TALKING POINTS FOR RAND LUNCHEON Control Party P

- o I am more positive now about the U.S. Japan relationship than at any time since I have been here.
- We can now point to a number of successful agreements in the trade area. Japan has agreed to a three year domestic fiscal stimulus package. We have reached agreements in telecommunications, medical equipment, and insurance. We are making progress on glass and we are hoping to commence negotiations in the crucial auto sector. We are now working on agreements to open the financial markets, increase opportunities for direct investment, deregulation, and the enforcement of existing agreements in other areas. Although not in the framework, we have reached agreements on construction, intellectual property, and cellular phones.
- o Last night I held a reception for our American and Japanese trade negotiators. FM Kono attended as well. The mood was upbeat; there was a good feeling.
- o At APEC, the U.S. and Japan were on the same side of the table. Going into APEC, there had been a lot of talk about how it was going to be the U.S. against Asia. A lot of talk about this EAEC. In fact, there was none of that at Jakarta. Those who wanted to exclude others were isolated. It was clearly a meeting of Pacific nations. We worked together well, in a serious, respectful way.
- o The next meeting of APEC will be held in Osaka and I see this as a very important meeting. Both for Japan, because of the opportunity it gives Japan to be a leader in the region, and for APEC itself, because we will be going from agreeing to principles -- which is what Jakarta was all about -- to preparing a blueprint for acting on these principles -- this is what the Osaka meeting will be all about.

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- On the security front, I am also optimistic about U.S. Japan relations. With the collapse of the Soviet Union and the recent agreement with North Korea, the "threat" in East Asia is clearly receding, but many uncertainties remain -- on the Korean Peninsula; about China's political development; about nuclear proliferation; and concern about a regional arms build-up, just to name a few. To meet these challenges, the U.S.-Japan security relationship is more important than ever. It is the foundation for greater regional security and prosperity.
- On Korea, I want to stress how very important our coordination has been in seeking peaceful solutions to the North Korea nuclear problem. This problem is without doubt the most significant security threat in the region today. Yet by working together very closely, we have succeeded in reaching an agreement that we are hopeful will stop the North Korea nuclear program. We are now in the implementation stage of that agreement. There is a trilateral meeting (U.S., Japan, South Korea) now going on in Washington to work out the details of this agreement. Our cooperation has been superb.

o We are devoting renewed attention to our security relationship. We recently designated DoD Assistant Secretary Joseph Nye as Washington's point-person for our security relationship. I think this will provide some of cohesion to our security policy and it will assure Japan that our bilateral security concerns get the attention they deserve.

- o More fundamentally, I believe that security cooperation should not depend upon defining a "common enemy." Instead of thinking in terms of traditional balance of power politics or new rivalries, we should recognize the importance of the existing security framework in East Asia that has been built up over the past fifty years and build on this to create a stronger bilateral, regional and global security framework that can maintain stability and contribute to regional integration.
- O As we look to the future of this region, I want to stress the important role that the private sector -- business, the academic community, and private citizens -- will play in shaping the future.

- o At APEC, governments received input from some of the world's leading thinkers via the Eminent Persons Group. Their reports not only informed those of us at APEC -- giving the Free Trade Initiative quite a boost, for example -- but the Eminent Persons Group also succeeded in informing the public about APEC.
- o Similarly, beginning with the Seattle meeting of APEC, governments were able to receive the counsel of business leaders through the business leaders council set up for just that purpose.
- o Finally, I think all of us, on both sides of the Pacific need to exchange ideas, through student exchanges, scientific exchanges, and by supporting joint scholarship.
- o I believe very deeply that it is this shared experience that will bind our two nations more closely than ever into the next century.

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