of shock absorbers on the after-market. The question is in Japan there is no such thing, or if ever only a fraction, very tiny after-market exists for shock absorbers. Then why in the world, why is the United States so adamant in demanding Japan on that front?

MONDALE: What we've called for is not a specific item, we're talking about deregulation of this enormous after-market parts business which includes shock absorbers. There's all kinds of evidence of a difference between prices here that reflects a closed market. The shock absorber example is a good one. In the United States you can get shock absorbers replaced, including labor, for about \$250. In Japan it costs over \$600 to do that. You can replace a muffler in the U.S. market for about \$100, in Japan it costs about \$240. Replace an alternator in an American shop for

about \$100, it costs \$600 here. So we're trying -- because of the special way that this market is regulated it has been very difficult for foreign competitors to get into this market even though the consumers and I think everyone would benefit from it. And both your government and ours have recognized, since the government is involved in this, recognized that this is an area that we should try to reach an agreement on.

Q. Even if in the best-case scenario all the trade agreements are reached in the priority areas, how much do you expect this to bring down the trade deficit?

MONDALE: No one knows, and the Framework has two parts to it. One is the macro part and the second is the sectoral part. If the Japanese economy begins to pick up more with this stimulation program that can have a significant impact. There are some signs that these trade balances are beginning to moderate some, although not that impressively yet, but there are some predictions that down the road we'll see even further moderation. Every time that we're able to open one of these markets we'll make progress. The thing of it is that about over half of the deficit is in the auto sector -- maybe nearly sixty percent of it -- and we've reached no agreements there yet; so that is one of the big areas. Public procurement is a substantial area. If we could open up housing, it would be substantial, but I can't give you a specific figure. I answered an earlier question saying you get estimates all over the lot on this.

Q. Are you saying that basically the tax cuts are more important than the trade agreements?

MONDALE: No; they're both equal -- see someone said it's like a scissor with one half of itself missing. In order to cut, you need both the macro and the micro progress -- two blades.

Q. We've been told by you that you are trying to help Japan's economy (inaudible) or become better so that it can absorb more imports and other things. One of the things we all really feel is a neglected area is the energy resources that are being imported into Japan, and you maybe and I'm sure you're aware of the levy thrown on the imported crude is 54 to 58 percent and if that is brought down this will (inaudible) the industry or the economy as well as will have a lot of market for American cars that were known previously as gas guzzlers but they are no more. I think have you thought of that?

MONDALE: I have not -- I'm aware of some of those concerns but I have not personally worked in this so I don't think I can give a specific answer, but I thank you.

Q. What do you think of this? Is it not something that will help if the 54-58 percent?

MONDALE: Let me look into it before I try and give an answer.

Q. If there is some modest agreement at least this week which many people seem to think will be or at least there's reason for optimism to be. Is there a chance then that the two countries will take a step back from the Framework of the Framework, the measurable criteria language which has proved to be a very sticky subject for both sides?

MONDALE: Both governments have said they support the Framework. We have said it, the new government has said it. The Framework has, you know, many different aspects to it. We're just talking on this occasion about some priority areas, but there are many other areas -- financial services, deregulation, other items in the agreement; and then there's a catch-all provision in there on the enforcement of existing agreements. That's how glass gets into the Framework. I don't think that will change.

The second thing that will not change will be our concern that these agreements be constructed in a way that we know they'll be effective. We're not asking for market share, we're not asking for anything other than steps that will we



think will open the market and allow the consumers to make these decisions. While the cellular phone agreement did not come in under the Framework, nevertheless, I keep making the point which I feel very strongly about: The cellular phone agreement does not require that a Japanese consumer buy one hand phone; that's up to the consumer. What it does do is allow a competitor to get to the consumer with enough authority and channels and the rest so that there is choice here. And that's what we're trying to do in these other areas.

In public procurement, for example, this is a case where it cannot be said that there's any market. It's all public. It's determined by various public bodies here to buy medical equipment and to buy telecommunications. We're not asking for a market share; all we're asking for is an agreement on the goal that there will be significant increases in the purchase of competitive foreign goods over some interval, and then we'll keep certain kinds of data, none of which are binding but which will reflect on the question of whether we're moving toward that standard or not. In so doing, all we're doing is taking the language of the Framework that called for such an objective and to move toward that goal. It is that sort of approach that the United States is taking that we think is in the spirit of the Framework.

Q. I was wondering if you could comment on the recent decision by the Justice Department to go after dango and inside bid-rigging on the U.S. base construction here? Some of the U.S. attorneys I've spoken to say that this is a weak approach given that the Japanese system has very little discovery in the legal process and very little ability to cross examine witnesses, etc. Is this strategically the right way for the U.S. government to go about trying to deal with insider dealing that effects the U.S.?

MONDALE: I have not been involved in that, so I'm going -- and it is before the courts -- so I'm not going to comment on it. One of the things we've done since I've been here is to reach a new agreement with the government of Japan on construction which is trying to deal with -- to create a more open market, more open and transparent bidding system, and a more energetic effort on the part of the government of Japan to deal with risks of occlusion or what's called "dango" here, and since we were the purchaser of these services, I think it was the Atsugi Base, this is the effort by the Justice Department to deal with what they think has been a case of dango, but I have not dealt with it. It's before the courts and I don't think I should go further than that. Thank you very much.

(end transcript)

EPF305 09/28/94

#### **BENTSEN SEES NO BROAD-BASED SANCTIONS IN THE OFFING FOR JAPAN**

(Transcript: Treasury Secretary's 9/28/94 news briefing) (2580)

Washington -- There won't be any broad-based sanctions against Japan, Treasury Secretary Lloyd Bentsen said at a press conference September 28.

Bentsen said he had "no assurance" that an agreement could be reached for the trade talks before the September 30 deadline. But he added that "there's a redoubling of efforts on both sides in trying to work out some of the differences insofar as our trade concerns with Japan.

"If sanctions are imposed, I would expect them to be with great specificity and go to some of the more egregious areas insofar as of denial of market access within Japan. I would not expect some overall, broad-based sanctions," Bentsen said.

(begin transcript)

SEC. BENTSEN: Let me put the (World Bank) meetings in context for you. We're at the point where we can help set the tone and the direction for the IMF and for the World Bank for the coming years. We have an opportunity in these meetings to continue that process of putting the world economy on a path of sustained growth, to further help fully integrate the new democracies and transitional economies of Eastern Europe and the former Soviet Union into the world economy and the international institutions, and to encourage sustainable development.

In each of these areas, the United States is in a position of playing a leading role. Last year, we started looking for a way to see that new IMF members became full beneficiaries of the institution. There hasn't been a new allocation of special drawing rights since the 1978-1980 series, and we have nearly 40 new members that have none. I'm very hopeful we can reach a conclusion on this issue at the annual meeting.

In addition, I hope we'll also agree on a way to increase substantial access to existing IMF lending programs. The transforming economies need greater access, and that can make a great difference in carrying out some of the difficult reforms that they're facing. When support is measured with the pace of reform, then we have to be sure that support keeps up with that reform and that pace.

We'll also be looking at the role of the IMF and the World Bank in their second 50 years, talking about expanding and deepening the source of changes being made at those institutions. They can be an important force in our goal of sustaining the recovery that's taking place and in achieving sustainable development and continuing prosperity. A great deal has been done in the last few years by the World Bank in particular. Some important policy and administrative budget changes have taken place. Much of that has come about because of the urging of the United States. We need to see that process continued. We need to see a greater emphasis on people, on supporting the private sector, not replacing it. And on encouraging development from the bottom up. Our discussions will be with an eye on our G7 meeting next year in Halifax, where we'll talk about the future roles of the bank and of the IMF. And whether any other institutions might be needed to be added to reach our goals.

First out of the gate we have a G7 meeting on Saturday. I'm talking about the finance ministers. Now if you look at what's happened to our economy and the global economy since this administration took office, you see that the growth lines are either flat, or they were going down. And now they're turning up. Things are dramatically different than they were when I attended my first G7 meeting in London last year. Our growth is leading the world. And now we're beginning to see that momentum build in Europe and in Japan. Our strategy of deficit reduction here, interest rate cuts in Europe, stimulus on the part of Japan -- those things are clearly working.

But our deficit is coming down rapidly. Interest rates in Europe have come down, and with some quiet diplomacy and sustained firm contact, the Japanese are taking some constructive steps in microeconomics. They're cutting taxes to put more money in the hands of the consumers, and delaying a consumption tax for three years. As for the G7 and working on the global economy, our job now is to try to consolidate the gains we have made and see how we can sustain continued recovery.

We'll also be talking informally outside the G7 setting about related issues, such as some of the agenda that we're using in the Asia Pacific, in the economic cooperation association.

Now, one of those issues, which also applies elsewhere, is the access to capital, which is critically important to those emerging economies. I have 10 or more bilaterals and additional other meetings. I'm not sure they've left me much time really to catch my breath. I'm going to speak to a group of Spanish businessmen, members of the financial community, and after that annual meeting I'll go briefly to

Jedda. I'll be meeting with King Fahd there. I'll be meeting with the finance minister, Mr. Aba Khayl, who I've met with a number of times in the past. I want to tell him we're pleased at the approach that's being taken by the Saudi economy, the privatizing that's taking place, the holding down of government expenditures just as we are here. I'm looking forward to a very busy trip and, hopefully, a successful one. Now, let's open it up to questions.

Q. Mr. Secretary, your counterpart in Japan overnight in his briefing said he's going to repeat his call for the G-7 to prop up the dollar. Your response is going to be the same, I suppose?

BENTSEN: Let me say in that regard that we do not look on the use of the dollar as a weapon for trade. We believe that a strong dollar is important to the economy of the United States, and we continue to support that position. I have been interested in seeing that over the last two months the relationship between the yen and the dollar has stayed relatively constant.

Q. As you know, the GATT legislation was (hung up?) yesterday and that Senator Hollings has threatened to delay using the 45-day rule. Are you concerned that GATT won't pass this year?

BENTSEN: Of course I'm concerned about GATT and its passage. I think for us, the world's largest trading nation and the leader in the negotiations for the last seven years, it's important that we follow through as an example to the rest of the world of how we feel that trade should be opened up and that we all benefit by that. I'm hopeful we can work out our differences with Senator Hollings. He, obviously, has had concern concerning the textile industry, which is a major industry in his state. You've seen in that a provision referring to the assembly of apparel instead of the cutting of apparel that should meet at least part of his concerns.

Q. Could you talk a little bit more about what you hope to accomplish on your trip to Saudi Arabia? And can you talk a little bit about to what extent you'll be discussing oil prices in your meetings with the Saudi officials?

BENTSEN: I would not anticipate that we'll get into the detail of the question of oil prices. I have been invited to make this trip for some time now and have not been able to accomplish it. The finance minister, my counterpart, had requested my making a trip some time ago and I'm pleased to do it. But we're talking now about a long-time relationship we've had with the Saudis, and what they're doing now in encouraging privatization, which we think is important. We're also seeing on the part of the government a real restraint in spending as we're accomplishing here in our own country, and a discussion of that.

Q. Secretary Bentsen, you say in your remarks that you need to consolidate the gains made in restoring world economic growth and what ways to expand and sustain it. What will you be discussing in that regard? And specifically, does Japan need to do more on the fiscal side? And will the return to higher interest rates in Europe jeopardize -- (off mike)?

BENTSEN: I think what we're seeing is encouragement. I think you're seeing a turning of the corner in Europe and in Japan, and an increase in growth certainly taking place in Europe, and that should provide a better market for our products. And what we're seeing from the macroeconomic side on the part of the Japanese with their income tax cut and then delay of the consumption tax until 1997, that should give a stimulant to the economy that will be helpful to them and, in turn, provide a better market for our products and help us in the balance of trade.

Q. What further steps need to be taken in order to sustain --

BENTSEN: I'm quite encouraged by what is being taken in that regard.

Q. Mr. Secretary, regarding your Saudi trip, is the issue of the Iraq trade embargo going to come up? And what is the U.S. position on some moves by some of the allies towards a partial lifting or warming relations with Baghdad?

BENTSEN: We continue to support the embargo as it is now.

Q. Mr. Secretary, the G-7 meeting on Saturday will come a day after the Super 301 list comes out. If Japan is targeted in that list, do you think that's going to put a strain on the meeting, getting cooperation on the economic side --

BENTSEN: That'll make it a more lively discussion. (Laughter.) Let me say on that, insofar as such actions that take place, I think there's a redoubling of efforts on both sides in trying to work out some of the differences insofar as our trade concerns with Japan. If sanctions are imposed, I would expect them to be with great specificity and go to some of the more egregious areas insofar as of denial of market access within Japan. I would not expect some overall, broad-based sanctions.

Q. In that connection, how optimistic are you that an agreement is going to be reached before the Thursday midnight deadline?

BENTSEN: I have no assurance of that. I think both sides have redoubled their efforts, but insofar as being able to anticipate what the result will be, I don't think we can. But I want to emphasize the point -- I don't see broad-based sanctions. I think you've got a situation, particularly in cases of government procurement, where things could be done that are within the authority of the government of Japan in further opening up of those markets, and I hope we will -- I'm hopeful we'll make some -- have some improvement in that one. And I went into that in-depth in my discussions with the Japanese representatives here earlier in the week.

Q. Have you seen any increase in the support for the candidacy of President Salinas to be the president of the World Trade Organization, and especially if you're going to try to obtain more support on your trip to Europe?

BENTSEN: I think that President Salinas is eminently qualified for the job, and I know that there are quite a number of countries that are supporting his candidacy. I assume that that's not one of the objectives of the meeting in Madrid, but I'm sure that the supporters of each of these candidates will be very much in evidence there.

Q. How much of an SDR allocation is the United States now willing to support?

BENTSEN: I think what we want to see is for the emerging markets, for the new countries, particularly for those that have not participated in the past, that in fairness and equity that they do so. Insofar as a general allocation beyond that, I don't see that's necessary. The principal beneficiaries of that would be the major industrial countries of the world. I don't see a need for that increased liquidity.

Q. Secretary Bentsen, back on GATT, are you concerned that this Congress is too politicized, that the Republicans might kill the measure simply not to give the president a victory in foreign policy?

BENTSEN: I think we're talking about something here where you've had two Republican presidents in the past who have supported this and you have a Democratic president supporting it now. It should not be a partisan issue. It's a question of world leadership for this country, and I think it would be a serious mistake not to get it accomplished and approved. You've had the details of this agreement available for almost -- approximately 10 months, so there are no surprises there. We've had plenty of time. You've had a great deal of communication by this administration with the appropriate committees and with the individual members of the Congress. So they're well apprised of it. And just as we had, obviously, opposition over NAFTA and



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