

acts of terrorism to weapons of mass destruction. Yet, the world has made progress in the face of adversity. It is more peaceful today than it was 2 years ago when I was here. Hope has come to Northern Ireland. Peru and Ecuador have resolved their longstanding dispute. Bosnia is building a self-sustaining peace. A humanitarian disaster has been averted in Kosovo, and the people there have, now, hope for regaining their autonomy. The Middle East is back on the long road to peace.

All of these areas of progress have one thing in common: They represent the triumph of a wide circle of nations working together, not only the nations directly affected but a community of nations that brings adversaries to the table to settle their differences.

Year-in and year-out, Japan's generous contributions to peacekeeping efforts and your eloquent defense of the idea of global harmony have gone far to make this a safer world. In Central America, you have provided disaster relief in the wake of Hurricane Mitch. I should say, Mr. Prime Minister, that I wish my wife were with me tonight, but she is there, where they had the worst hurricane disaster in 200 years. And I thank you for helping people so far from your home.

In the Middle East, you have contributed substantial funds to aid the peace process. In recent months you have further advanced the cause of peace by taking your relations with Asian neighbors to a new and significantly higher level of cooperation. And despite economic difficulties at home, you have contributed to recovery efforts throughout Asia. That is true leadership.

Now, Mr. Prime Minister, you have made difficult decisions to overcome your own economic challenges. The path back to growth and stability will require your continued leadership, but we hope to work with you every step of the way.

In dealing with these difficulties, Japan can lead Asia into a remarkable new century, a cen-

tury of global cooperation for greater peace and freedom, greater democracy and prosperity, greater protection of our environment, greater scientific discovery and space exploration.

At the center of all our efforts is the strong bond between the people of the United States and the people of Japan. Our security alliance is the cornerstone of Asia's stability. Our friendship demonstrates to Asia and to the world that very different societies can work together in a harmony that benefits everyone.

Two fine examples of our recent cooperation are the new Asia growth and recovery initiative that you and I recently announced, Prime Minister, and, as you mentioned, the space shuttle *Discovery*, which included your remarkable astronaut Chiaki Mukai. I understand that when Dr. Mukai spoke with you from space, Prime Minister, she offered the first three lines of a five-line poem, a tanka poem, and she invited the people of Japan to provide the final two lines. I want to try my hand at this.

As I understand it, her lines were:

Spinning somersaults;  
Without gravity's limits  
In space flight with Glenn.

I would add:

All is possible on Earth and in the heavens  
When our countries join hands.

Ladies and gentlemen, I ask you to join me in a toast to the Prime Minister and Mrs. Obuchi and to the people of Japan.

NOTE: The President spoke at 7:50 p.m. in the Kacho No Ma Banquet Hall at Akasaka Palace. In his remarks, he referred to Prime Minister Obuchi's wife, Chizuko; Japanese Ambassador to the U.S. Kunihiko Saito; and Emperor Akihito and Empress Michiko of Japan. The transcript released by the Office of the Press Secretary also included the remarks of Prime Minister Obuchi.

## Remarks to American and Japanese Business Leaders in Tokyo November 20, 1998

Thank you very much. I have to practice saying "Mr. Ambassador" instead of "Mr. Speaker," but I want to say first to Tom Foley how very

grateful I am for his willingness to undertake this service in Japan.

I think there could be no better evidence of the importance that the United States attaches to our relationship with Japan than the fact that in the last 6 years the United States has been blessed to be represented in Japan by former Vice President Walter Mondale and former Speaker of the House Ambassador Tom Foley.

I am very proud of Tom Foley, who has guided and advised me. And if I'd listened to him more, I'd even done better. [*Laughter*] And I'm very, very grateful to him for his service here.

I'm glad to see Glen Fukushima again, and I thank him for his welcome. And I thank him for his eagerness to get me to the platform. [*Laughter*] I wanted to come here today. I didn't intend to go anywhere, Glen. I was going to stay around. [*Laughter*]

I thank Patsy Mink for her distinguished service and her introduction, as well as Senator Max Baucus and Congressman Neil Abercrombie, Congressman Earl Pomeroy, and Delegate Robert Underwood, and all the members of the Cabinet and administration who are here. The United States Government is well represented in this distinguished group this morning. I thank you for inviting me to speak and for the work you do at the forefront of the new global economy, where so much of America's prosperity will reside in the 21st century.

Today I want to talk about the current international financial crisis, what we are doing about it, and the special role the United States and Japan must play to lead Asia and the world back to stability and growth.

Of course, in part, the present difficulties are the product of our own successes. The world financial system fashioned at the end of World War II has played a central role in dramatically expanding trade, promoting prosperity, reducing hunger and disease throughout the world. But today, the sheer volume of economic activity intensified by technological change has created new risks, risks which are not adequately being managed today by many national systems or by the current international arrangements.

The root of the problem lies in the sheer volume and speed of the movement of money, \$1.5 trillion a day in international exchange transactions—far, far in excess of the total volume of trade in goods and services on any given day. In country after country we have seen rapid, large infusions of capital, often very highly leveraged, into banking systems and into cor-

porations, without adequate balance sheets or risk assessments necessary for appropriate loan rates. Then we have seen the equally rapid withdrawal of the money, too often leading to enormous debt, devaluation, and dislocation, and ultimately into political crisis and, in many countries, great personal suffering.

The collapse of communism, the rise of democracy, the information revolution, all these things have spurred people to seek the benefits of greater trade and investment. But in many places, institutions have not caught up with aspirations. Lack of openness, weak legal systems have bred irresponsibility and, on several occasions, corruption. They have fueled social unrest and, in turn, further economic instability.

Now, I know these challenges are quite complex. But I am convinced, with responsible leadership from Japan and the United States, from the European Union, and from many developing economies, we can restore hope and spur growth. We can build a trading system and a new financial architecture for a new century if we act promptly, responsibly, and creatively.

In September, after consulting with Japan and other partners, I called for specific and urgent steps to boost ailing economies, to halt the contagion, to restore growth and a long-term adaptation of the global financial institutions so that we can tame the cycles of boom and bust over the long run.

Nations around the world have rallied to this common agenda. America, Japan, and other nations have cut interest rates. We at home have met our obligations to the IMF. We're providing credit and investment insurance to encourage capital flows into developing nations. Brazil is taking strong measures to address its fiscal problems and ward off the contagion. The international community has come through with an aid package to help.

We have developed a precautionary finance facility designed to head off problems before they get started in countries that are vulnerable to economic unrest but have essentially sound economic policies. The World Bank and the Asian Development Bank will more than double their support to strengthen social safety nets across Asia to aid those who are suffering the most.

Just a few weeks ago, Japan announced the Miyazawa Plan to address the central challenge, helping viable Asian banks and businesses emerge from crushing debt burdens. And just

this week, Prime Minister Obuchi and I announced a new U.S.-Japan initiative to extend this effort. Together, we will mobilize new financing to recapitalize banks and also increase funding for trade finance and technical assistance.

But nothing is so vital to world growth as ensuring that the United States and Japan, the world's two greatest economic powers, also do what is necessary to expand our own economies. For the United States, that means continuing the sound fiscal policies that have brought us to this point, investing more in our people and in our future, and continuing to work to open global markets.

For Japan, of course, the challenge is even greater today because of the economic difficulties of the present and the last few years. But no people have done more in the last 50 years to overcome obstacles, to exceed expectations, to prove that they can adapt to new economic realities than the Japanese. The people of Japan turned a closed society into an open democracy. They built from devastation a robust economy that became an engine of growth for all of Asia. They have created products and technologies that have improved the lives of people all around the world, including the United States. They have been leaders in development aid to help other nations build their own prosperity.

Even with current economic difficulties, Japan comprises 70 percent of Asia's economy. With others in the region still struggling, Japan—and only Japan—can lead Asia back to stability and growth by meeting its own economic challenges.

I want to be clear about something that I'm surprised there could be any doubt about: The United States wants a strong Japan, with a strong and growing economy. Japan's prosperity is vital to our own future. Already we have nearly \$200 billion in annual trade and over \$600 billion invested in each other's economies. We have a strong political and security partnership which is vital to the peace of this region and the peace of the world and which, I am convinced, cannot be maintained over the long run unless our economies are also strong.

Though the U.S. and Asia—indeed, all the world—will benefit from a revitalized Japanese economy, the greatest beneficiaries will be the Japanese people themselves, with new jobs, higher living standards, and a better capacity to deal with the looming issue of an aging popu-

lation, a challenge that confronts virtually every advanced society in the world today.

The keys to Japan's recovery are easy to articulate but, of course, more difficult to achieve: reform of the banking system to clear up the balance sheets, protect depositors, get good lending going again; an increase in domestic demand for Japanese goods and services; greater deregulation, investment, and opening of Japanese economies to create more jobs through increased competitive activity.

Prime Minister Obuchi has announced a new package of tax cuts and funding increases to stimulate demand, and he has obtained passage of major legislation aimed at repairing Japan's banking system, legislation which must now be vigorously implemented.

As America learned with our own financial crisis, involving our savings and loans—and those of you who were in America in the eighties know that we wound up closing over 1,000 of them—delay in a crisis like this only makes matters worse. By waiting too long to act in America, we increased our eventual clean-up cost by over 500 percent. Rapid, vigorous implementation of bank reform legislation, therefore, will make the banks more open and accountable, prompt them to sell off bad loans, get them back into the business of lending to those who can create jobs and opportunities.

And rapid implementation of the economic stimulus plan is also important. Indeed, the people here may conclude that even more must be done to jolt the economy back into growth.

I think I should say, in light of the townhall meeting we did last night with Japanese citizens and the fascinating questions I was asked, that I was immensely impressed with the level of knowledge and interest of ordinary citizens in this country in the present conditions.

And one of the things that I hope our visit here will do is to at least convince the Japanese people that the leaders of the United States—all of the Cabinet members, all of the Congress Members, the high White House officials, all of us who are here—we have every confidence that Japan is fully capable of restoring growth to this country and all of Asia, fully capable of mastering this challenge just as it has the challenges of the last 50 years.

I think having that confidence in the mind of the Japanese citizens is absolutely key, over and above any Government program, any spending program, any tax cut program, any other

kind of program, in convincing the citizens that they, too, have a critical role to play here in purchasing more goods and services in the domestic economy.

Now, a high savings rate is a very good thing, especially for a country that's going to have a rapidly aging population. But in order for the society to work, Japan needs both a good savings rate and a robust economy. And jobs cannot be created unless someone is buying what the people who are working are producing.

And so I hope that part of what has happened here will go beyond Government policy and that there will be a great debate among the citizens in this country about how they can have both the benefits of appropriate savings for their own retirement and the benefits of a growing economy by contributing in buying the products and services of the people who are going to work every day. Both will be required to deal with the challenges that Japan, the United States, Europe, other advanced countries face with an aging population.

I also believe that Japan will benefit by going forward with efforts to increase outside investment and to deregulate key economic sectors. Primarily, let me say, given the present state of things, I think this is important because it can make a major contribution to job growth here in Japan.

Just since 1993, when I took office and we began an aggressive effort on telecommunications which was culminated a few years ago by the passage of the Telecommunications Act, we have seen an enormous number of new jobs coming in to the American economy because of the telecommunications deregulation. Since we deregulated our domestic airline industry, we have seen tens of thousands of new jobs created. I am convinced the same thing would occur here. Yes, there would be some change and some disruption, but the net effect would be to create more jobs and better incomes and more stability for the people of Japan.

We made real progress on our enhanced deregulation initiative earlier this year at the G-8 summit, and I think it is crucial that we make further progress by the time the Prime Minister and I meet again next year.

We also have to do more on trade. Since 1993 the United States has been party to 260 trade agreements, opening global markets from agriculture to automobiles to create good jobs and lower prices for consumers. In 1994, at

our APEC summit, the leaders resolved to create an Asia-Pacific free trade zone by 2020, and we have made good progress in some areas, especially with our information technology agreement to erase tariffs on computer and telecommunications equipment.

This week at APEC, we moved forward on the early voluntary sector liberalization initiative, to open trade in nine key sectors worth more than \$1.5 trillion a year by referring the process to the World Trade Organization. As all of you know, I'm sure, we had some differences with our friends in Japan on those issues, and we wish that they had been more forthcoming on all nine areas. But the most important thing now is that Japan play a leadership role in getting a WTO agreement in all nine sectors. This is very, very important.

Again I say, restoring growth in Japan and restoring growth in Asia need to be seen as interlocking objectives. This year the Asian ailing economies' exports to Japan are down by \$13 billion. In America they're up by \$5 billion. We believe that this is something that we have to do together.

Let me say that I understand that every society has certain sectors which are especially sensitive to trade-opening initiatives. I also understand that even wealthy societies, and especially developing ones, face a constant conflict between the desire to get the aggregate benefit of an open economy and the gnawing fear that it will not be possible to maintain the social contract in the face of global economics and that this can undermine the solidity of communities and families and of society itself.

The key, as I said in a speech to the WTO in Geneva a few months ago, is to involve all sectors of society in the process of setting 21st century trade rules, to make a commitment up front that there ought to be due account taken of the need to preserve the social contract to advance the health and well-being of people as trade advances, to make sure ordinary citizens benefit from advanced trade, to make sure we're improving the global environment, not destroying it, as we expand trade.

We know that these things can be done. But the worst thing that can happen is if it appears that when times are tough, borders are closing up, other markets are being heavily penetrated in ways that can't be justified by economic forces, and then you're going to have, I'm afraid,

a round of retaliatory protectionism. I'm quite worried about this now.

We had a meeting early on when it was obvious to us that this economic difficulty in Asia was going to be very, very severe. And I made a decision with the full support of my entire economic team that we would do everything we could to leave America's markets as open as possible, knowing full well that our trade deficit would increase dramatically for a year or two. I did it because I thought it was a major contribution we could make to stabilizing the global economy and the economies in Asia.

And so far, on balance, because our economy is continuing to grow, the American people and American political leadership have supported that. But if there is a perception of unfair trade, the consensus can disappear. You know this—I want this mostly to be a good news speech, but I have to say, in the United States now we have had this year, in one year, a 500 percent increase in the imports of hot-rolled steel from Japan and a 300 percent increase in the import of hot-rolled steel from Russia. No one seriously believes that this is solely because of changing economic conditions.

And if you put that against an inability to open more markets, to have more investment, to have more deregulation, to have more market access, it will create in our country the potential for a retrenchment here in a way that will not be good for Asia or Japan or for the United States over the long run. So I say again, we want to keep our markets open, but we need fair, rule-based, disciplined expansions, and we need to avoid market penetrations that have no relationship to market factors.

All of you in this room know a lot better than I do that it still remains extremely difficult for some non-Japanese businesses to succeed in the market here. We will continue to work for greater opening. But I will say again, I believe that what we're doing is not simply good for the United States; I think it's good for Japan as well. I would not come here and advocate any course of action that I believe was good for us but bad for Japan. That, in the end, is self-defeating.

We should follow these policies only if they are good for our countries, both our countries, over the long run, and not only good for those of us who are in positions of decisionmaking but good for the ordinary citizens of our country, good for their future prospects, good for

their ability to raise their children in a more secure and stable and prosperous world.

So I say, the last point I want to make is, let's not forget what this is all about. It's about more even than the success of your businesses, more than the profits that you might earn, more than the jobs you might have. It's about making it possible for citizens in free countries to pursue their chosen destinies, to live out their dreams, to give their children a chance to live out their dreams, to manage the tumult of the modern world in a way that seizes all the brilliant opportunities that are out there and deals with the challenges in a forthright and fair way. I believe that this is terribly, terribly important.

Let me also say I believe that it is very important that Japan and the United States, as two great democracies, continue our partnership for peace and freedom. There are those who say, "Well, all these global economic problems are inconsistent with democracy. Democracies can't deal with these issues. We need more authoritarian governments." Well, if you look at the evidence, it contradicts it—that assertion. Many more authoritarian governments have financial institutions and processes that are insufficiently open. One great democratically elected leader, the President of the Philippines, President Estrada, said the other day, noting—he was referring to calls for greater open processes and greater openness in institutions. He said, "Now, when Alan Greenspan and the common people have the same view, we should listen." [*Laughter*] I wish I'd thought of that line myself. [*Laughter*]

But if you look around the world, if you see the encouraging signs from Thailand to South Korea to eastern Europe to Mexico, you see that if people feel they have a stake in their societies, they are willing to sacrifice; they are willing to take responsibility; they are willing to give their governments leave to make decisions that are difficult today because they are right for tomorrow.

And so I say also, I hope that on this trip the United States and Japan will reaffirm what we have in common: our support for democracy, our support for openness, our support for the march of peace and freedom as well as the return of prosperity to Asia and the rest of the world.

In closing let me say, we have to have your help in all this. You know that. The private sector has a critical role to play if we're going

to address the broad challenges of global change and the challenges of the financial crisis. All of this you understand, I'm quite sure, better than I. We need your creativity, your entrepreneurial strength. We need your sustained, direct investment in emerging markets, your support for training, health care, and good workplace conditions to ensure a strong work force and stable, broad-based support for open markets and global free enterprise.

Above all, right now, in every country, we need your leadership to support creativity and change. The world is different, and it is changing at a rapid rate. Inevitably, economics changes faster than politics. And yet, in the end, if we want stable societies and successful economics, we must have good politics. You can help us to achieve that.

President Franklin Roosevelt once said, "True wealth is not a static thing." How well we know that. It is a living thing, made out of the disposition of people to create and distribute the good things of life. We must find the right formulas to make this living thing grow stronger. Over

a generation of extraordinary progress, the people of Japan have shown what is possible.

Now it is the challenge of Japan and the United States, working at home and working together, to fulfill this promise, to restore stability to this region, growth to this country and to the world. I am absolutely convinced that the 21st century can be the best time humanity has ever known. I am more optimistic and idealistic today than I was the day I first took the oath of office as President in 1993. But I am also absolutely convinced, as my daughter's generation says, that denial is not simply a river in Egypt. [Laughter] We know what the challenges are, and we have to find the means to meet them. If we do, we will be richly rewarded.

Thank you very much, and God bless you.

NOTE: The President spoke at 10:25 a.m. at the Capitol Tokyo Hotel. In his remarks, he referred to Glen S. Fukushima, president, American Chamber of Commerce in Japan; Prime Minister Keizo Obuchi of Japan; and President Joseph Estrada of the Philippines.

## Remarks Following Discussions With Prime Minister Keizo Obuchi of Japan and an Exchange With Reporters in Tokyo November 20, 1998

*Prime Minister Obuchi.* Just now I have finished the meeting with President Clinton which lasted for about an hour and a half. Japan and the United States are allies bonded together with shared values. It is my pleasure to receive President Clinton in Japan less than 2 months after our first summit meeting in New York. And I regard it as testimony to the close cooperation and coordination between the two countries.

The President invited me to officially visit the U.S. during the Golden Week holidays next year, and I accepted it with great pleasure.

In today's summit meeting, the President and I exchanged views on a wide range of topics, including international situation and the world economy. Regarding North Korea, we had a substantive exchange of views on matters including KEDO, the suspected underground construction of nuclear facilities, and missile issues.

We confirmed that the two countries will maintain our close consultation with each other on various levels and will take a coordinated posture among Japan, South Korea, and the United States toward North Korea.

The President and I also consulted on major international issues, including Russia and China. We reaffirmed our two countries' contribution to the global peace and security which goes beyond our bilateral relations. And I told the President—and the President welcomed—that Japan would extend assistance to the Palestinians up to some \$200 million in the next 2 years in order to accelerate the momentum for the Middle East peace process created by the Wye River agreement in which President Clinton took an instrumental role.

With regard to Central America, which was stricken by Hurricane Mitch, I explained to the