

DAIN BOSWORTH INVESTORS' LUNCHEON
REMARKS OF AMBASSADOR MONDALE
(MAY 30, 1995)

I AM DELIGHTED TO BE HERE TODAY. I WANT TO THANK MY DEAR FRIEND IRVING WEISER FOR HAVING ASKED ME TO JOIN YOU FOR THIS LUNCH. I ALSO WANT TO THANK BOB EHLEN FOR YOUR KIND INTRODUCTION. ONCE AGAIN, I SEE THAT WHEREVER ONE FINDS GREATNESS AND GENIUS, THERE IS A MINNESOTAN CLOSE BY.

WITH IRVING AND BOB IN THE ROOM, THERE IS NO NEED FOR ME TO ADDRESS THE MACRO-ECONOMIC ASPECTS OF THE U.S.-JAPAN RELATIONSHIP, BECAUSE THEY CAN ADDRESS THIS MATTER BETTER THAN ANYONE. I ALSO WANT TO INTRODUCE OUR EMBASSY'S FINANCIAL ATTACHE, MATTHEW GOODMAN, WHO ALSO WOULD BE PLEASED TO ANSWER ANY QUESTION YOU MAY HAVE ON THIS SUBJECT.

WHAT I WOULD LIKE TO TALK ABOUT TODAY IS THE STATE OF THE U.S. - JAPAN RELATIONSHIP ON THE TRADE AND SECURITY FRONTS.

MUCH IS BEING WRITTEN AND SAID ABOUT OUR TRADE RELATIONSHIP THESE DAYS. AS WE WADE

THROUGH THE EXTENSIVE COVERAGE OF OUR TRADE DISPUTES, I BELIEVE THAT WE MUST NOT LOSE SIGHT OF ONE KEY FACT. THE UNITED STATES OFFERS JAPAN, AND ALL NATIONS, THE LARGEST FREE MARKET IN THE WORLD. FOR YEARS, WE HAVE LED THE WORLD TOWARD A MORE OPEN GLOBAL TRADING AND FINANCIAL SYSTEM AND WE INTEND TO CONTINUE WITH OUR LEADERSHIP IN THIS AREA.

IN ALL OF OUR DEALINGS ON TRADE, AMERICANS ARE GUIDED BY ONE COMMON CONVICTION: THAT BUSINESS MUST HAVE THE OPPORTUNITY TO COMPETE, FREELY AND FAIRLY, IN ANY SECTOR, IN ANY MARKET IN THE WORLD. CAPITAL FLOWS AND DIRECT INVESTMENT OPPORTUNITIES SHOULD BE GUIDED BY THE MARKET AND NOT POLITICS.

ONE OF THE STRENGTHS OF THE U.S. -JAPAN ALLIANCE LIES IN OUR COMMON BELIEF THAT THIS FREE FLOW OF TRADE AMONG NATIONS IS CRITICAL TO GLOBAL PROSPERITY. THIS IS WHAT APEC IS ALL ABOUT, AND THIS IS WHAT OUR BILATERAL TRADE AGENDA IS ALL ABOUT.

THROUGH APEC, AMERICA AND JAPAN HAVE JOINED WITH OUR REGIONAL PARTNERS TO EXPAND TRADE IN THIS PART OF THE WORLD. LAST YEAR, IN

JAKARTA, THE MEMBERS OF APEC AGREED TO SET LIBERALIZATION OF TRADE AND INVESTMENT AS A GOAL. THIS YEAR, IN OSAKA, WE LOOK TO JAPAN TO TAKE THE LEAD IN SHAPING A BLUEPRINT FOR OPENING UP REGIONAL TRADE. WE WILL DO EVERYTHING WE CAN TO SUPPORT JAPAN'S LEADERSHIP IN THIS AREA.

BILATERALLY, OUR TWO NATIONS ARE WORKING TOGETHER TO EXPAND TRADE THROUGH THE "FRAMEWORK" AGREEMENT. UNDER THE FRAMEWORK, OUR GOVERNMENTS AGREED TO BRING ABOUT A "SIGNIFICANT" INCREASE IN FOREIGN ACCESS AND SALES TO THE JAPANESE MARKET, AND TO ACHIEVE A "HIGHLY SIGNIFICANT" REDUCTION IN THE CURRENT ACCOUNT DEFICIT.

WE HAVE MADE PROGRESS. WE HAVE CONCLUDED AGREEMENTS TO OPEN JAPAN'S MARKET TO FOREIGN INSURANCE, FINANCIAL SERVICES, CONSTRUCTION, INTELLECTUAL PROPERTY, CELLULAR PHONES, GLASS, AND GOVERNMENT PROCUREMENT OF MEDICAL EQUIPMENT AND TELECOMMUNICATIONS. WE HAVE EXPANDED THE MARKET HERE FOR FOREIGN RICE AND APPLES.

I AM PARTICULARLY PLEASED WITH THE FINANCIAL SERVICES AGREEMENT WE REACHED LAST JANUARY. THIS AGREEMENT DOES THREE THINGS: IT OPENS UP JAPAN'S \$1.5 TRILLION DOLLAR PENSION AND MUTUAL FUND MARKETS TO FOREIGN MONEY MANAGERS; IT ALLOWS FOR A BROADER RANGE OF INNOVATIVE FINANCIAL PRODUCTS TO BE ISSUED IN JAPAN; AND IT REMOVES AN ARRAY OF OUT-OF-DATE RESTRICTIONS ON CAPITAL FLOWS IN AND OUT OF JAPAN. I AM CONFIDENT THAT, IF FULLY IMPLEMENTED, THE FINANCIAL SERVICES AGREEMENT WILL BE A BOON TO AMERICAN INVESTORS AND FINANCIAL INTERMEDIARIES, AND IT WILL ALSO BENEFIT JAPANESE PENSION BENEFICIARIES.

WE ARE NOW GRAPPLING WITH THE THORNIEST PROBLEM -- EXPANDING FOREIGN ACCESS TO JAPAN'S AUTO AND AUTO PARTS MARKET. UNDER THE FRAMEWORK, JAPAN SPECIFICALLY AGREED TO OPENING THIS SECTOR OF HER ECONOMY. JAPAN AGREED TO THE OBJECTIVE OF ACHIEVING SIGNIFICANT EXPANDED SALES OPPORTUNITIES TO RESULT IN A SIGNIFICANT EXPANSION OF PURCHASES OF FOREIGN PARTS BY JAPANESE FIRMS IN JAPAN AND THROUGH THEIR TRANSPLANTS. JAPAN ALSO AGREED TO REMOVE PROBLEMS WHICH AFFECT MARKET ACCESS

AND TO ENCOURAGE IMPORTS OF FOREIGN AUTOS AND AUTO PARTS IN JAPAN.

REGRETTABLY, WE HAVE NOT BEEN ABLE TO ACHIEVE PROGRESS IN THIS AREA UNDER THE FRAMEWORK. AS A RESULT, CONSISTENT WITH OUR DOMESTIC TRADE LAW, THE U.S. IS MOVING FORWARD WITH A CASE UNDER SECTION 301 AGAINST JAPAN'S REGULATIONS IN THIS SECTOR. AT THE SAME TIME, WE ARE FILING A CASE WITH THE WTO BECAUSE WE BELIEVE THAT GOVERNMENT AND PRIVATE PRACTICES IN JAPAN IN THE AUTOS AND AUTO PARTS SECTOR "NULLIFY AND IMPAIR" OUR RIGHTS UNDER THE GATT.

WHAT WE ARE TRYING TO DO HERE IS TO MAKE JAPAN'S MARKETS MORE OPEN TO FOREIGN COMPETITIVE GOODS. DESPITE FORWARD STEPS IN A NUMBER OF AREAS, JAPAN'S MARKETS REMAINS MUCH MORE CLOSED THAN THE WORLD ECONOMY CAN TOLERATE. THIS IS NOT JUST AN "AMERICAN PROBLEM." MR. LEE KUAN YEW OF SINGAPORE WAS IN JAPAN EARLIER THIS MONTH AND HE ADDRESSED THIS SAME POINT. AT A CONFERENCE SPONSORED BY THE NIKKEI, MR. LEE NOTED THAT "THERE IS NOTHING WRONG WITH CURRENT ACCOUNT SURPLUSES AS SUCH. THE ISSUE IS JAPAN'S RESTRICTIVE TRADE PRACTICES AND CLOSED MARKETS."

OPENING JAPAN'S MARKETS IS NOT A ZERO SUM GAME. IN SO MANY OF THE AGREEMENTS WE HAVE CONCLUDED WITH JAPAN SO FAR, WE ARE FINDING THE RESULTS TO BE GOOD FOR THE U.S. AND JAPAN ALIKE.

TAKE THE CELLULAR PHONE AGREEMENT, FOR EXAMPLE. WHEN WE NEGOTIATED AND REACHED AN AGREEMENT TO OPEN UP THE CELLULAR PHONES MARKET IN THE TOKYO-NAGOYA REGION A LITTLE OVER A YEAR AGO, THESE NEGOTIATIONS WERE GREETED WITH SHARP, ACRIMONIOUS RESISTANCE. BUT WHAT HAS HAPPENED?

NOT ONLY HAS MOTOROLA DONE VERY WELL, BUT THE COMPANY THAT HANDLES MOTOROLA'S EQUIPMENT, I.D.O., ALSO IS REAPING GREAT PROFIT. OTHER JAPANESE COMPANIES ARE THRIVING TOO -- SIX JAPANESE COMPANIES NOW SHARE ABOUT 75 PERCENT OF THE EQUIPMENT MARKET HERE FOR MOTOROLA-TYPE PHONES.

FOR 14 YEARS BEFORE THIS AGREEMENT, THE MARKET IN THE CRUCIAL TOKYO-NAGOYA CORRIDOR WAS STULTIFIED, PROVIDING DISTINCTLY UNIMPRESSIVE AND COSTLY CELLULAR PHONE SERVICE AS COMPARED TO ALMOST EVERY LARGE COMMERCIAL

CENTER IN THE WORLD. FOLLOWING OUR AGREEMENT, THIS SAME AREA IS RAPIDLY BECOMING ONE OF THE MOST MODERN AND EFFICIENT CELLULAR PHONE MARKETS TO BE FOUND ANYWHERE. JAPANESE CONSUMERS ALSO ARE BENEFITTING -- A HAND SET THAT USED TO RENT--YOU COULDN'T BUY THEM-- FOR 100,000 YEN NOW SELLS FOR HALF THAT.

THE SAME HOLDS TRUE FOR THE SEMICONDUCTOR AGREEMENT. ONCE AGAIN THIS AGREEMENT WAS GREETED WITH GREAT RESISTANCE AND EVEN ANGER. YET NOT ONLY HAVE AMERICAN COMPANIES BEEN ABLE TO STEP INTO THE JAPANESE MARKET AND DO QUITE WELL, BUT JAPANESE COMPANIES ARE ALSO BENEFITTING. SEVERAL IMPRESSIVE PARTNERSHIPS HAVE RESULTED TO EVERYONE'S ADVANTAGE. TEXAS INSTRUMENTS IS WORKING QUITE PROFITABLY WITH KOBE STEEL TO PRODUCE STATE OF THE ART MICRO CHIPS. MOTOROLA HAS ENTERED INTO A JOINT PARTNERSHIP WITH TOSHIBA IN SENDAI. I RECENTLY VISITED THE SENDAI PLANT AND IT IS A WONDERFUL MONUMENT TO THE SUCCESS OF THE SEMICONDUCTOR AGREEMENT. THE WORLD SHARE OF THE SEMICONDUCTOR MARKET HERE HAS MORE THAN DOUBLED, TO OVER 23%, SINCE THE AGREEMENT WAS SIGNED. THIS CONTENTIOUS AREA OF TRADE TENSIONS IS NOW A MODEL OF COOPERATION AND SUCCESS.

SO I ASK THOSE WHO SO ROUNDLY OBJECT TO OUR BILATERAL TRADE NEGOTIATIONS TO CONSIDER THE WISDOM OF THEIR OPPOSITION IN LIGHT OF THE POSITIVE EXPERIENCE WE ARE HAVING. WE SHOULD KEEP THIS POSITIVE TRACK RECORD IN MIND AS WE SEEK FURTHER PROGRESS IN OUR TRADE RELATIONSHIP.

OPENING MARKETS TO FOREIGN COMPETITION ONLY STRENGTHENS A NATION'S COMPETITIVENESS. LOOK AT WHAT HAS HAPPENED IN THE U.S. : BY PROMOTING WORLD COMPETITION, WE ARE NOW THE MOST COMPETITIVE AND PRODUCTIVE NATION IN THE WORLD BY A LARGE MARGIN. WE HAVE OUR EDGE BACK IN TELECOMMUNICATIONS, CARS, MEDICAL EQUIPMENT, COMPUTERS, MICROPROCESSORS AND COMPUTER CHIPS, PRINTERS, FINANCIAL SERVICES AND IN A HOST OF OTHER AREAS. THIS HAPPENED BECAUSE WE KEPT OUR MARKETS OPEN. WE HAD NO CHOICE BUT TO MEET THE DISCIPLINE OF WORLD COMPETITION.

IN JAPAN, WHEREVER HER COMPANIES COMPETE WITH THE WORLD THEY ARE OFTEN AMONG THE VERY BEST. BUT WHERE JAPAN PROTECTS ITSELF FROM WORLD COMPETITION HER INDUSTRIES ARE NOT

IMPRESSIVE. GRADUALLY, THESE INDUSTRIES ARE SHRINKING AS COMPETITION MOVES OVERSEAS.

WE HAVE SEEN THIS HAPPEN QUITE RECENTLY IN THE FINANCIAL SECTOR WHERE INEFFICIENT CAPITAL MARKETS HAVE UNDERMINED JAPAN'S OVERALL COMPETITIVENESS. IN THE LAST FEW YEARS, WE HAVE SEEN A SHARP SHIFT -- THE "HOLLOWING OUT" OF JAPAN'S FINANCIAL MARKETS. THE NUMBER OF FOREIGN FIRMS LISTED ON THE TOKYO STOCK EXCHANGE HAS FALLEN FROM 127 IN 1991 TO ONLY 86 TODAY, AND I BELIEVE THIS NUMBER IS STILL GOING DOWN. TRADING IN TOKYO IS 25 PERCENT BELOW EXPECTATIONS, AND FOREIGN SECURITIES FIRMS ARE MOVING THEIR REGIONAL HEADQUARTERS TO HONG KONG AND SINGAPORE.

THROUGHOUT THE GLOBE, ECONOMIES ARE DEREGULATING, COMPETITION IS EXPANDING, AND MARKETS ARE OPENING UP. THIS SAME TREND IS PRESENT IN JAPAN, BUT FRANKLY, THE PACE OF CHANGE HERE IS SLOWER THAN IT SHOULD BE. THE DIFFERENCE BETWEEN THE HIGH PRICES HERE AND THE MUCH LOWER PRICES ABROAD REFLECTS THE CONTINUING MARKET BARRIERS IN THIS COUNTRY. JAPAN'S ENORMOUS GLOBAL TRADE SURPLUS IS A

FURTHER REFLECTION OF JAPAN'S OVERREGULATED MARKET.

ON THE SECURITY FRONT, CHANGE HAS COME MUCH MORE SMOOTHLY FOR BOTH OF US.

NO ONE CAN DOUBT THAT WE OWE THE LAST FIFTY YEARS OF PEACE AND PROSPERITY IN THIS REGION TO THE REMARKABLE SECURITY ALLIANCE THAT OUR COUNTRIES SHARE.

TODAY, OUR SECURITY ALLIANCE IS MORE IMPORTANT THAN EVER. THE END OF THE COLD WAR IS GIVING RISE TO A NEW POLITICAL DYNAMIC HERE, MARKED BY THE COLLAPSE OF THE SOVIET UNION, AN UNCERTAIN RUSSIA, A STRONGER CHINA, AND A CONTINUED STAND-OFF ON THE KOREAN PENINSULA. THIS NEW WORLD IS RICH WITH FRESH OPPORTUNITIES, BUT IT IS ALSO FRAUGHT WITH UNCERTAINTY. AT THE SAME TIME, BOTH THE U.S. AND JAPAN HAVE A GROWING ECONOMIC STAKE IN THE ASIA-PACIFIC REGION AND A TREMENDOUS SHARED INTEREST IN REGIONAL STABILITY.

WE RECENTLY UNDERTOOK A REVIEW OF AMERICA'S SECURITY STRATEGY IN THE EAST ASIA-PACIFIC REGION. WE CONCLUDED THAT THE U.S.

-JAPAN SECURITY ALLIANCE REMAINS AS CRITICAL TO US AS EVER AND THAT JAPAN'S ROLE IN AMERICA'S ASIAN-PACIFIC STRATEGY IS CENTRAL. LET THERE BE NO DOUBT: FOR THE FORESEEABLE FUTURE, AMERICA IS HERE TO STAY.

THERE HAS BEEN CONCERN IN RECENT DAYS THAT SOMEHOW OUR TRADE DIFFERENCES MIGHT EVENTUALLY COLOR THE ENTIRE U.S. - JAPAN RELATIONSHIP. I WANT TO BE CLEAR THAT BOTH OUR GOVERNMENTS ARE DETERMINED NOT TO LET THIS HAPPEN. PRESIDENT CLINTON CAME OUT STRONGLY ON THIS SUBJECT LAST WEEK, MAKING CLEAR THAT JAPAN IS A VALUED FRIEND AND ALLY, AND THAT IT IS IN THE CONTEXT OF OUR OVERALL STRONG RELATIONSHIP THAT WE MUST DIRECTLY ADDRESS OUR DIFFERENCES. PRIME MINISTER MURAYAMA HAS STATED THE SAME POSITION, AS HAVE MINISTER HASHIMOTO AND AMBASSADOR KANTOR. EARLIER THIS MONTH I MET WITH FOREIGN MINISTER KONO AND WE ALSO AGREED FULLY ON THIS POINT.

THE U.S. -JAPAN SECURITY PARTNERSHIP ENDURES BECAUSE IT IS BASED ON SHARED, VITAL INTERESTS. WE BOTH HAVE A CRITICAL STAKE IN CONTINUED REGIONAL PEACE AND STABILITY, OPEN TRADE, ACCESS TO RAW MATERIALS, AND SECURE SEA

LINES OF COMMUNICATION. WE BOTH WISH TO SEE A STABLE, DEMOCRATIC, AND REFORMING RUSSIA PARTICIPATE MORE FULLY IN THIS REGION. WE BOTH WANT TO SEE A CHINA THAT CAN CONTINUE ECONOMIC REFORM AND MOVE TOWARD DEMOCRACY WHILE ENGAGING CONSTRUCTIVELY IN THE REGION AND THE WORLD. AND WE BOTH WANT A KOREAN PENINSULA FREE FROM THE THREAT OF NORTH KOREAN NUCLEAR PROLIFERATION AND CONVENTIONAL WAR.

I BELIEVE THAT IN THE YEARS AHEAD WE WILL SEE A CONTINUATION OF THE CLOSE SECURITY COOPERATION BETWEEN THE U.S. AND JAPAN THAT HAS BEEN SUCH A VITAL PART OF OUR POSTWAR ALLIANCE.

IN CLOSING, LET ME SAY THIS: FIFTY YEARS AGO, OUR NATIONS ENDED THE SADDEST CHAPTER IN OUR HISTORY, AND OPENED WHAT WAS TO BECOME THE MOST REMARKABLE, PROSPEROUS PARTNERSHIP IN MODERN TIMES. TODAY, COOPERATION WITH JAPAN IS AT THE CORE OF AMERICA'S POLITICAL APPROACH TOWARD ASIA AND THE WORLD, AND OUR COORDINATION IS IN FACT INTENSIFYING IN THE FACE OF NEW UNCERTAINTIES. POLITICALLY, WE COUNT ON THIS PARTNERSHIP TODAY TO PROJECT OUR COMMON INTERESTS AROUND THE WORLD. ECONOMICALLY, NO

OTHER COUNTRY, OR GROUP OF COUNTRIES, COMES CLOSE TO WHAT THE JAPANESE MARKET MEANS FOR AMERICAN BUSINESS. 70 CENTS OUT OF EVERY DOLLAR OF U.S. TRADE IN ASIA IS WITH JAPAN. IN TERMS OF SECURITY, THE U.S. -JAPAN ALLIANCE IS THE CORNERSTONE OF OUR PRESENCE IN THIS PART OF THE WORLD.

THE AMERICAN PUBLIC CERTAINLY HAS NO DOUBT ABOUT THE IMPORTANCE OF THE U.S. -JAPAN RELATIONSHIP. A POLL RECENTLY RELEASED BY THE PRESTIGIOUS CHICAGO COUNCIL ON FOREIGN RELATIONS SHOWED THAT 85 PERCENT OF AMERICANS, AND NEARLY 97 PERCENT OF AMERICA'S "ELITES" RANK JAPAN AS OUR NUMBER ONE VITAL INTEREST.

WE SUCCEEDED IN REACHING THIS LEVEL OF PARTNERSHIP BECAUSE FIFTY YEARS AGO, AFTER A BITTER AND HORRIBLE WAR, OUR BRAVE LEADERS AND CITIZENS HAD THE VISION TO JOIN TOGETHER TO BUILD A STRONGER U.S. - JAPAN PARTNERSHIP AND TO SECURE A LASTING PEACE. THIS VISION IS AS RELEVANT TO US TODAY AS IT WAS THEN. AS WE LOOK TO THE FUTURE, LET US JOIN TOGETHER, ONCE AGAIN, GUIDED BY A COMMON VISION OF PARTNERSHIP AND PEACE FOR GENERATIONS TO COME.



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