

FOREIGN CORRESPONDENTS' CLUB OF JAPAN

DECEMBER 3, 1996

Thank you, Will, for that kind introduction
FT

THANK YOU FOR HAVING ME HERE AGAIN THIS AFTERNOON. I WANTED TO BE WITH YOU AT ONE OF MY LAST APPEARANCES BEFORE RETURNING HOME SO THAT I COULD MAKE A PUBLIC CONFESSION. WE ALL HAVE SOME INEXPLICABLE PERSONAL QUIRKS. I HAVE COME HERE TO CONFESS THAT FOR SOME BIZARRE REASON I LIKE REPORTERS. NO ONE ELSE CAN MAKE THAT STATEMENT.

IF I HAVE HAD ANY SECRET STRATEGY IN PUBLIC LIFE IT HAS BEEN TO READ AND LISTEN TO THOSE WHOSE JOB IT IS TO REPORT AND COMMENT ON THE NEWS. AMERICAN DEMOCRACY COULD NOT SURVIVE AND AMERICA COULD NOT GROW AND PROGRESS WITHOUT A FREE AND SKEPTICAL PRESS. DURING MY STAY HERE I HAVE GREATLY BENEFITED FROM YOUR WORK AND THAT OF THE JAPANESE AND OTHER FOREIGN REPORTERS. THANK YOU FOR YOUR ENERGY, GENIUS, ~~AND~~ PERSISTENCE. *and Skepticism*

When
~~FOUR YEARS AGO~~, THE CLINTON ADMINISTRATION SET OUT TO ESTABLISH A COMPREHENSIVE POLICY TOWARD JAPAN. ~~AS WE HAVE SAID REPEATEDLY~~, *that* U.S.-JAPAN TIES ~~ARE~~ BUILT AROUND THREE MAJOR

would be

I WOULD LIKE TO CLOSE BY QUOTING MYSELF -- SOMETHING I ALWAYS LIKE TO DO -- FROM REMARKS AT MY CONFIRMATION HEARINGS: "WE BOTH HAVE A STAKE IN A WORLD THAT IS A SAFER, FREER, HEALTHIER PLACE FOR PEOPLE OF ALL NATIONS. AND IF THE UNITED STATES AND JAPAN CAN WORK TOGETHER, THEN PRACTICALLY EVERY PROBLEM IN THE WORLD WILL GET BETTER OR, AT LEAST, BECOME MORE MANAGEABLE. BUT IF OUR RELATIONSHIP DETERIORATES, THEN EVERY ONE OF THESE PROBLEMS WILL GET WORSE OR BECOME THAT MUCH HARDER, EVEN IMPOSSIBLE TO SOLVE."

AS I PREPARE TO LEAVE JAPAN, I AM EVEN MORE SURE OF THAT CONCLUSION THAN I WAS WHEN I FIRST SAID IT. THE RELATIONSHIP BETWEEN JAPAN AND THE UNITED STATES IS SOLID, ENDURING AND PRODUCTIVE. THE WORLD COULD NOT HAVE BETTER NEWS.

WHEN I TOOK THIS JOB, I TOLD JOAN WE WOULD DO THIS FOR OUR GRANDCHILDREN. IN A FEW DAYS THEY WILL GREET US AT THE MINNEAPOLIS AIRPORT AND WE WILL GO WITH THEM TO PICK OUT OUR CHRISTMAS TREE. I ^{PRAY}~~HOPE~~ THEY WILL HAVE A GREAT LIFE. IF THAT HOPE IS FULFILLED, IT WILL BE IN NO SMALL MEASURE BECAUSE JAPAN AND MY COUNTRY HAVE DECIDED TO WORK TOGETHER SO THAT OUR

PILLARS: SECURITY, ECONOMIC, AND POLITICAL. THESE THREE ASPECTS OF OUR RELATIONSHIP ARE INSEPARABLE AND MUTUALLY REINFORCING. IN 1993, WE SAW THE SECURITY AND POLITICAL PILLARS AS FUNDAMENTALLY SOUND, BUT WE BELIEVED THAT OUR ECONOMIC RELATIONS NEEDED ATTENTION.

Economics --

AT THE JULY 1993 TOKYO ~~CT~~ SUMMIT, THE PRESIDENT AND PRIME MINISTER MIYAZAWA INAUGURATED THE COMPREHENSIVE FRAMEWORK AGREEMENT DESIGNED TO MAKE THE U.S.-JAPAN ECONOMIC RELATIONSHIP MORE "BALANCED AND MUTUALLY BENEFICIAL." BOTH NATIONS REAFFIRMED THEIR COMMITMENT TO THE FRAMEWORK AT THE APRIL SUMMIT AND AGAIN IN OUR LEADERS' DISCUSSIONS IN MANILA.

SINCE THEN, JAPAN'S CURRENT ACCOUNT SURPLUS AS A PERCENTAGE OF GDP HAS DECREASED FROM OVER 3% IN 1992, TO AROUND ONE AND ONE HALF PERCENT THIS YEAR. AMERICAN EXPORTS TO JAPAN GREW 35% BETWEEN 1993 AND 1995 AND ARE CONTINUING TO GROW THIS YEAR. OUR BILATERAL DEFICIT WITH JAPAN, AFTER PEAKING IN 1994, FELL 10% IN 1995 AND ANOTHER 27% IN THE FIRST NINE MONTHS OF THIS YEAR. WHILE THE WEAKER YEN MAY

REVERSE SOME OF THESE TRENDS AND WE CANNOT BE COMPLACENT, I BELIEVE IMPORTANT PROGRESS HAS BEEN MADE.

WE HAVE CONCLUDED MORE THAN 20 TRADE AGREEMENTS AND WE HAVE SEEN OUR EXPORTS IN THESE SECTORS GROW BY 120% SINCE THE FRAMEWORK WAS SIGNED -- OVER FOUR TIMES AS FAST AS OTHER U.S. EXPORTS TO JAPAN.

THE CELLULAR PHONE AGREEMENT OFFERS A GOOD EXAMPLE OF THE BENEFITS OF OPENNESS. THE RESULTS HAVE BEEN SPECTACULAR, WITH AN ANNUAL SUBSCRIBER GROWTH OF 85% OVER THE LAST THREE YEARS, AND A MAJOR INCREASE IN SALES OF BOTH U.S. AND JAPANESE EQUIPMENT. THE GREATEST BENEFICIARIES, HOWEVER, HAVE BEEN THE JAPANESE CONSUMERS. THE PRICE OF CELL PHONES AND SERVICE HAS FALLEN DRAMATICALLY, GRAPHICALLY DEMONSTRATING WHAT HAPPENS WHEN MARKETS ARE DEREGULATED.

THE FINANCIAL SERVICES AGREEMENT HAS ALSO HAD POSITIVE RESULTS. IT OPENED UP LARGE AREAS OF THE TRILLION-DOLLAR JAPANESE PENSION FUND MARKET AND SIGNIFICANTLY LOWERED THE COSTS OF ENTERING THE MUTUAL FUND BUSINESS. OVER THE

PAST THREE YEARS, THE AMOUNT OF PENSION FUND MONEY UNDER MANAGEMENT BY FOREIGN MANAGERS HAS BEEN GROWING AT A RATE OF MORE THAN 40 % A YEAR, AND OUR FIRMS ARE BULLISH ABOUT THE PROSPECTS OF WINNING EVEN MORE OF THIS BUSINESS. THE NUMBER OF FOREIGN FIRMS IN THE MUTUAL FUND BUSINESS, MEANWHILE, HAS MORE THAN DOUBLED IN THE PAST TWO YEARS.

BEYOND THE ITEMS COVERED BY THE FRAMEWORK, WE ARE ENJOYING OTHER AREAS OF PROGRESS. JAPAN IS OUR LARGEST AGRICULTURAL MARKET. U.S. PRODUCERS OF AGRICULTURAL GOODS, INCLUDING HIGH-END PROCESSED ITEMS, DO 17 BILLION DOLLARS WORTH OF BUSINESS WITH JAPAN ANNUALLY AND SALES ARE INCREASING BY 10 TO 15% A YEAR. WE ARE STARTING TO SEE IMPRESSIVE GROWTH IN THE HOUSING MATERIALS MARKET AND WE HOPE THAT JAPAN'S NEED FOR LESS EXPENSIVE HOUSING WILL LEAD TO SHARPLY RISING OPPORTUNITIES IN THIS MARKET. WHERE WE ARE ABLE TO MARKET DIRECTLY TO THE CONSUMER -- FOR EXAMPLE TOYS-R-US, GAP, WARNER BROTHERS, CATALOG SALES -- WE ARE DOING VERY WELL AND THINGS WILL GET BETTER.

DESPITE THE PROGRESS WE HAVE MADE IN GETTING U.S. PRODUCTS INTO THE JAPANESE MARKET,

MUCH REMAINS TO BE DONE. AS BUSINESS AND POLITICAL LEADERS IN JAPAN INCREASINGLY RECOGNIZE, THIS MARKET REMAINS VASTLY OVER-REGULATED, DENYING JAPANESE COMPANIES AND CONSUMERS THE BENEFITS OF COMPETITION. IN APRIL 1995, JAPAN ISSUED A THREE-YEAR ACTION PROGRAM AIMED AT DEREGULATION, BUT TO DATE THE GOVERNMENT'S EFFORTS HAVE MADE ONLY LIMITED PROGRESS, INADEQUATELY ADDRESSING IMPORTANT ISSUES IN A WIDE RANGE OF SECTORS, INCLUDING DISTRIBUTION, TRANSPORTATION, LEGAL SERVICES, AND LABOR.

SUCH

EXAMPLES OF ~~JUST A FEW REGULATIONS THAT~~
~~ACT AS IMPEDIMENTS TO GROWTH~~ IN BOTH NATIONS
~~ARE~~ INCLUDE: THE LARGE-SCALE RETAIL STORE LAW,
DESIGNED TO PROTECT LOCAL MERCHANTS FROM
LARGE RETAIL COMPETITION; HIGHLY RESTRICTIVE
HARBOR PRACTICES; AND INSURANCE, WHICH AS YOU
ALL KNOW IS THE SUBJECT OF INTENSE DISCUSSION
BETWEEN THE TWO COUNTRIES THROUGH WHICH WE
HOPE TO REACH A CONCLUSION BY THE MIDDLE OF THIS
MONTH. THE CONSTRUCTION MARKET REMAINS
BASICALLY CLOSED DESPITE AGREEMENTS REQUIRING
OPEN BIDDING ON LARGE PUBLIC PROJECTS, AND
DESPITE THE APPALLINGLY HIGH COST OF
CONSTRUCTION IN JAPAN.

PRIME MINISTER HASHIMOTO HAS MADE ADMINISTRATIVE REFORM AND DEREGULATION THE HALLMARK OF HIS SECOND CABINET. WE HAVE BEEN ENCOURAGED BY THESE INITIATIVES, INCLUDING HIS PUSH FOR A "BIG BANG" IN THE FINANCIAL MARKET. I BELIEVE THAT THE PACE OF DEREGULATION IN THESE AREAS WILL HAVE A SUBSTANTIAL IMPACT ON JAPAN'S ECONOMIC GROWTH, THE COMPETITIVENESS OF JAPANESE INDUSTRY, AND THE OPPORTUNITIES FOR FOREIGN FIRMS TO GAIN FULL ACCESS TO THE JAPANESE MARKET. IN TURN, THE PROGRESS OR LACK OF IT ON TRUE DEREGULATION WILL DETERMINE THE EXTENT TO WHICH JAPAN CONTINUES TO HAVE SEVERE STRAINS IN ITS ECONOMIC RELATIONS WITH THE U.S. AND OTHER TRADING PARTNERS.

I AM ENCOURAGED BY THIS STRONG ENDORSEMENT OF DEREGULATION AND BY THE GROWING REALIZATION THAT JAPAN'S OWN INTERESTS REQUIRE IT. BUT I REMAIN CONCERNED ABOUT THE UNIQUE JAPANESE METHOD OF DECISION MAKING WHICH RESTS SO HEAVILY ON THE NEED TO FIND CONSENSUS. I BELIEVE THE NEED TO GAIN SUPPORT FROM THE SAME BUREAUCRATIC AND BUSINESS SECTORS OF THE ECONOMY WHICH HAVE HISTORICALLY RESISTED CHANGE WILL CONTINUE TO

FRUSTRATE WELL-INTENTIONED EFFORTS TO OPEN THE JAPANESE ECONOMY. AT A CONFERENCE ON DEREGULATION LAST YEAR, I COMMENTED THAT I WAS MORE INTERESTED IN A DISCUSSION OF HOW JAPAN INTENDED TO BREAK THE PARALYSIS IN DECISION MAKING THAN I WAS IN A PARTICULAR DEREGULATION PROPOSAL.

WE ARE ALSO ENCOURAGED BY THE PROGRESS WE ARE BEGINNING TO MAKE IN THE WTO AND IN OTHER MULTILATERAL FORA. WE APPEAR TO BE GETTING EXCELLENT RESULTS IN THE WTO ON THE ISSUES OF DISCRIMINATORY TAXES ON DISTILLED SPIRITS AND THE PROTECTION OF SOUND RECORDINGS. WE HOPE THAT THE CASE WE HAVE BROUGHT BEFORE THE WTO ON THE ISSUE OF MARKET BARRIERS TO THE SALE OF FILM WILL YIELD POSITIVE RESULTS.

THIS DOES NOT MEAN, HOWEVER, THAT THE "AGE OF BILATERALISM" IS OVER. [FIRST, THE WTO ITSELF STRONGLY ENCOURAGES BILATERAL RESOLUTION OF TRADE PROBLEMS WITH FORMAL DISPUTE SETTLEMENT USED ONLY AS A LAST RESORT.] ~~MOREOVER,~~ THERE ARE MANY AREAS OF OUR TRADING RELATIONSHIP WITH JAPAN -- SUCH AS ANTI-COMPETITIVE BUSINESS PRACTICES, EXCESSIVE REGULATIONS, AND SERVICES SUCH AS TELECOMMUNICATIONS AND

FINANCE -- THAT ARE NOT NOW COVERED BY WTO. AS THE WORLD'S TWO LARGEST ECONOMIES, THE U.S. AND JAPAN REQUIRE A VERY ACTIVE BILATERAL ECONOMIC DIALOGUE.

Security --

THE FOUNDATION OF THE U.S.-JAPAN RELATIONSHIP REMAINS OUR SECURITY ALLIANCE. THE UNITED STATES, JAPAN AND THIS HISTORICALLY UNSTABLE REGION HAVE AN ENORMOUS STAKE IN A STRONG ALLIANCE BETWEEN US.

AS YOU ALL KNOW, SECURITY ISSUES CAME TO DOMINATE THE HEADLINES BECAUSE OF THE DESPICABLE INCIDENT IN OKINAWA IN SEPTEMBER OF LAST YEAR. AS SECRETARY PERRY SAID, IT WAS INDEED A "WAKE UP CALL" REQUIRING US TO TAKE WHAT PRESIDENT CLINTON CALLED LONG OVERDUE STEPS TO RESPOND TO OKINAWAN CONCERNS AND TO INCREASE PUBLIC UNDERSTANDING OF THE IMPORTANCE OF THE ALLIANCE IN THE POST COLD WAR ERA.

THIS WEEK SECRETARY PERRY AND I, ALONG WITH OUR JAPANESE COUNTERPARTS, AGREED ON THE SACO FINAL REPORT WHICH SPECIFIES 26 AREAS OF AGREEMENT, INCLUDING THE RETURN OF OVER 22 % OF

THE LAND USED BY U.S. FORCES IN OKINAWA. IT IDENTIFIES THE CONSOLIDATION OF FACILITIES, THE RELOCATION OF ARTILLERY FIRING, THE REDUCTION OF NOISE AND OTHER IRRITANTS, AND IMPROVEMENTS IN PRACTICES UNDER THE STATUS OF FORCES AGREEMENT (SOFA). THIS HAS BEEN DONE WITHOUT COMPROMISING OUR MILITARY READINESS.

THE CENTERPIECE OF THE SACO REPORT IS FUTENMA. YESTERDAY, THE TWO GOVERNMENTS AGREED TO BUILD AN OFFSHORE FACILITY TO HOST HELICOPTER OPERATIONS NOW CONDUCTED AT FUTENMA. WHILE THE EXACT LOCATION HAS YET TO BE DETERMINED, WE HAVE AGREED ON THE BASIC PRINCIPLES FOR THE NEW FACILITY. THIS REPRESENTS AN ENORMOUS STEP TOWARD RESOLVING ONE OF THE MOST DIFFICULT ISSUES ON OKINAWA.

OKINAWA ISSUES AND THE SACO PROCESS HAVE BEEN THE MOST VISIBLE ASPECTS OF OUR SECURITY RELATIONSHIP OVER THE LAST YEAR, BUT THERE IS MUCH MORE GOING ON. IN APRIL, THE PRESIDENT AND THE PRIME MINISTER AGREED TO REVIEW THE 1978 GUIDELINES FOR U.S.-JAPAN SECURITY COOPERATION. WE EXPECT TO COMPLETE THIS REVIEW BY NEXT FALL. THE RESULT WILL BE AN EVEN CLOSER AND STRONGER ALLIANCE.

LAST YEAR WE RENEWED FOR ANOTHER FIVE YEARS OUR HOST NATION SUPPORT AGREEMENT UNDER WHICH JAPAN PROVIDES ABOUT 70% OF THE EXPENSE OF MAINTAINING U.S FORCES HERE, EXCLUDING THEIR SALARIES. ^{AND} THIS YEAR WE ~~ALSO~~ SIGNED THE ACQUISITION AND CROSS SERVICING AGREEMENT WHICH ALLOWS OUR FORCES TO SHARE SERVICES AND MATERIEL IN TRAINING AND PEACEKEEPING EXERCISES. WE ALSO AGREED TO CO-PRODUCE THE NEW F-2 FIGHTER.

THESE STEPS HAVE GONE FAR TOWARD STRENGTHENING THE U.S.-JAPAN SECURITY RELATIONSHIP. I WISH TO THANK SECRETARY PERRY, SECRETARY CHRISTOPHER AND OUR MILITARY COMMANDERS FOR THEIR LEADERSHIP. I ALSO WISH TO THANK THE JAPANESE LEADERSHIP FOR THEIR ENERGETIC EFFORTS. WHILE THERE IS MUCH WORK AHEAD, I AM CONFIDENT THAT OUR ALLIANCE WILL ENDURE WELL INTO THE FUTURE AND REMAIN THE FOUNDATION OF PEACE AND STABILITY IN THIS VITAL REGION.

Building a Global Partnership --

THE POLITICAL PILLAR OF OUR PARTNERSHIP IS AS VITAL AS OUR SECURITY TIES IN MAINTAINING

STABILITY IN EAST ASIA AND THE WORLD. WITHOUT COOPERATION AMONG JAPAN AND THE U.S. AND THE REPUBLIC OF KOREA IN ESTABLISHING KEDO, WE WOULD FACE A MUCH MORE DANGEROUS KOREAN PENINSULA. OUR MUTUAL EFFORTS IN THE MIDDLE EAST ARE LESS DRAMATIC BUT A VERY IMPORTANT ELEMENT IN BRINGING ENDURING PEACE TO THAT CRITICAL AREA. WE SHOULD NOT IGNORE THE FACT THAT OUR QUIET COOPERATION EVERYDAY ON POLITICAL PROBLEMS AROUND THE WORLD MAKES A SUBSTANTIAL CONTRIBUTION TO ~~AMERICAN INTERESTS.~~ *WORLD STABILITY*

NO AREA OF U.S.-JAPAN POLICY COORDINATION IS MORE IMPORTANT THAN CHINA. AS SECRETARY PERRY SAID, IT IS A PLUS SUM GAME. GOOD U.S.-CHINA TIES REINFORCE REGIONAL STABILITY JUST AS GOOD JAPAN-CHINA TIES DO. AT THE SAME TIME A STRONG U.S.-JAPAN ALLIANCE AND POLITICAL PARTNERSHIP IS IN NO WAY DIRECTED AT CHINA; INDEED IT IS CRITICAL TO MAINTAINING THE STABLE ENVIRONMENT CHINA NEEDS IN ORDER TO DEVELOP AND PROSPER.

THE COMMON AGENDA IS ANOTHER AREA OF U.S.-JAPAN COOPERATION THAT HAS BLOSSOMED IN THE LAST FOUR YEARS. UNDER THIS AMBITIOUS

PROGRAM, WE COOPERATE ON GLOBAL EDUCATIONAL, ENVIRONMENTAL, AND HEALTH INITIATIVES, AS WELL AS IN COUNTER-NARCOTICS, TECHNOLOGY DEVELOPMENT, AND REDUCING THE IMPACT OF NATURAL DISASTERS.

Human Connections --

TOMORROW I WILL BE ADDRESSING STUDENTS AND FACULTY AT AOYAMA UNIVERSITY ON THE CRUCIAL GOAL OF EXPANDED EDUCATIONAL EXCHANGES. THE CITIZENS OF OUR TWO NATIONS SIMPLY MUST COME TO KNOW MORE ABOUT EACH OTHER. WE MUST OVERCOME THE STEREOTYPES THAT RESULT FROM DISTANCE, DIFFERENT LANGUAGES, CULTURE, AND HISTORICAL PERCEPTIONS. THROUGH PROGRAMS WITH NAMES LIKE FULBRIGHT, JET, MANSFIELD, AND THROUGH A NEW JAPANESE PROGRAM TO INCREASE THE NUMBER HIGH SCHOOL STUDENTS, COLLEGE STUDENTS, TEACHERS, SCHOOL ADMINISTRATORS AND ARTISTS VISITING JAPAN, WE ARE MAKING IMPORTANT PROGRESS IN EXPANDING OUR UNDERSTANDING OF EACH OTHER.

Personal Reminiscences --

JOAN AND I WILL BE LEAVING JAPAN ON THE 15TH. THIS HAS BEEN ONE OF THE MOST MEMORABLE EXPERIENCES OF OUR LIVES. WE WILL NEVER FORGET

THE KINDNESS SHOWN TO US BY THE JAPANESE PEOPLE. WE WILL ALWAYS BE GRATEFUL FOR THE ENERGETIC AND CREATIVE EFFORTS OF JAPANESE GOVERNMENT LEADERS TO STRENGTHEN THIS, THE MOST IMPORTANT RELATIONSHIP ON EARTH.

I CAME TO TOKYO ANTICIPATING THE NEED FOR A DELICATE BALANCE BETWEEN PATIENCE AND PRESSURE. I HAVE BEEN PATIENTLY PRESSING EVER SINCE! I HOPE THAT THESE HAVE BEEN GOOD YEARS FOR BOTH JAPAN AND MY COUNTRY. OUR SECURITY RELATIONS ARE ON MORE SOLID GROUND AND OUR ECONOMIC RELATIONSHIP HAS IMPROVED. THE HUMAN CONNECTIONS BETWEEN US ARE GROWING.

ONE OF MY GREATEST PLEASURES HAS BEEN THE MARVELOUS SUPPORT I HAVE RECEIVED FROM THE AMERICAN COMMUNITY IN JAPAN -- ESPECIALLY FROM THE AMERICAN BUSINESS COMMUNITY HERE. I DEPART JAPAN WITH ENORMOUS RESPECT FOR MY GIFTED STAFF AT THE EMBASSY HEADED BY OUR DEPUTY CHIEF OF MISSION, RUST DEMING, WHO WILL SHORTLY DIRECT OUR DIPLOMATIC EFFORTS HERE AS OUR CHARGÉ, AND FOR THE HELP I HAVE RECEIVED FROM OUR SUPERB MILITARY COMMANDERS.

A handwritten signature in cursive script that reads "Rust". Below the signature is a short horizontal line.

GRANDCHILDREN AND THEIRS MIGHT BE SPARED THE
HEARTACHE, BLOODSHED AND WASTE THAT SO CURSED ^{SO}

^{MANY OF} THE YEARS OF MY GENERATION.

THANK YOU AND SAYONARA.



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