

REMARKS BY SENATOR BOB DOLE
MAJORITY LEADER, UNITED STATES SENATE

JAPAN NATIONAL PRESS CLUB

AUGUST 19, 1985

IT IS A PLEASURE TO APPEAR AT YOUR PRESTIGIOUS NATIONAL PRESS CLUB. IT IS INDEED AN HONOR I SHALL LONG CHERISH.

OUR TIES WITH JAPAN ARE AMONG THE MOST IMPORTANT IN THE WORLD. THEY ARE BASED ON A SET OF SHARED SECURITY, POLITICAL AND ECONOMIC GOALS. WE ARE FRIENDS AND OUR DELEGATION IS HERE IN THAT SPIRIT. WHILE OUR RELATIONSHIP IS FUNDAMENTALLY SOUND THE TRADE ISSUE THREATENS TO UNDERMINE IT.

SO LET ME GET TO THE POINT. I SPEAK TODAY NOT AS A SPECIALIST IN THE INTRICACIES OF INTERNATIONAL TRADE OR ONE WITH EASY ANSWERS. BUT AS THE MAJORITY LEADER OF THE UNITED STATES SENATE, I KNOW THE MOOD OF THE SENATE AND OF THE AMERICAN

PEOPLE. BOTH BELIEVE WE HAVE A CRITICAL TRADE PROBLEM. THEY
ARE DEMANDING THAT SOMETHING BE DONE NOW.

WE CAN NO LONGER AVOID A TRADE CONFRONTATION. WE HAVE
ONE. THE TIME IS PAST FOR GESTURES. IMMEDIATE ACTION IS NEEDED.
IT IS ESSENTIAL THAT YOUR PRESS, AS WELL AS YOUR GOVERNMENT AND
BUSINESS LEADERS, UNDERSTAND HOW CRITICAL THE PROBLEM IS.

HAVING SAID THAT, LET ME TAKE A STEP BACK. MOST RESPONSIBLE
POLICY MAKERS, INCLUDING MEMBERS OF CONGRESS AND BUSINESS MEN
AND WOMEN, UNDERSTAND THAT TRADE IS A VERY COMPLEX ISSUE. OUR
MASSIVE TRADE DEFICIT HAS SEVERAL CAUSES -- CERTAINLY NOT ALL
CREATED BY JAPAN, NOR DO WE SEEK TO MAKE YOUR GOVERNMENT THE
SCAPEGOAT.

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THE VALUE OF THE DOLLAR

MANY FEEL STRONGLY THAT THE MOST IMPORTANT CAUSE OF OUR TRADE PROBLEM IS OF OUR OWN MAKING--THE VALUE OF THE DOLLAR. SINCE 1980 THE DOLLAR HAS APPRECIATED BY 30-40% AGAINST OTHER MAJOR CURRENCIES. THIS MAKES OUR EXPORTS SUBSTANTIALLY MORE EXPENSIVE AND OUR IMPORTS MUCH CHEAPER.

MANY OF US BELIEVE A MAJOR CAUSE FOR THE DOLLAR'S RISE IS BUDGET DEFICITS. EVEN WITH THE RECENT REDUCTIONS IN OUR FEDERAL SPENDING, BUDGET DEFICITS WILL BE IN THE \$200 BILLION RANGE FOR YEARS TO COME. THIS FLOOD OF RED INK DRIVES UP INTEREST RATES AND MAKES THE DOLLAR MORE ATTRACTIVE.

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IN AN EFFORT TO SLOW THE HEMORRHAGE, SOME IN OUR
CONGRESS, *led by Sen. Domenici, dist. ch., budget comte,* MOUNTED A SERIOUS ATTACK ON THE BUDGET DEFICIT. WE
FAILED IN OUR EFFORT AS EVIDENCED BY THE INSUFFICIENT SAVINGS
IN THE COMPROMISE BUDGET RESOLUTION PASSED LAST MONTH. MORE
SHOULD BE DONE BUT REALISTICALLY THE WINDOW OF OPPORTUNITY
IS PROBABLY CLOSED FOR SOME TIME.

GROWTH EXACERBATES TRADE DEFICITS

A SECOND FACTOR CONTRIBUTING TO OUR UNPRECEDENTED
TRADE DEFICIT IS THAT THE U.S. ECONOMY HAS GROWN MORE
RAPIDLY THAN THAT OF OUR TRADING PARTNERS. THEREFORE, WE
BUY MORE FROM THEM THAN EVER BEFORE. THE DEBT PROBLEMS
OF THE DEVELOPING COUNTRIES HAVE MADE THIS SITUATION
even
WORSE.

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A THIRD THEORY SUGGESTED BY GOVERNMENT AND INDUSTRY LEADERS IN JAPAN TO EXPLAIN THE LACK OF U.S. COMPETITIVENESS IS THAT U.S. EXPORTERS LACK LONG-TERM COMMITMENT, REFUSE TO MAKE AN EFFORT, OR SIMPLY FAIL TO ADAPT TO MARKET CONDITIONS. GIVEN OUR DEMONSTRATED MARKETING PROWESS IN OTHER COUNTRIES-- IT IS DIFFICULT ^{for us} TO ACCEPT THIS THEORY.

TRADE IS A GLOBAL PROBLEM

AS PREVIOUSLY STATED, OUR TRADE PROBLEM IS NEITHER SOLELY SELF-INDUCED NOR LIMITED TO JAPAN. CANADA HAS A HUGE POSITIVE TRADE BALANCE WITH US. BRAZIL, TAIWAN AND KOREA ALSO SELL MUCH MORE THAN THEY BUY. THESE, AND OTHER COUNTRIES, SOMETIMES DENY US EQUAL ACCESS TO THEIR MARKETS WHILE TAKING FULL ADVANTAGE OF OURS.

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BIG PROBLEM IS JAPAN

NONE OF THIS CAN ERASE THE FACT THAT OUR MAJOR PROBLEM IS WITH JAPAN. OUR PREDICTED TRADE DEFICIT THIS YEAR OF \$50 BILLION WILL BE LARGER THAN OUR TOTAL INTERNATIONAL DEFICIT JUST THREE YEARS AGO.

THE SITUATION HAS GROWN DRAMATICALLY WORSE IN RECENT YEARS. YOUR TRADE SURPLUS WITH US INCREASED BY MORE THAN 70 PERCENT LAST YEAR AND AT THE CURRENT PACE WILL INCREASE BY ANOTHER 35 PERCENT THIS YEAR. NO OTHER COUNTRY IN THE WORLD WOULD TOLERATE SUCH AN IMBALANCE.

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YOUR MARKETS ARE CLOSED TO MANY AMERICAN PRODUCTS EVEN WHEN THEY ARE THE BEST IN THE WORLD. IN THE TELECOMMUNICATIONS FIELD, FOR EXAMPLE, WE ARE SECOND TO NONE. YET WE HAVE GREAT DIFFICULTY SELLING HERE. THE SAME IS TRUE OF MANY OTHER HIGH TECHNOLOGY PRODUCTS. LUMBER, PLYWOOD AND PAPER COULD ALSO BE SOLD IN GREAT VOLUME IN JAPAN BUT HIGH TARIFFS AND OTHER BARRIERS KEEP THEM OUT. AGRICULTURAL PRODUCTS ARE SOLD HERE, BUT IF YOUR MARKETS WERE TRULY OPEN, THE QUANTITIES WOULD BE MUCH GREATER. THE LIST OF EXAMPLES COULD GO ON AND ON.

Let me pt. out as this point that

THIS IS NOT JUST AN AMERICAN PROBLEM. EVERY COUNTRY IN THE WORLD HAS HAD ENORMOUS DIFFICULTY SELLING MANUFACTURED PRODUCTS IN JAPAN. IT'S NOT JUST A QUESTION OF THE HIGH-VALUED DOLLAR OR U.S. MARKETING FAILURES THAT HAS CREATED THIS SITUATION.

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EXAMPLES OF JAPANESE RESTRICTIONS

AMERICAN PRODUCERS FACE A MULTITUDE OF MARKET RESTRICTIONS HERE. YOU IMPOSE QUOTAS ON BEEF, CITRUS, AND OTHER AGRICULTURE PRODUCTS DESPITE LIMITED DOMESTIC PRODUCTION AND HIGH POTENTIAL DEMAND. YOU HAVE PROHIBITIVELY HIGH TARIFFS ON WINE, CHOCOLATES AND WOOD PRODUCTS.

THERE ARE ANY NUMBER OF ADDITIONAL EXAMPLES OF HOW ^{Japanese} JAPAN IMPOSES RESTRICTIONS ON FOREIGN IMPORTS FROM TOBACCO, TO SATELLITES, TO CONSUMER ITEMS. YOUR TESTING AND STANDARDS RULES CONTRIBUTE TO KEEPING FOREIGN PRODUCTS OUT AS DO YOUR CUSTOMS REGULATIONS. INDEED THE JAPANESE SYSTEM IS NOTORIOUS AMONG FOREIGN BUSINESSMEN^{and women} IT HAS ACCOMPLISHED IN MANY AREAS WHAT TARIFFS AND QUOTAS COULD NOT DO.

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YOU ALSO RESTRICT COMPETITION IN SERVICES WHERE THE UNITED STATES IS QUITE COMPETITIVE. WE COULD COMPETE EFFECTIVELY IN BANKING, FINANCE, SHIPPING, AND INTERNATIONAL LEGAL SERVICES, FOR EXAMPLE.

IN SUM, THE FUNDAMENTAL PROBLEM IS THAT YOUR MARKET IS NOT SUFFICIENTLY OPEN TO OUR PRODUCTS AND ^{our} SERVICES. ITS OPENING IS AN ESSENTIAL FIRST STEP TOWARD SOLVING OUR TRADE PROBLEM.

PRIME MINISTER NAKASONE REALIZES THAT MAJOR CHANGES MUST BE TAKEN TO OPEN YOUR MARKETS AND HIS RECENTLY ANNOUNCED ACTION PROGRAM WAS A SMALL STEP FORWARD. BUT THE THREE-YEAR IMPLEMENTATION PERIOD IGNORES THE URGENCY OF THE PROBLEM AND FAILS TO RESPOND TO MANY OF OUR TOP PRIORITIES.

should put into trade minister's ^{this A.M.} ~~swallow~~ of 3 yr problem but intend to accomplish all within 3 yrs.

*in
m/ly
4
trade*

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NEW INITIATIVES SHOULD BE JUDGED BY THEIR RESULTS IN INCREASED SALES. SIX PREVIOUS LIBERALIZATION PROGRAMS RESULTED IN FEW NEW SALES. A CLEAR AND SPECIFIC COMMITMENT TO REDUCE OUR BILATERAL DEFICIT, THROUGH A DRAMATIC INCREASE IN AMERICAN EXPORTS IS NEEDED.

SOME HAVE SUGGESTED OTHER APPROACHES AS WELL. ONE IDEA IS TO RAISE THE VALUE OF YOUR CURRENCY. ANOTHER IS TO VOLUNTARILY RESTRICT EXPORTS. A THIRD SUGGESTION IS FOR JAPAN TO STIMULATE DOMESTIC DEMAND.

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I AM CERTAINLY NOT HERE ^{nor would it be appropriate for me} TO ADVOCATE ANY OF THESE OR
OTHER PARTICULAR REMEDIES, BUT BASED ON MY ASSESSMENT OF THE
MOOD OF CONGRESS, I CAN REPORT THAT THE "PROTECTIONIST POT"
IS ABOUT TO BOIL OVER.

THE CONGRESSIONAL ROLE IN TRADE POLICYMAKING

PERHAPS I SHOULD EXPLAIN TO YOU THAT OUR CONSTITUTION
GIVES CONGRESS THE BASIC RESPONSIBILITY FOR TRADE. WHILE IN
RECENT YEARS WE HAVE CEDED MUCH OF THIS AUTHORITY TO THE
EXECUTIVE BRANCH, THE TIME IS PROBABLY APPROACHING WHEN
CONGRESS MIGHT WELL IMPOSE TIGHTER CONSTRAINTS ON EXECUTIVE
NEGOTIATING AUTHORITY AND LIMIT THE BROAD DISCRETION THE
EXECUTIVE BRANCH HAS IN TRADE MATTERS.

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THE MOOD IN CONGRESS

THE BELIEF AMONG AMERICAN BUSINESSMEN AND WOMEN, OUR FARMERS, AND THOSE WHO HAVE LOST THEIR JOBS, IS THAT OUR CURRENT TRADE RELATIONSHIP IS NOT FAIR. THIS HAS GENERATED A POWERFUL MOMENTUM IN CONGRESS TO ENACT SOME KIND OF LEGISLATION. HUNDREDS OF TRADE BILLS HAVE BEEN INTRODUCED THIS YEAR. THEY RANGE FROM SURCHARGES ON ALL IMPORTED GOODS, TO ATTEMPTS TO PROVIDE PROTECTION TO SPECIFIC INDUSTRIES, TO PROPOSALS TO CHANGE OUR LAWS GOVERNING UNFAIR TRADE PRACTICES. ONE BILL THAT MAY BE CONSIDERED IN THE NEXT 60 DAYS FOCUSES SPECIFICALLY ON JAPAN.

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THE PLAIN FACT IS THAT I HAVE NEVER SEEN STRONGER
CONGRESSIONAL SENTIMENT FOR ACTING ON THE TRADE FRONT. MY
COLLEAGUES, YES EVEN THE MOST RESPONSIBLE ONES, ARE TIRED
OF WHAT THEY PERCEIVE AS BASIC UNFAIRNESS. THEY ARE CONVINCED
OF THE NEED TO ADDRESS THE SITUATION ONE WAY OR ANOTHER *and to do it
quicker.*
WE HAVE NOT LOST SIGHT OF THE FACT THAT MAINTAINING A
GLOBAL TRADING SYSTEM WITH OPEN MARKETS IS IN OUR MUTUAL
INTEREST AND WE ARE AWARE OF THE NEGATIVE CONSEQUENCES OF
RETALIATION. MOST OF US REJECT PROTECTIONISM AND STRIVE INSTEAD
FOR A SYSTEM OF TRADE BASED ON EQUAL ACCESS TO ALL MARKETS.
WE WELCOME FAIR COMPETITION FROM ABROAD--IT IMPROVES OUR
INDUSTRY AND MAKES US MORE EFFICIENT. AS A SENATOR FROM AN
AGRICULTURAL STATE, I APPRECIATE THE BENEFITS OF TRADE AND
THE PERIL THAT FLOWS FROM ATTEMPTS TO CLOSE BORDERS.

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*Most memb of Congress like their jobs and prefer
to retire voluntarily. So -*
IT SHOULD ALSO BE NOTED THAT TRADE IS AND WILL CONTINUE

TO BE A MAJOR POLITICAL ISSUE IN THE 1986 and 1988 ELECTIONS.
MANY IN CONGRESS ARE ALREADY MOVING TO GAIN EARLY POLITICAL
ADVANTAGE AND IN THIS HIGHLY CHARGED ATMOSPHERE ADMINISTRATION
OPPOSITION WOULD NOT BE ENOUGH TO FORESTALL ACTION FOR LONG
AND EVEN A PRESIDENTIAL VETO MIGHT BE SWEEP ASIDE. CERTAINLY
THE GOVERNMENT OF JAPAN CAN FULLY APPRECIATE THAT POLITICAL
PRESSURE CANNOT BE IGNORED FOREVER.

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THE PROPOSED NEW GATT ROUND

SOME COUNSEL CONGRESS THAT THE ANSWER LIES IN A NEW ROUND OF NEGOTIATIONS UNDER THE GENERAL AGREEMENT ON TARIFFS AND TRADE. THOSE WHO ARE LEADING THIS EFFORT SHOULD REALIZE THAT THERE IS GROWING SKEPTICISM IN THE CONGRESS ABOUT LAUNCHING SUCH AN INITIATIVE. WITH THE MAGNITUDE OF DEFICITS THE UNITED STATES IS FACING, THERE IS VERY LITTLE WE COULD GIVE UP IN NEW NEGOTIATIONS AND TO EXPECT OTHERS TO MAKE SIGNIFICANT UNILATERAL CONCESSIONS SEEMS TOTALLY UNREALISTIC.

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NONETHELESS, SUCH TALKS COULD POSSIBLY BE HELPFUL
IF THE AGENDA FULLY ADDRESSES THE REAL ISSUES IN WORLD TRADE.
WE NEED TO DEVELOP EFFECTIVE RULES TO ELIMINATE SUBSIDIES,
AND TO ENSURE EQUAL ACCESS IN ALL MARKETS. RULES MUST BE
DEVELOPED TO OPEN UP TRADE IN AGRICULTURE AND SERVICES. THE
NEGOTIATIONS SHOULD ALSO STRIVE TO BRING THE DEVELOPING COUNTRIES
MORE FULLY WITHIN THE DISCIPLINES OF THE INTERNATIONAL TRADING
RULES.

A NEW ROUND, HOWEVER, WILL TAKE YEARS TO NEGOTIATE.
CONGRESS WILL NOT TOLERATE THE STATUS QUO FOR THAT LENGTH
OF TIME. THE REAL TIME FRAME IS MUCH SHORTER AND THOSE WHO
WOULD USE A NEW ROUND AS A WAY TO DELAY OR DIVERT CONGRESS WILL
NOT LIKELY SUCCEED.

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CONCLUSION

LET ME CONCLUDE BY REAFFIRMING THAT THE RELATIONSHIP
BETWEEN OUR COUNTRIES IS AMONG THE MOST IMPORTANT IN THE WORLD.
I APPEAR HERE TODAY AS A FRIEND, ^{and} TO CANDIDLY REPORT THE GROWING
SURGE OF CONGRESSIONAL IMPATIENCE WHICH MIRRORS THE FRUSTRATION
FELT ACROSS AMERICA.

^{I believe}
I HAVE NOT EXAGGERATED THE DEPTH OF FEELING AT HOME ON
THIS ISSUE. I CAN ASSURE YOU THAT YOU WILL WITNESS STRONG
CONGRESSIONAL REACTION UNLESS PROMPT AND DRAMATIC CORRECTIVE
MEASURES ARE INSTITUTED HERE ^{and done promptly}

THANK YOU FOR LISTENING.

^{and}
^{if my}
colleagues
were to speak today
both demo: & Repub:
would say the same thing.