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THEMES FOR ASIA TRIP

Overall

-- America is an Asia-Pacific partner for the long haul (America will not retreat into isolationism/protectionism)
  -- Economically
  -- Politically
  -- Security

-- As outlined in the President's Asia Society speech, there are six keys to America's long-term vision for the Asia Pacific. The trip will highlight each of these:

I. PROGRESSIVE TRADE LIBERALIZATION

-- Aggressively pursue Uruguay Round Settlement (if still pending) (Japan, Korea, Australia)

-- Promote APEC (All countries)

-- Push access for American products and services (Japan, Korea)

-- Encourage American investment in the region (Singapore, Japan, Korea)

II. SECURITY COOPERATION

-- Maintain pressure on DPRK nuclear program. Stress need for united action against DPRK nuclear program (all countries; encourage Singapore to get ASEAN action during upcoming ASEAN Summit)

-- U.S. will restructure, but remain engaged

  -- Continued air and naval presence at current levels in Japan for the foreseeable future

  -- Korea presence dependent on progress for lasting peace on the peninsula; however, envision long-term air presence for regional deterrence into the future

  -- Singapore agreement as model for access arrangements of the future in other parts of the region

III. A SHARED COMMITMENT TO DEMOCRACY AND HUMAN RIGHTS

-- Continue pressure on ROK (last visit by Pres. Bush made a difference)

-- Lay out position on Vietnam (Singapore)

-- Highlight China if necessary

IV EDUCATIONAL AND SCIENTIFIC INNOVATION

-- Show link between domestic agenda and foreign policy

-- Highlight S&T progress (all countries)

-- Examine educational differences that we can learn from (Japan, Korea)

V RESPECT FOR THE ENVIRONMENT

-- Note progress made and areas for improvement (Japan, Korea)

-- Announce SE Asia initiative (if ready)

VI APPRECIATION OF DISTINCT CULTURAL HERITAGES

-- Announce various cultural exchange initiatives (all countries)

THEMES AND TOPICS FOR PRESIDENT'S AUSTRALIA SPEECHES
(November 26, 1991)

There will be two opportunities for the President to make major speeches while in Australia. The first will be in Canberra on Thursday, January 2, when he addresses a joint session of parliament. The general focus of this address should be on the bilateral relationship, although global regional themes should also be included. A second speaking engagement will be on Friday, January 3, in Melbourne, where he is invited to speak on regional/global themes at a luncheon for business executives and others hosted by Victoria State Premier Joan Kierner.

Parliament Address on U.S.-Australia Bilateral Relations

Themes to Include: Though largely focused on bilateral issues, global themes should be included. The address should recognize the close strategic relationship that has existed bilaterally, the success of this relationship, and the need to maintain our partnership in the face of post-Cold War era challenges. Bilateral, regional and global economic issues should also be touched upon. Finally, there should be reference to expanding cooperation in other areas of particular relevance to younger (post-WW II) Australians such as culture and education, the environment, economics and narcotics.

Continuing Importance of the Alliance:

- Our long-standing strategic alliance has served us well. Next year we celebrate the 50th anniversary of the Battle of the Coral Sea. It will be a special commemoration of the close and special defense partnership that had origins in the Second World War. (The President's personal involvement in the Pacific theater during that war can lend special significance to this testimonial.)

- However, looking ahead over the next fifty years, the post-Cold War Era presents new challenges for our alliance. While East-West tensions have diminished, other problems such as ethnic rivalries, nationalist aspirations and territorial or political disputes -- suppressed during the Cold War period -- are now arising.

- In these endeavors, Australia has and continues to play an important role:

  -- Note contributions to the Gulf War, refugee assistance and the ongoing naval interdiction effort in the region. Express appreciation for Australian public support during the Gulf War for the Coalition and its policies.

  -- Note Australia's active role in developing a framework for the current peace process which is taking place in Cambodia, as well as Australia's contribution to the peace keeping force.

  -- Note strong efforts on proliferation issues, particularly regarding nuclear and chemical weapons proliferation.

- Our partnership on these and other issues has become increasingly important, especially in the wake of the tremendous changes that have occurred in the world over the last two years.

<u>Stress Cooperation on Multilateral Trade Issues:</u>

- The New Order that is being shaped encompasses not just the political realm but the economic. Both our countries have been at the forefront, pushing hard for free and open markets in the world. We must avoid the creation of trading blocs. And we must continue our joint efforts to shape an international trading system which will foster rather than obstruct free trade, particularly through a successful conclusion of the GATT Uruguay Round.

  -- Acknowledge Australia's leadership in establishing APEC and in shaping its development as an important international economic entity.

  -- Note Australia's bipartisan efforts to press the EC to end agricultural subsidies and for a successful conclusion to the Uruguay Round.

  -- Note that what we are pursuing in the NAFTA is not a bloc. We intend to lower internal barriers, not create external barriers. NAFTA will be GATT consistent.

Reassure on U.S. Engagement in the Region:

- Our reasons for remaining engaged and active in Asia and the Pacific are obvious. The Asia-Pacific region is now America's largest trading partner, with trans-Pacific commerce totalling more than $300 billion in annual two-way trade. This is nearly one-third larger than that across the Atlantic.

- We will remain committed to our allies and to fulfilling our security obligations. The U.S. will remain engaged in Asia and the Pacific.

- Our bilateral and multilateral arrangements in this region have worked well. These arrangements will continue to be key to our mutual security in the decades ahead.

- The regional partnerships which the U.S. enjoys with Australia and other countries have provided the foundation for economic and political stability in the region.

Future Relations Between Australia and the U.S.

- We have points of differences, but overall our relations are excellent. We share common histories and similar values. And we see this relationship strengthening further in the years ahead. Some trends to point to:

  In culture and education:

  -- Australian culture increasingly influences American music, cinema and sports.

  -- There is also a solid basis of bilateral academic interchange, including the 40-year-old Fulbright program in Australia and numerous private exchanges involving younger Australians at the secondary level.

  -- The U.S. 4-H organization, Future Farmers of America, and Rotary are among the groups with active exchange programs with Australian counterparts.

In bilateral economic relations:

-- The importance of bilateral trade: after Japan, the U.S. is Australia's largest trade partner. Annual bilateral trade exceeds US$ 13 billion.

-- U.S. firms have over US$ 15 billion invested in Australia, the second highest in Asia after Japan, much of it in leading edge technology in telecommunications, aviation, and informatics, as well as manufacturing, mining, agriculture, and energy.

-- Tourism remains very big business for both countries. Nearly one-half million people travel each way each year. United Airlines and Northwest both inaugurated new routes to Australia in 1991.

-- We are broadening economic dialogue, this year initiating bilateral consultations on agricultural issues and continuing our consultations and joint efforts in important international economic fora such as APEC and the GATT.

In environmental and resource management:

-- Cooperation in conservation and environmental protection is expanding; we have many shared interests and similarities in resource endowments (i.e., coal, oil, gas, hard rock minerals) and topography. There are many recent examples of cooperation:

-- Our two governments have established a High Level Group on Energy to exchange information on energy policy, programs, demand; to review ongoing research and development; and to engage in joint research efforts.

-- US Interior Department (DOI) Minerals Management Service has recently signed a bilateral MOU with Australia's Department of Primary Industries and Energy (DPIE) for sharing data on offshore minerals development, including environmental protection aspects.

-- DOI Bureau of Land Management has initiated a dialogue with DPIE that is focused on the need to balance the extraction of minerals, oil, gas, and timber with the growing demands for recreation, and management of cultural resources, and wildlife and fisheries habitats. Plans include an exchange of technical personnel between our countries.

-- USDOC/NOAA officials have recently met with their Australian counterparts to discuss ways in which our two nations can strengthen efforts regarding the important environmental problems of driftnet fishing, endangered species, and the monitoring/assessment of the global warming threat.

-- In APEC, where Australia leads the Energy Working Group, our two governments are cooperating closely to establish a regional clean coal technology utilization center.

-- The U.S. and Australia recently co-sponsored the creation of an International Forestry Research Institute to focus on issues related to the conservation of tropical forests and the arrest of deforestation and environmental degradation.

<u>In fighting illicit narcotics:</u>

-- Australia has done much to assist regional countries in their counternarcotics efforts and is an active member of the "Dublin Group" of donor nations that coordinates counternarcotics aid to producer nations.

-- Our countries are united in the worldwide fight against drug abuse and trafficking, which is becoming a security threat of the 1990s.

Other issues:

- There are some issues on which we do not meet eye-to-eye but which should also be mentioned.

  -- Encourage continued Australian support for an ambitious Uruguay Round package including disciplines on Trade Related Investment Measures (which Australia continues to oppose) and services, where Australia has been more forthcoming recently.

  -- Australia remains on the Special 301 Priority Watch list for local content requirements on television broadcasting. This is barrier to cultural interchange. We hope to see a phase-out, not a phase-in, of local content requirements.

  -- IPR: On parallel import of books, there have been slight improvements in this area, but we urge the GOA to adopt provisions that would completely exempt foreign textbooks from parallel imports.

  -- IPR: We also are concerned by the Australian Attorney-General's rejection of a proposed amendment to the copyright law to provide an exclusive rental right for sound recordings. While Australia works for stronger standards for IPR in the Round, its actions at home are not consistent with this.

- One particularly difficult issue is Australian continuing concern over the impact on Australian farmers of the U.S. Export Enhancement Program for agriculture. This issue should be confronted sympathetically but directly:

  -- Note the plight of American as well as Australian farmers, our legitimate stake in world grain markets, our intention to continue EEP as leverage on the EC, and our hope that export subsidies will be sharply reduced in the Uruguay Round.

-- Recognize and regret that EEP is a factor affecting Australian farmers, but note other factors -- especially EC dumping, higher global production, Australia's transport/port inefficiencies affecting competitiveness, the drought, the high cost of agricultural inputs, and the simultaneous collapse of the wool market.

-- Stress that we take Australian interests into account in implementing EEP, including setting up a bilateral consultative mechanism that met in August for the first time, and will continue.

Melbourne Luncheon Speech on Global/Regional Issues

Also emphasize business

Overall themes: Begin with the changes in Europe and move on to the latest initiatives in the Middle East and Southeast Asia. While addressing the changing political winds in the world, the President should also assure continued U.S. commitment to regional stability in Asia and the Pacific. Finally, focus should be placed upon international economic issues of mutual concern.

Recognize Australia's Growing International Role:

o Express appreciation for the leadership role Australia has assumed in the world.

-- Australia's contribution to the Gulf War

-- Active role in working toward a settlement in Cambodia

-- Leadership in forming APEC

-- Strong efforts on proliferation issues, particularly regarding nuclear and chemical weapons

o Our partnership has become increasingly important, especially in the wake of the tremendous changes that have occurred in the world over the last two years.

U.S. Regional Role to Remain Strong:

- The regional partnership which the U.S. has enjoyed with Australia and other countries has been the foundation for economic and political stability in the region.

- Despite the changes elsewhere in the world, the U.S. will remain engaged, concerned and active in Asia and the Pacific, both in strategic and economic terms.

Facing Challenges Ahead:

- This is not to say that there are no challenges ahead:

  -- The proliferation of chemical, nuclear and biological weapons of mass destruction remains a problem; Australia's role in achieving international safeguards to reverse the proliferation trend has been critical to this effort.

  -- We share a common view that the formation of protective trading blocs must be avoided, and support for cooperative frameworks such as APEC must be vigorously continued.

  -- We should do all we can to open markets and foster free trade in order to strengthen international economic cooperation, confidence and recovery.

POSSIBLE LANGUAGE FOR THE PRESIDENT'S AUSTRALIA SPEECHES
(NOVEMBER 26, 1991)

INTRODUCTORY REMARKS

-- This is only my second visit to Australia, but my impressions of your vast and beautiful country will always be very special ones.

-- (Insert complimentary remarks on Canberra, Sydney and Melbourne -- depending on itinerary. Could also make reference to Australia's size by noting that several states the size of Texas would fit in Western Australia.)

THE ALLIANCE

-- It isn't just Australia's natural beauty that draws Americans "down under." We share a long-standing friendship established by the special alliance that has served our two countries so well.

-- I was deeply moved by my visit to the Australian War Memorial. It evoked memories of the sacrifices that both our countries have made, often side by side.

-- Yanks and Aussies fought together in World War I, helping to liberate France. The first U.S.-Australian military cooperation took place when elements of the U.S. 33rd Division joined Australian troops in the capture of Le Hamel, France.

-- And in World War II, our troops again fought side by side, and half a million U.S. military men and women served in Australia through that war.

-- Together, U.S. and Australian forces fought throughout the Pacific, in tough land, sea, and air combat. Our alliance and partnership has been solid ever since -- in Korea, Vietnam, and most recently in the Persian Gulf.

RECOGNIZING AUSTRALIA'S INDEPENDENT INTERNATIONAL ROLE

-- While our close and important strategic relationship will continue to be of great mutual benefit, Australia has matured to become a positive force of its own in world affairs. We welcome this; your views are valued and while we may not see eye-to-eye on every issue, the direction of your policies are complementary to our own. Let me cite some examples:

-- In the post-Cold War era, we are witnessing a reinvigorated role for the United Nations. Much credit goes to Australia for facilitating this.

-- Your initiative and persistance was key to shaping the framework for the Cambodia peace settlement finally agreed to by all warring factions last October. And Australia continues to ensure that the process toward democracy and lasting peace in Cambodia does not falter.

-- You were among the first to dispatch aid and technical support under the United Nations Transitional Authority in Cambodia (UNTAC), to which an Australian was appointed by the UN Secretary General to command.

-- Australians also serve under the UN banner in the Western Sahara and are a vital part of the Multinational Interdiction Force, ensuring that UN sanctions against Iraq are enforced under international law. In the Middle East, as in Cambodia, you have been quick to provide humanitarian relief. Last May your defence force provided medical teams and water purification equipment and services to Kurds and Iraqis fleeing Saddam's oppression.

-- But even long before the Gulf War, Australia had the foresight to focus world attention on the problems which are now emerging as key concerns for the world community. Thanks to your efforts, the "Australia Group" was established in 1984, and is currently comprised of 22 nations dedicated to preventing the use and spread of chemical and biological weapons throughout the world.

-- Australia also plays a lead role in international economics. It was Prime Minister Hawke who pushed the idea of a regional effort to promote freer trade by eliminating trade barriers and establishing common policies. Through his vision and efforts was born the Asia-Pacific Economic Cooperation, a key economic forum we know as APEC. And since its first ministerial in Canberra two years ago, APEC has succeeded in mobilizing the support of all fifteen participants to push for substantive progress in this key GATT Uruguay Round.

-- Clearly, Australia has established itself as a strong promoter of multilateral solutions to important international problems, be they military, social, political or social in nature. And in large measure, your goals are shared by the United States.

ASSURING CONTINUED U.S. ENGAGEMENT IN THE REGION

-- Let me take this opportunity to assure you that we, too, are committed to remaining engaged throughout the world. There are some naysayers who wrongly predict that recent events in Europe and Asia will lead to a more isolationist America. This could not be farther from the truth.

-- America tried to politically isolate itself from the world in the past, and we ended up fighting two bloody world wars. We also tried economic isolation that only helped to set off a devastating world depression.

-- Current trends point to our strengthened engagement in Asia and the Pacific in the decades ahead. This region has become our largest and fastest growing trade partner. Two-way trade between the region and the U.S. now amounts to more than $300 billion, nearly one-third larger than that across the Atlantic.

-- American firms have invested more than $61 billion in the region, and that will certainly grow. On the other hand, investors from the Asia-Pacific have invested more than $95 billion in the U.S.

-- Our bilateral trade relationship with Australia is strong and growing. Total bilateral trade exceeds US$ 13 billion, having grown over 20 percent in the last five years. After Japan, the U.S. is Australia's most important trading partner, taking 12 percent of her exports, and providing 23 percent of her imports. At US$ 14 billion, Australia is the largest recipient of total U.S. direct investment in the Asia-Pacific region, again next to Japan.

-- In everything from automobiles to microchips, from baseball to Australian rules football, we grow closer -- not isolated -- with each day.

-- Cooperation and dialogue on economic issues can only benefit our respective economies. We must continue this openness in our relationship, and indeed work for greater openess in our trade relations, particularly as we both continue to face economic difficulties on the domestic front.

REMARKS ON THE EXPORT ENHANCEMENT PROGRAM

-- But while we generally agree on the goals, we sometimes differ on the means. Our use of the Export Enhancement Program to counter the agricultural subsidies of the European Community is one point of difference.

-- Let me be clear in stating that I don't favor subsidy programs. They are a burden to the taxpayer. They weaken the mechanism and reduce the benefits of a free trading system. And subsidies take the competitive edge out of industry.

-- But let me be equally clear in pointing out that we did not start the wheat war. Talks with the EC on this issue had previously led nowhere. And it is our farmers in the U.S. and Australia who have been badly hurt by continued EC subsidies of wheat.

-- We must both remember that the root cause of depressed international agricultural prices, which have been hurting both our farm sectors, lies with the European Community.

-- We are now seeing glimmers of hope. And I believe it is because we have countered EC subsidies with the EEP.

-- The U.S. will be unwavering in its efforts to counter EC subsidies with our EEP. I believe it is in the long-term interest of all non-subsidizing nations that this pressure on the EC be maintained.

-- At the same time, I have promised to do my utmost to limit the harm that our EEP does to non-subsidizers like Australia. I have also agreed to greater bilateral dialogue on this and other economic issues of bilateral concern. On both points, I have kept my word and will continue to do so.

-- Any mature relationship, even between close allies, cannot be without differences. We must continue to seek understanding and work to iron out our differences.

THE NEXT FIFTY YEARS

The Environment

-- We can be proud as we look back over the accomplishments of the last five decades. But we can and must do more to expand our bilateral relationship in ways which will be beneficial to future generations of Australians and Americans. A key area is the environment.

-- We share common energy interests which are derived from our large domestic energy resource bases. Together, we are the the world's largest coal exporters. Ministerial meetings were held here last year to discuss upgrading our cooperative research and development efforts in the area of energy.

-- At the ensuing high level group meeting held in Washington last April, Australia and the U.S. agreed on the importance of pursuing energy policies that will help promote our energy exports while addressing environmental issues.

-- Together, U.S. Energy Department officials are working with their Australian counterparts to develop clean coal technology, energy efficient technologies, and other programs of importance to the environment.

-- Our governments also have agreed to share information on offshore minerals development, which include environmental protection aspects. And there is an increase in our sharing of experiences in balancing the extraction of minerals, oil, gas, and timber with the growing demands for recreation, better management of cultural resources, and environmental preservation.

-- Our scientists also are working alongside your scientists to better understand the global climate system. The U.S. National Oceanic Atmospheric Administration, NOAA, collaborates with Flinders University of South Australia in tidal research. NOAA and the University of Tasmania also have a cooperative arrangement for climate and global change research.

-- We are collaborating on providing regional governments much needed information and training in preserving endangered forests. Toward this end, the Australian and U.S. Governments are co-sponsoring an International Forestry Research Institute to address conservation, deforestation, and environmental degradation.

-- And in managing the delicate balance of our ocean fisheries, Australia and the United States have shared concerns over driftnet fisheries for albacore and other tuna in the South Pacific. We have joined other nations in remedying this serious conservation threat to tuna stocks in the Pacific.

Cultural and Educational Interchange

-- I began my remarks today noting that Australia is a country graced with much natural beauty. But it is really the spirit of your people which has made it a country so admired by Americans and others throughout the world.

-- We see this in the arts, with the creative works of Australians in all media, including painting, sculpture, dance and, of course, film making. And we hear it in your music, where Australian artists remain extremely popular in the United States.

-- We must continue to facilitate this rich interchange between our people. Let me give you one recent example. Our Consul General in Perth last November invited American musical artist Paul Simon, who was in Australia then on tour, to meet with a number of West Australian Aboriginal musicians in his residence. After the guests had arrived, it was the Australians who made the first move, setting up their

traditional instruments on the coffee table. Soon, Mr. Simon and his fellow American musicians were receiving didgeridoo lessons. And by the end of the evening, he was sharing a few of his own skills with the guitar, completing an evening of musical fellowship.

-- In Sydney, at a more institutional level, we have recently initiated a Fulbright-supported American studies lecture series at the University of Sydney American Studies Center. The lecture series is a program which developed from Prime Minister Hawke's initiative to begin a similar program at the Edward A. Clark Center for Australian Studies at the University of Texas, Austin, in 1989.

-- While we may have our differences over the EEP program, our young people look beyond the present. In preparing for this trip I was very pleased to learn that our 4-H program and our Future Farmers of America have active exchange programs with young people in your farm communities.

Easing Travel Access

-- Nearly one-half million Australians visit the U.S. each year, and an equal number of Americans come here.

-- To facilitate freer travel between our countries, which should be of help to both our tourism industries, my government has offered to extend the privilege of waiving the issuance of visitor visas to Australian nationals if the Australian government agrees to allow reciprocal treatment for U.S. nationals. Our offer stands, and I hope we will be able to provide this benefit to our respective publics in the near future.

-- And to help Australian investors who seek to do business in the U.S., we are prepared to extend "E" visa privileges to your citizens provided U.S. nationals are accorded reciprocal nonimmigrant treatment.

-- These examples are real indications of the cooperative spirit that exists between our two nations as we seek to strengthen our economic, cultural and educational ties. They are positive signs of the shape which our bilateral relationship will take over the next five decades.

-- Let us continue to work closely together to ensure that the future of our relationship will be as productive a partnership as it has been over the last fifty years.

POSSIBLE THEMES FOR SPEECH IN SINGAPORE

Security/New World Order

-- My generation fought a world war -- in Asia and the Pacific, in Europe, in North Africa. Those of us who experienced that war vowed that it would be the last world war, that the forces of totalitarianism must be resisted and their aggressive designs frustrated. As visionaries, we founded the United Nations; as prudent men and women, we also established a structure of alliances to contain totalitarianism.

-- In the largest sense, we have achieved our goals. Despite -- and perhaps in some ways because of -- the advent of weapons of mass destruction, the threat of global war today is smaller than at any time since 1945; indeed, it has almost vanished. The specter of world communism has disappeared; state-controlled economies are discredited; the democractic tide is higher than it has ever been, with elected governments in many nations on all continents; the advantages of the free-market system are evident worldwide.

-- For many years the United States, by its military presence and its influence, has fostered stability in several parts of the world. Nowhere have the benefits of that stability been greater than here in East Asia, where many nations have prospered to a degree beyond anything that might have been imagined 20 years ago: first Japan; then the Dynamic Asian Economies of Singapore, Hong Kong, the Republic of Korea and Taiwan; and now Malaysia and Thailand. Others such as Indonesia are following rapidly. Economic growth in East Asia today far outstrips growth anywhere else in the world.

-- The alliance structure succeeded in containing totalitarianism and preventing global conflict, but it did not preclude smaller wars or other kinds of regional or local conflict. We are still dealing with some of those situations, but the end of superpower rivalry has made the search for solutionsd more productive. We have reached a stage at which we can realistically discuss what I have called the New World Order, under which nations will resolve their disputes without resort to the use of force.

-- We have already seen the United Nations take on new vitality and begin to exercise the role its founders intended for it, most notably in rolling back the invasion of a small state, Kuwait, by a much larger one, Iraq. We have enjoyed good cooperation from the Soviet Union in convening a historic Middle East peace conference.

-- Here in Southeast Asia multilateral diplomacy has achieved what we trust will be a notable and lasting success: the case of Cambodia. I will not try to trace here the history of that

unhappy country -- a history in which the United States itself is of course involved. But I want to record my appreciation for the solidarity of Singapore and four other ASEAN members with Thailand, the nation immediately threatened in the 1970s and 1980s by the potential spillover of combat. More recently, another ASEAN member, Indonesia, together with France, has led the search for a settlement, in which the four other Permanent Members of the Security Council have joined, together with the United Nations, Australia, Japan and other governments. That long search reached a milestone six weeks ago in Paris with the signing of the settlement documents.

-- A settlement in Cambodia truly means the start of a new era. For virtually the first time since World War II, Southeast Asia is without serious conflict. For the United States, that settlement makes possible a process of healing in our relations with the states of Indochina: representation in Cambodia for the first time since 1975, accredited to the Supreme National Council headed by Prince Norodom Sihanouk; a restoration of our diplomatic relations with Laos -- never broken -- to the pre-1975 level; and the start of the process of normalization with Vietnam. Just how far and how fast we move in that process with Vietnam will depend on progress in resolving the cases of our military personnel missing in action -- but the trend in recent months has been decidedly positive.

-- For the people and the governments of Indochina, the settlement in Cambodia holds great promise. The embargos on trade and investment which many governments imposed can now be lifted; travel and communications can be opened up; the international financial institutions will be able to lend freely for worthwhile projects. Most important, perhaps, Vietnam, Laos and Cambodia will be able to emerge from their isolation and, if they chose, free themselves of the policy constraints that have hindered their development. In fact, Laos and Vietnam in recent times have both shown a receptiveness to foreign private investment. The United States looks forward to this new era, as, I am sure, do the peoples of Singapore and the other five ASEAN nations.

-- Clearly, then, the situation in East Asia has improved in recent months, as has the world situation generally. But we remain in a transitional phase; we cannot wish away continuing threats to peace and stability in such areas as the Korean peninsula, and we cannot rule out sudden threats to world peace and the rule of law such as the one that arose in the Persian Gulf only sixteen months ago.

-- For those reasons, the United States will remain engaged militarily in East Asia and the Pacific for the foreseeable future. Here, as in Europe, we will take advantage of reduced

levels of threat and of increases in the speed, range and lift capability of our ships and aircraft to slim down our forward-deployed forces and the number of our bases. The character of our presence will change; we will place more reliance on access to a larger number of facilities owned and controlled by others. Our total numbers may be reduced, but our presence in the region could be more widespread and more frequent.

-- The agreement signed in Tokyo a year ago by then-Prime Minister Lee Kwan Yew and Vice President Dan Quayle exemplifies this new type of arrangment. Under its terms, our ships and aircraft -- based elsewhere -- are making increased use of Singaporean military facilities. They exercise jointly with Singapore's forces as well as on their own. They are gaining familiarity with the geography and the operating conditions of this part of Asia. We are open to the possibility of similar arrangements with other nations of the region.

-- The eruption of Mount Pinatubo in the Philippines in June settled the fate of Clark Air Base there. If we are able to remain at Subic Bay, we shall do so, but if not we shall continue to honor our treaty commitments. We have already relocated headquarters, troops and equipment to Guam. Meanwhile, United States forces will remain in Japan and Korea. Our treaty relationship with Australia, the country I shall visit next, is stronger than it has ever been. We hope the day will come when New Zealand allows us to resume defense cooperation under the historic ANZUS alliance.

-- In short, we will stay on the scene in East Asia. The test of our security policy, or of any nation's, is not the size or location of our forces; rather, it is the ability to deal with any and all likely threats to the peace, and to deal quickly and decisively with unpredictable crises, and that is precisely how the United States and its partners in the multinational coalition -- acting through the United Nations -- dealt with the Iraqi invasion of Kuwait.

Economic Cooperation

-- Interdependence and cooperation are equally important in the world economy. That lesson is fully understood here in Singapore, where total trade is three (??) times the value of your gross domestic product. If the prosperity that so much of East Asia already enjoys is to continue and spread, we must have an open global trading system. To reach that goal, we need a framework for economic integration, and we must avoid regional fragmentation.

-- Trade across the Pacific has expanded dramatically in recent years, in step with dramatic economic growth in many East Asian countries. Some ten years ago America's trade with the Pacific surpassed our trade across the Atlantic; today, it is nearly one-third larger. The ASEAN countries, taken together, constitute America's fifth-largest trading partner. Singapore alone is a bigger export market for U.S. goods than Italy, Spain or the USSR. Nations on the eastern rim of the Pacific, from Mexico to Chile, are eager to join in this booming trans-Pacific commerce. I urge U.S. firms take advantage of these dynamic markets and to redouble their efforts to export to and invest in the ASEAN countries.

-- The Pacific Basin is a natural trading region, and it is logical that the governments of the region concert to promote that trade by eliminating barriers and establishing common policies. An excellent forum for doing so already exists: the Asia-Pacific Economic Cooperation, or APEC, grouping. The concept had occurred to a number of people in several countries, but it was Prime Minister Bob Hawke of Australia who developed the idea and convoked the first APEC ministerial meeting in Canberra two years ago.

-- APEC has since met twice more, here in Singapore last year and again last month in Seoul. Its original group of twelve participants has grown substantially with the simultaneous addition of China, Hong Kong and Taiwan, and APEC can look forward to further growth in the years ahead.

-- APEC is performing many useful functions, but none is more important than mobilizing the support of all fifteen participants for a successful conclusion of the Uruguay Round of multilateral trade negotiations to update and extend the system known as the General Agreement on Tariffs and Trade. The nations of APEC are convinced that the GATT system must cover world trade in agricultural products, as it has long covered manufactured goods, and that it must be extended to new realms such as intellectual property rights, services, and investment.

-- The alternative is a likely failure of the global trading system, a reversion to exclusionary trading blocs, and, eventually, the constriction of world trade. It is incumbent on all of us -- in North America, in Asia, in Europe -- to overcome parochial interests, abandon protectinist rules and tactics, and expose our economies to the rigors of competition.

-- Even while we pursue reform of the global system in the Uruguay Round, we can reduce and eliminate barriers to trade with our immediate neighbors. That is what the United States and Canada are doing right now, and what we and Canada propose

to do with Mexico, thereby creating a North American Free Trade Area, or NAFTA, which will have few internal barriers and will be more accessible than at present to other world traders such as Singapore.

-- Thailand has proposed that ASEAN establish a free-trade area of its own over the next fifteen years, and the other five governments have agreed. Such action is the direct parallel of what we in North America are doing in NAFTA, and the United States applauds this decision by the ASEAN nations.

The Spread of Democracy

-- The most inspiring single event of the last few years was the tearing down of the Berlin Wall. The Wall symbolized the worst of totalitarianism, and its destruction stands for the desire of people everywhere to control their destinies and to be governed only by their own consent.

-- To a gratifying degree, that is happening. The democratic impulse is alive, whether fed by relative proposerity, as seemed to be the case in China, or by economic failure, as in the Soviet Union and Eastern Europe. And in many places the impulse is flourishing. In recent years elected governments have come to office everywhere from the Philippines to Poland and from Nicaragua to Mongolia.

-- There are basic human rights, universally recognized though not universally observed, but there is no copyright on democracy and no one form of government or set of practices to which every nation must adhere. The United States recognizes the legitimacy of diversity.

-- What the United States cannot condone, however, is the suppression of the popular will -- and that is what has occurred in Burma, where the military leadership permitted elections last year but, when the results proved not to the military's liking, refused to allow the winners to take their rightful seats and organize a government. So long as this situation continues, the people of Burma will remain victims, subject to torture and intimidation and deprived of the chance to share in the general properity and well-being which so many of their neighbors already enjoy.

(NEEDS CONCLUSION)

MORE SOUTHEAST ASIA SPEECH IDEAS

-- 31 years ago this month, on a cold, snowy day in Washington, newly elected American President John Kennedy articulated Americas commitment to our friends and allies throughout the world. That we would stand with them in their efforts to resist Communism, embrace freedom and support efforts to develop economically and thus improve the lives of their people.

-- It was a commitment that was to bear a heavy price, over 58,000 dead in Indochina and billions of dollars spent on assistance and maintaining a military presence in the region.

-- But it was a commitment that has been shared by Republican and Democratic presidents alike.

-- It is appropriate that standing here now in a country which represents one of the most remarkable economic success stories in the world, we can look back and see that the outcome we all worked and sacrificed for has indeed become a reality.

-- It is with great pride that I say that history will record that America did indeed keep its commitment to its friends in SE Asia and that together we have built a region which is at once free, at peace, and experiencing unprecedented prosperity, part of the new world order which offers the promise of enduring global stability.

-- To judge just how far we have come and to see what we have accomplished, it is instructive to look back 25 years and recall the situation in SE Asia at the time Singapore was first charting its independent course.

-- In January 1967, the concern was about the rapid spread of Communist ideology. Almost every country in SE Asia had or was about to have an active Communist insurgency.

-- As the war in Vietnam raged, from Jakarta to Rangoon and from Bangkok to Manila, the worry was about falling dominoes. The nightmare vision was of a radical ideology being imposed throughout the region.

-- It is important to keep in mind that while there was a large U.S. military presence in the region in the mid 60's, U.S. economic interaction with Southeast Asia was still rather small.

-- On the eve of the Tet offensive, the U.S. had a higher trade turnover with Latin America than with East Asia.

-- Today, the situation is dramatically reversed. The steadfastness of our military commitments and the

stability which they promoted, gave the countries of the region time to grow economically and deal effectively with the political challenge. Having collapsed in Europe and the Soviet Union, Communist is no longer a viable threat, and is acknowledged as a failed and bankrupt economic and political philosophy.

-- Democracy, personal freedom and free market economies are demonstrably the keys to real improvement in the quality of people's lives.

-- And this has been accompanied by an explosion in trade between the U.S. and Southeast Asia, particularly the six ASEAN countries.

U.S. two way trade with Singapore grew from 2 billion dollars to 20 billion dollars since the end of the Vietnam War.

In the same period, Thailand went from 700 million dollars to 9 billion dollars.

-- This has made the U.S. ASEAN's number one customer. We take one fifth of all of ASEAN's exports, while ASEAN imports from the U.S. have increased 1600 percent since 1975.

-- As a result, today U.S. two way trade with ASEAN stands at over 46 billion dollars - just about equal to our commerce with Germany - and exceeded by only three other U.S. trading partners.

-- To put it in better perspective, in 1990 the U.S. exported:

More to Singapore than to Italy or Spain

More to Thailand than to India

More to Malaysia than the Soviet Union

More to Indonesia than all the rest of Eastern Europe put together.

-- But it is not just trade that has brought us closer together.

-- Satellites and the expansion of telecommunication technology mean that more messages and images are going back and forth between our people than ever before.

In 1975 there were about 300,000 T.V. sets in Indonesia, today there are 7 million (and it seems at least that many more for sale in all of Singapore shopping malls.)

Direct dial long distance phones and FAX machines means someone in Manila, the Philippines can place an order in Manila, Iowa in less than a minute.

-- We understand each other because of the flow of people between us.

In 1975 there was only slightly more than a million Americans of Southeast Asian origin.

Today that figure has quadrupled to over 4 million, including one senior member of my White House staff Sicwan Siv who survived the horrors of the Khmer Rouge run Cambodia.

Based on this population of SE Asian origin, the U.S. would rank as the fifth largest ASEAN country.

There are more Lao in the U.S. than in Vientiane

There are more Filipinos in California than in Cebu.

-- All of these developments - people telecommunications, jet aircraft, trade, investment, security commitments, and common belief in economics and freedom have created a web of interaction, knitting us together as never before.

-- Our challenge is to use this structure to promote continued peace, stability and increased economic progress. And common efforts to deal with the challenges we face in terms of the environment, narcotics, human rights and other scientific and technical areas such as public health.

-- There are two mechanisms which promote and enhance this new reality:

The ASEAN-Post Ministerial Dialogue in which our foreign ministers and those of ASEAN's other dialogue partners meet to discuss issues and coordinate approaches to dealing with problems;

and

APEC, which offers the increasingly real promise of cooperation on the full range of economic issues across the entire Asian-Pacific region.

-- Having invested so much in this region in terms of American lives and national treasure and having attained, together with you, so many of our policy goals, the U.S. is not now going to turn its back on South East Asia.

-- The U.S. is committed to meeting its obligations in SE Asia and will continue to play the positive role by maintaining our military presence, even with our three year phase out from Subic Bay.

Our new Access Agreement with Singapore contributes importantly to this goal.

-- The U.S. is committed to a successful transition to a freely elected government in Cambodia. In that regard, I am today announcing that the U.S. has lifted its trade embargo and all other economic restrictions against Cambodia. This should permit increased economic activity which will help solidify and maintain the process.

-- The U.S. is prepared to move forward in our relationship with Vietnam, provided that progress continues to be made in Cambodia and on our POW/MIA issue.

The countries of Indochina have real promise for economic growth if there can finally be an end to violence and they join the rest of the region in emphasizing development.

-- The U.S. is committed to working productively with our friends in addressing global problems and so therefore I am today announcing a new environmental initiative aimed at enhancing our work together in preserving our planet and natural resources.

-- We are truly embarking on a new era - one in which the last remnants of the Cold War are being put behind us

-- For America, our Vietnam syndrome is a thing of the past.

Korea

National Assembly-Speech themes (DRAFT)

- Thank you for providing me with this opportunity to speak to you again. Since I last spoke here in February 1989 the world has changed immensely. We have in fact entered a new era in world history.

- We are very pleased with the triumph of freedom and free enterprise economics throughout most of the world, and with the continued progress, economically and politically, of the Republic of Korea. However, we remain saddened by the persistent conflicts in many parts of the world, and by the continued division of the Korean peninsula, a situation that is anachronistic in the post-Cold War world.

- As we have stated on numerous occasions, the United States supports the peaceful unification of Korea on terms agreeable to all Koreans. We believe that North/South dialogue offers the best path toward eventual discussion o unification and related issues. Consequently, we support strongly the Prime Ministerial dialogue that has been in progress for more than a year, and stand ready to facilitate in any apppropriate way.

- Our support for the process of peace does not, however, blind us to reality and to the threat from the North that still remains. Therefore, our commitment to the security of South Korea remains as strong as ever, and we will continue to consult on matters that affect our mutual interest. To further strengthen security in the region, both of us should also consult and cooperate with our friends the Japanese, who have the economic power to play a vital role in promoting regional stability.

- We continue to regard the unsafeguarded nuclear program of North Korea as the greatest threat to security in region, and call upon the leaders of that country to meet the international obligations it accepted when it acceded to the Non-Proliferation Treaty in 1985.

- North Korea should know that neither the United States nor the Republic of Korea poses a threat to its society or way of government. However, we cannot ignore the situation as North Korea builds nuclear weapons, and will use all diplomatic means to assure that it meets its international obligations under the International Atomic Energy Agency (IAEA).

- As we begin this new era in international relations, U.S.-Republic of Korea relations are growing in many areas. With the Cold War behind us, we are transforming our relations from a security relationship to a broader-based security, economic, and political partnership.

- Of crucial importance in this transformation is your own progress toward democracy, well illustrated by the enhanced prestige and power of this body. The ROK's movement to a democratic government, with the military clearly subordinate to civilian government, has been crucial in winning for you the respect of the international community and the stability and credibility necessary for an influential world role.

- The challenge now is to continue down the road toward full democratization. You have won the political contest with the North and should consider amending your National Security Law, which provides a propaganda advantage to the North, to take account of your strength and confidence.

- Further steps in democratic development might include greater accountability for public officials and greater transparency in both your political and economic systems. Initiatives in these areas would be consistent with your overall economic and political modernization, and would further strengthen your position vis-a-vis the North.

- The ROK's democratization is but one of the features that distinguishes it from North Korea, but it is one of the most important, and it is an achievement which should make all Koreans proud.

- Another of the ROK's greatest accomplishments has been membership in the United Nations. Your entry in the United Nations was long overdue, and your ultimately success is due in large part to wise leadership and persistent effort. However, South Korea's emergence as a full member of international political and economic institutions, carries with it added responsibilities.

- Over the years, the Korean people have gained tremendously from the open international trading system. Indeed open markets for exports have been a major contributor to your new prosperity. Korea has now become an economic power in the region and the world.

- Now it is time for the ROK to lend its support to the open international trading system from which it has prospered by actively supporting the Uruguay Round of negotiations, opening its own domestic market to foreign products, and liberalizing its financial system. Your support is vital to assure that the international trade system remains open and that countries like Korea can continue to prosper.

- The U.S.-ROK friendship has now endured more than four decades of dramatic world events. Yet in the beginning, our close relationship was not one that either of us sought, but rather one into which we were both thrust as a result of World War II.

- In those years the U.S. entered into its relations with Korea with a keen sense of responsibility, and with determination to preserve the benefits of freedom for the Korean people. It demonstrated its commitment during the Korean War, when more than 33,000 American soldiers and thousands more Koreans, both military and civilian, died to keep freedom alive.

- Clearly, over the past forty years the American role in Korea has not always been a easy one, and the political environment in East Asia has frequently been one of crisis. Consequently, in carrying out what we perceived to be our responsibilities we have made mistakes.

- Yet we entered the relationship with the Republic of Korea with the highest ideals, and we have, I believe, pursued the correct path in the long run. Therefore, we too are enourmously proud when we see the great nation you have built from the ruins of war.

- Today, we again approach the future in the aftermath of a war--a Cold War, and together we have the opportunity to shape and influence a new era as much as we did nearly 50 years ago. We can also define for the next generation a new relationship, a partnership that encompasses much more than merely security cooperation.

- Our new partnership should be political, economic, nad cultural, as well as security. I urge the people of both countries to look toward the future rather than the past, and to seize the moment to build on our excellent relations, to expand cooperation so we all benefit, and to march into the future as friends and neighbors working together to build a safer and more prosperous world community.

Sensitive issues which the Embassy thinks should be addressed explicitly:

1. Make clear our willingness to continue consulting with the ROK on security issues.

2. Describe how we see the Japanese role in the region complementing ours and that of the ROK.

3. Make it clear that transparency and accountability are important to Korea's economic relations with the rest of the world.

4. State clearly what the DPRK must do for improved relations with the U.S.

5. Make it clear that the National Security Law plays into Pyongyang's hands and can be counterproductive to the ROK's North-South goals.

Remarks to American Chamber of Commerce

Themes could include:

-- Strong support for the work of the U.S Chamber of Commerce, which has been vital to U.S. business interests in the ROK.

-- Korean economic maturity and U.S./Korean economic/trade interdependence have brought the two nations to a new era of partnership.

-- Mutual interest in further development of open, liberal international trade and financial regimes, in particular, successful conclusion of UR.

-- Responsibility on both countries to ensure that their domestic trade and financial markets are open and liberal for the other; that domestic markets are fully integrated into international trade and financial regimes; and that their producers and consumers understand the benefits of two-way open, liberal markets.

At a science/education/technology event themes could include:

-- The long history of U.S. support for Korean science and technology; nuclear energy is a good example.

-- Our admiration for the great strides Korea has made in developing its technological base;

-- Recognition that scientific and technological development can only flourish where the economic value of the intellectual property associated with discovery is protected for the benefit of the discoverer.

-- Our willingness to continue and enhance cooperation with Korea, symbolized by the U.S.-ROK Science and Technology Agreement;

-- Our confidence that Korea will be able to make significant contributions to world scientific research and technological development.

-- Recognition that Korea can now assume rights and responsibilities shared by other industrialized countries in world scientific research and technological development through;

a. Greater contributions to the world scientific knowledge by increased basic research funding and

b. Cooperation with U.S. and other countries through participation in basic megaprojects such as the Superconducting Super Collider (SSC)

Themes/Phrases for Presidential Speeches

Camp Casey

Thirty years ago, in 1961, President John F. Kennedy spoke within sight of the Berlin Wall and lamented the divisions between people there at the front line of the Cold War.

As he spoke, the barrier a few miles from here, the DMZ, stood as a parallel tragic division between peoples.

As we celebrate the end of the Cold War and the overcoming of barriers between peoples throughout the world, it is tragic that that barrier remains, the last remnant of the Cold War.

It also stands as a visible reminder of the ideological battles which once divided the world, and now continue sadly to divide the Korean people from one another.

For over forty years the United States has been proud to have played a role in assuring that that barrier against renewed aggression was strong and steadfast.

All Korean war veterans and the men and women who have participated in this important and vigilant effort to protect freedom should be proud of their contribution to Korea's security.

Throughout that effort, the United States has consistently looked forward to the day when that barrier would no longer be necessary, when the very real threat of North Korean aggression would be no more.

As I stand here today within sight of the Berlin Wall of Asia, I renew that hope and that appeal, that someday soon there will no longer be barriers between peoples striving for unification and reconciliation.

The atmosphere for leaving behind the fears and hatreds of the Cold War has never been better. The support of the international community for a peaceful unification of the Korean peninsula has never been stronger.

I can look forward to the day when it is no longer necessary for U.S. troops to be stationed in Korea to defend against the threat of North Korea, when that threat is relegated to the history books, when North Korea becomes fully committed to resolving its differences with our good friend and ally in the South.

Until that time, I assure the North that our commitment to the security of the South remains rock-solid and unwavering. Nothing will ever change that commitment or the equal commitment to have available the means to protect our ally, the Republic of Korea against aggression.

But there remains a parallel commitment to move toward improved relations with North Korea, as long as it remains an independent state, and to cooperate in ways which can enhance the security of this region and the welfare of its people. The North knows what it will take to achieve that objective, and I hope to see significatn movement in that direction in the near future.

I know that the people of South Korea and North Korea both are committed to unification, and I assure them that the people of the United States are in full and complete support of that objective.

Earlier today I endorsed President Roh's call for a multilateral approach to resolving the security problems of this region. The United States will do all in its power to make this endeavor a success. We can do no less to enhance the security of our Korean brothers, both South and North.

Thus I call on North Korea to come out from behind those barriers, from the bastions of military strength, to present to your countrymen the hand of peace and reconciliation.

I for my part offer my hand to North Korea across the divide. Come, work with us for peace and security on the Korean peninsula, in the Northeast Asia Region, and in the world.

Key Elements for the Presidential Speech in Japan

Historical Setting

-- Friendship between the two nations has deep roots. Even before Commodore Perry sailed into Shimoda with his black ships in 1853, a young man from Kyushu named John Monjiro had found his way to Boston and begun the process of cross-cultural communication. It is important to remember that except for the dark period of the 1930s and early forties, productive relations between the two countries have been the norm.

-- It is in this context that the American people approached the commemoration in Hawaii of the fiftieth anniversary of Pearl Harbor. We see this event and the war that followed as an aberration in the long positive history of our relationship. As we pay tribute to those who died in the conflict, we will take pride in the strong US-Japan alliance relationship that both countries have built since the end of the war which has made a major contribution to the prosperity of both countries and is the foundation of peace and stability in Asia today.

The enduring importance of cooperation

-- Rarely in history have two nations with such different geographic and cultural roots formed such an enduring relationship. This relationship is based on shared interests and values and an appreciation of the mutual strategic, economic, and political benefits both countries derive from close cooperation.

-- The basis for cooperation is stronger today than it has ever been.

- The US-Japan Security Treaty remains the cornerstone of stability in East Asia, a region that still has a range of unresolved conflicts. This treaty allows the US to maintain forward deployed forces in East Asia which serve American, regional, and we believe, Japanese interests. Close cooperation between our military forces and the two-way flow of defense technology makes the most efficient use of our defense resources and helps maintain a strong political link between the two countries.

-- Our economies are increasingly interdependent; Japan will sell about $90 billion worth of goods and services to the US this year and the US will sell more than $40 billion to Japan, making each country the others' largest overseas trading partner; Japanese investment in the US creates more than jobs

and is an important source of technology and management innovation for the American economy.

-- The US and Japan are the world's two largest donors of foreign economic assistance and are destined to play key roles in addressing regional and global issues by virtue of their economic strength and political interests. These roles can best be performed by working together rather than independently.

-- The human connections between us are growing. There are more Americans working and studying in Japan than ever before and there are more Japanese residing in the US.

America as a Pacific player

-- The US has been a major player in the Pacific throughout the twentieth century but it is only recently that Americans have become aware that their country's future orientation will be as much toward the Asia-Pacific region as toward Europe. America's trade with Asia exceeds our trade with Europe. Asian-Americans are the most rapidly increasing ethnic group in America and are becoming political active. And American security continues to be vitally linked to the security and stability of the Asia-pacific region.

America's View of Japan

-- For America, Japan is the center of Asia, and US relations with Japan are the heart of our policy toward the Asia-Pacific region.

-- As seen from Japan, there may be the impression that most Americans see Japan in negative terms. Polls show the "Japan challenge" ranking ahead of the "Soviet challenge"; and various books and articles predict a crisis in US-Japan relations.

-- These opinions are present in the US, but the vast majority of Americans admire Japan's economic performance, have warm feelings toward the Japanese people, and regard Japan as an indispensable partner for the post-Cold War era.

-- Let me say a word about the impact of the Gulf crisis on American views of Japan. There was considerable criticism in the US press and in the Congress of what was seen by some as Japan's slow and reluctant support of the coalition effort, but this negative impression has all but disappeared. In fact there is now widespread appreciation

of Japan's extremely generous $13 billion contribution to the effort, $10 billion of which went to the United States, and to the strong political support of your government. We know the Gulf crisis raised many fundamental questions in Japan about your country's appropriate role in such coalition efforts and that reaching a consensus takes time. This is an issue for the Japanese people and the Japanese political process to decide, but we welcome efforts Japan has made to participate more directly in peace keeping operations.

Managing US-Japan Relations for the Future

Global Partnership

-- We see a "global partnership" between Japan and the United States in which the two countries will work in close collaboration to bring their political, technical, and economic resources to bear to address regional and global issues.

-- Global Partnership will be an "equal partnership" -- we will work together to define common objectives and our respective approaches to these objectives.

-- Global Partnership will not be exclusive, nor will it represent a US-Japan condominium. We will welcome the participation of other like-minded countries and international organizations.

Addressing Economic Issues

-- Global partnership can only succeed if we manage the competitive aspects of our relationship, notably in the economic area.

-- We have made great progress in the last few years in addressing various sectoral problems and the Structural Impediments Initiative (SII) talks have broken new ground in addressing the sources of tension in our trading relationship, but more needs to be done. We welcome the agreement of your government to reinvigorate efforts in these areas.

-- Nothing is more important to sustaining the free trade system that the success of the Uruguay Round. Japan and the United States benefit greatly from free trade and we bear a special responsibility for the successful conclusion of the round. We look to Japan

-- Fifty years ago we fought a tragic war. Today we are each others' indispensable partners in trade, investment, defense, and regional and global affairs.

-- The Cold War helped create this partnership, but cooperation between the US and Japan does not depend on the external pressure of the communist challenge. Rather our alliance is based on fundamental shared interests in virtually all fields, and the reasons for cooperation are stronger today than ever before.

-- It is up to the leadership in both countries to ensure that the competitive aspects in our relationship are managed effectively so that this cooperation can go forward. If we fail, we will have missed an historic opportunity; if we succeed, our citizens, and the citizens of the world can look forward to a more prosperous and stable future. I welcome the commitment of Prime Minister Miyazawa to this joint enterprise and I make the same commitment.

to play a leadership role as we tackle the last remaining, and the most difficult, issues, including agricultural liberalization.

The US Domestic Agenda

-- We recognize that our bilateral trade imbalance reflects far more than the impact of remaining market barriers in Japan. Japan's products are competitive around the world because Japan has saved and invested at a rate double that of the US, focused on applied research and development and new manufacturing technologies, established the world's best quality control systems, developed a highly educated labor and managerial force, and taken a long term view to developing markets abroad. There is much that America should emulate in Japan's example. We are taking steps to improve our competitiveness -- reducing our budget deficit, improving education, and enhancing our productivity.

-- The United States is going through a difficult economic period, but we have tremendous fundamental strengths to draw on. American basic research is still the best in the world; our best universities are the world's best; American technology in such advanced fields as computers and biotechnology is at the leading edge; and we have a diverse, energetic, creative, and talented population.

-- But we need make more productive uses of these basic strengths to prepare our economy and society for the competitive challenge of the 21st century.

The Human Connection

-- For all of our interaction and interdependence, the US and Japan need to know a great deal more about each other. Much is already being done in this area. There are more than 1000 young Americans teaching in Japanese schools under the JET program, and thousands of Japanese are studying in the US. We welcome the Abe fund to support greater exchanges between the US and Japan and we are committed to supporting this and other initiatives. Thanks to these programs, by the end of this century both Japan and the United States will have a much larger group of people who have lived in each other's country, speak each other's language, and understand more fully the great importance of our bilateral relationship.

Concluding Flourish

ECONOMIC THEMES FOR THE PRESIDENT'S TRIP TO ASIA

Both the U.S. and Asia benefit from free trade and open markets:

- o Our economic relationship is not a zero-sum game for either partner.
- o The American economy and American jobs increasingly depend on free trade and open markets.
  - In the United States, nearly half (49%) of our GNP growth between 1985 and 1990 was attributable to exports.
  - In 1991, U.S. will export close to $700 billion worth of merchandise and services.
  - Record 7.2 million jobs were supported directly and indirectly by U.S. merchandise exports alone in 1990.
    - More than 19,000 jobs are supported per billion dollars of U.S. exports.
- o Asia's stake in the trading system is greater than ours. The export strength and economic growth of Asian economies will continue to be dependent upon open international markets for goods, services, and investment.
  - Asian economies are relatively more dependent than the U.S. economy on exports and imports.
  - In 1990, exports amounted to 32% of GNP in Korea and 15% of GNP in Japan; by comparison, U.S. figure is 10%.
- o If the open trading system cannot be preserved and expanded in the Uruguay Round, Asia's prosperity could be jeopardized by stagnant world trade.

Asia is increasingly important to the U.S. economy:

- o The United States is a Pacific power, with vital economic, as well as political, interests in the region.
- o Asia is an important and growing market for U.S. exports and a source of U.S. job creation.
  - Japan (#2), Korea (#6), and Taiwan (#9) were among top 10 markets for U.S. exports in 1990.
  - In 1990, U.S. manufacturers sold $115 billion of goods in the Asia-Pacific region (29% of total U.S. exports); by comparison, $113 billion in goods were sold in Western Europe.

- Exports to Japan and the four Asian NIE's alone support an estimated 1.7 million U.S. jobs.

o Trade with Asia accounts for large and growing proportion of total U.S. trade.

- In 1980, U.S.-Asia trade accounted for 24% of total U.S. trade (imports and exports). By 1990, Asia accounted for 34% of total trade.

o Asia is also a large consumer of U.S. services, including financial services, an area in which the United States has special expertise.

- In 1990, U.S. sold $22.9 billion in services to Japan and Australia alone.

o The westward shift of U.S. population, immigration patterns, and increased cultural diversity in the United States point to ever closer economic relations with Asia and the Pacific.

- The U.S. population is increasingly concentrated in the Western states (21.2% of total U.S. population in 1990).

- A large and increasing share of U.S. GNP is produced in the Western states.

- Asians represent growing share of U.S. population (6.9 million in 1990 or 2.8% of total vs. 1.6% in 1980) and growing share of U.S. immigration.

Asia needs our exports:

o Asia's demand for imports -- our exports -- will increase as Asian economies grow wealthier.

o Asian consumers need access to foreign goods and services if they are to raise their standard of living and enjoy the fruits of their labors.

- Japanese Prime Minister Miyazawa, for example, recently stated that Japan should become a "lifestyle superpower". This will benefit our economy by increasing opportunities for U.S. exporters.

Asian countries have cooperated with the U.S.:

o The U.S.-Asia relationship helps reinforce global cooperation for the benefit of citizens of all nations.

o Several Asian nations helped shoulder the economic burden of

the international effort to counter Iraq's aggression.

- $10.4 billion was committed by Japan ($10.0 billion) and Korea ($355 million) to offset U.S. military costs of Operation Desert Storm.

- $2.8 billion in economic assistance was committed by Australia ($14 million), Japan ($2.7 billion), and Korea ($115 million) to ease impact of Gulf Crisis on the frontline states in the Middle East (Egupt, Turkey, and Jordan).

o In the G-7 and Economic Summit fora, Japan has helped foster sustainable world growth with low inflation.

o Japan has also supported U.S. initiatives to resolve the international debt problems of the developing nations. For example:

- It pledged $500 million for the Multilateral Investment Fund (MIF) for Latin America, one third of total MIF funding.

- Japan contributed almost $500 million to international efforts to clear the arrears owed by Panama, Nicaragua, and Panama to the international financial institutions.

o Asian countries have helped the U.S. in efforts to strengthen market forces in Eastern Europe and in developing countries. This will help open up these economies for U.S. trade and investment.

Treasury Department
December 10, 1991

KOREA

FINANCIAL SERVICES

- The Korean financial system is antiquated, over-regulated, and ill-suited to the needs of Korea's dynamic economy.

- U.S. banks and securities firms face numerous barriers to entering and operating in the Korean market.

- In addition, elimination of Korea's pervasive controls over interest rates, credit allocation, and capital flows is essential if U.S. financial institutions are to enjoy long-term competitiveness in Korea, and U.S. businesses are to find adequate funding sources.

- The Treasury Department and Korean Ministry of Finance have made some progress in bilateral talks in addressing both specific national treatment issues and broader financial liberalization. However, much work remains to be done.

- The USG has also sought Korean cooperation in bringing about a strong financial services agreement in the Uruguay Round; Korea's support thus far has been very disappointing.

- Our specific objectives for the President's trip include:

  - A public statement by the ROKG of its commitment to financial liberalization, including support for a strong Uruguay Round financial services agreement.

  - Issuance of a comprehensive blueprint for financial market liberalization, with a clear timetable for implementation.

  - Implementation of a commitment last spring to ease restrictions on deferred payment terms for imports by the end of 1991.

Treasury Department
December 10, 1991

JAPAN

ECONOMIC THEMES

- The U.S. and Japan have the single most important bilateral economic relationship in the world.
  - With the world's two largest economies, their actions impact many other nations, as well.
- Despite disputes over trade issues, Japan has cooperated closely with the U.S. (e.g. in the Economic Summit and G-7 framework) to foster sustainable world growth with low inflation, and has been very supportive of a number of U.S. initiatives, including resolving the debt crisis in developing countries.
- However, a number of contentious economic issues in the area of trade, financial services, and investment plague the bilateral relationship, despite continuous bilateral consultations.

Uruguay Round:

- Agriculture is the key to compromise; Japanese need to show leadership and contribute to a successful conclusion.
- Also need liberalization in financial services area.

Japan's External Surpluses:

- We are concerned about Japan's rising current account surplus
  - Surplus is expected to rise from $36 billion in 1990 to $68 billion in 1991, according to the IMF). This imbalance can disturb financial markets and feed protectionism.
- Although the U.S. trade deficit with Japan fell from a peak of $57 billion in 1987 to about $42 billion last year, it is beginning to increase again and still accounted for two-thirds of the overall U.S. trade deficit through September, 1991.
- This highlights need for Japanese to maintain economic growth and open markets.

Export Dependency and Bilateral Trade:

- Although both the U.S. and Japan have major stakes in preserving the open trading system, Japan is somewhat more dependent on exports than the U.S.

- Japan's exports of goods and services accounted for 15 percent of GNP in 1990. For the U.S., the figure was 10 percent.

- The U.S. is Japan's most important market, accounting for almost 32% of Japan's exports and almost 22% of Japan's imports in 1990.

- Japan is the U.S.' second most important market, accounting for 12% of U.S. exports and 18% of U.S. imports in 1990.

- In finance-related service transactions (royalties and license fees, financial services and insurance) the U.S. has a surplus with Japan. U.S. receipts amounted to $4.0 billion in 1990, compared to payments of $1.4 billion.

Foreign Investment:

o The U.S. market is far more open to foreign direct investment than Japan's. This has fed Congressional and popular concern in the U.S.

o Cumulative direct investment inflows into the U.S. during the period 1981-90 amounted to $355 billion ($80 billion from Japan alone), compared with only $6 billion in the same ten year period into Japan from all sources.

  - During the period 1981-90, cumulative foreign direct investment in the U.S. represented about 5.7% of total U.S. fixed investment. In Japan, the equivalent number was 0.1%, a difference of more than 50:1.

Exchange Rate:

o Yen/dollar rate has been quite stable since October 1991 G-7 Ministers meeting.

o U.S. believes rates in G-7 countries are consistent with balance of payments adjustment needs and underlying economic fundamentals.

Japanese Financial Markets:

o Despite U.S. efforts to open up Japan's financial markets, Japanese banks are far more important in the U.S. than U.S. banks in Japan. Japanese banks in the U.S. hold 11% of U.S. banking assets; U.S. banks in Japan hold less than 1% of Japanese bank assets.

- o We have been negotiating with the Japanese since 1984 to liberalize financial markets. Significant progess has been achieved, but more needs to be done.

- o Recent financial scandals are symptomatic of the continued lack of transparency and competition in the Japanese market. Japan needs to take steps to reform its system and restore international confidence.

Structural Impediments Initiative (SII):

- o SII represents an important initiative to reduce impediments to competition and adjustment of external imbalances. SII success can help to head off protectionism.

  - For example, U.S. has urged Japan to: increase public infrastructure investment to improve economic well being; reduce monopolistic effects of keiretsu business practices; and open up distribution system to imports,

- o Some progress has been achieved, but it is essential that we re-energize the SII process by introducing new commitments on both sides.

Treasury Department
December 10, 1991

AUSTRALIA

ECONOMIC THEMES

- Australia has been an invaluable negotiating partner in the Uruguay Round, especially on agricultural issues like the CAP.

- Facing its fourth year of declining agricultural income, Australia has pressed the U.S. on farm issues:

  - It has complained about U.S. subsidized wheat sales, is unhappy with having to negotiate with the U.S. a voluntary restraint agreement on beef, and is concerned about a 34% cut in its sugar import quota due to increased U.S. production.

- Australia's financial markets have been relatively closed to foreign entry. However, under reforms recommended to Parliament in November, foreign banks would be allowed easier entry and operation.

Treasury Department
December 10, 1991

SINGAPORE

FINANCIAL SERVICES

- Singapore is an important offshore financial center, and maintains a relatively open market for foreign firms.

- However, U.S. firms face discrimination in the significantly smaller domestic market.

- The U.S. seeks Singapore's support for a strong financial services agreement in the Uruguay Round. At a minimum, the U.S. would like to see Singapore stop blocking progress and play a more constructive leadership role.

  - The lack of support from Singapore and the other ASEAN countries for a strong financial services agreement in the Uruguay Round has been very disappointing.

- In the bilateral financial services negotiations, the U.S. seeks a commitment from Singapore for a level local playing field in both the banking and securities sectors.

Treasury Department
December 10, 1991

SII - U.S. Commitments

Issue:

GOJ officials have criticized the USG for not following through on as many of its commitments as the GOJ has done. By their count, Japan has completed 80 percent of its commitments, while the USG has completed 20 percent, at best.

Suggested Talking Points:

-- What matters most in SII is the significance of the undertakings, not the quantity.

-- The U.S. deserves credit for making substantial progress on its commitments, which, in many respects, have been more difficult politically than those that Japan has undertaken.

-- There is an asymmetry to U.S. and Japanese undertakings. In many cases, Japan is being asked to open up its economy and improve the lifestyle of its people, while the U.S. is trying to cut public expenditures to reduce its budget deficit and stave off protectionist pressure to close the U.S. market.

-- The GOJ may have passed a larger number of pieces of SII legislation than in the U.S., but the U.S. has resisted a larger number of protectionist and budget-busting bills than Japan.

-- In both countries, we are trying to deal with ingrained structural problems in a way which will have a lasting effect, even if it takes some time for their effects to be felt.

-- The two most important efforts by the United States include:

  o **undertaking major budget reforms, which are holding the line on deficit spending, even in a difficult recession year;**

    - This package included tax increases that were undertaken at great political cost, and an even tighter rein on discretionary spending.

    - We haven't seen a sustained reduction in the deficit numbers yet; nor has Japan in its trade numbers. The U.S. budget deficit will come down, though, and the reduction will be lasting.

    - In comparison, the parallel Japanese commitment to increase public infrastructure spending benefits numerous Japanese constituencies and is politically popular.

- o **vigorously defending open investment policy;**
  - Administration has maintained its open investment policy in the face of numerous protectionist proposals and growing mood of isolationism.
  - In contrast, Japan's commitments are aimed at opening its markets, with benefits for the consumer.

    [May wish to note Presidential Statement strongly reaffirming open investment policy, if released.]

-- In addition, U.S. has taken a number of other measures:

- o **intensified export promotion efforts, with a particular focus on Japan;**
- o **embarked on an ambitious program to improve workforce education and training;**
  - In April 1991, President Bush outlined strategy to achieve national education goals, called "America 2000," which involves major reforms to primary and secondary education system.
- o **increased Federal support for research and development efforts;**
  - -- The FY 1992 budget proposed to allocate about $76 billion for R&D in 1992, an increase of over $8 billion, or 13 percent over 1991 levels. This is the highest level ever.

and

- o **continued to work toward strengthening incentives for private saving and long-term investment** (e.g., reduction of capital gains tax; enhanced IRAs; Family Savings Accounts), despite strong political resistance.

-- U.S. intends to intensify these efforts.

12/9/91
Treasury

STATISTICS

Korean Overseas Information Service/Seoul, Korea
December 1990

Category	Unit	1975	1980	1985	1987	1988	1989
Land (Total)	Km^2	98,806	98,992	99,143	99,221	99,236	99,263
Cultivated	Km^2	22,396	21,958	21,444	21,434	21,397	21,267
Forest	Km^2	66,353	65,677	65,311	64,990	64,910	—
Other	Km^2	10,056	11,356	12,388	12,796	12,928	—
(North Korea)	Km^2	—	—	—	122,100	122,100	—
Population (Mid-year)	1,000 Persons	35,281	38,124	40,806	41,575	41,975	42,380
Men	1,000 Persons	17,766	19,236	20,576	20,959	21,158	21,359
Women	1,000 Persons	17,515	18,888	20,230	20,616	20,817	21,021
(North Korea)	1,000 Persons	15,850	18,030	20,380	20,685	21,030	21,900
Rate of Increase	%	1.70	1.57	0.93	0.96	0.97	0.97
Density	1,000 Persons	357	385	411	419	423	427
Population of Metropolitan Areas							
Seoul	1,000 Persons	6,890	8,364	9,639	10,110	10,310	10,522
Pusan	1,000 Persons	2,453	3,160	3,515	3,648	3,701	3,773
Taegu	1,000 Persons	—	—	2,030	2,127	2,166	2,207
Inch'ŏn	1,000 Persons	—	—	1,387	1,501	1,552	1,618
Kwangju	1,000 Persons	—	—	—	1,098	1,131	1,174
Taejŏn	1,000 Persons	—	—	—	—	1,020	1,041
Education							
Enrollment Rate to Primary School	%	97.3	97.9	98.6	98.1	99.0	99.5
Advancement Rate to Middle School	%	77.2	95.8	99.2	99.5	99.5	99.7
Advancement Rate to High School	%	74.7	84.5	90.7	91.9	93.5	94.6
Religious Adherents	1,000 Persons	—	—	17,203	—	—	—
Catholics	1,000 Persons	—	—	1,865	—	—	—
Protestants	1,000 Persons	—	—	6,489	—	—	—
Buddhists	1,000 Persons	—	—	8,060	—	—	—
Confucianists	1,000 Persons	—	—	483	—	—	—
Others	1,000 Persons	—	—	306	—	—	—
GNP (in current prices)	US$ bil.	20.8	60.5	89.7	128.4	169.2	210.1
Per Capita GNP	US$	590	1,592	2,194	3,098	4,040	4,968
GNP Growth Rate	%	6.8	−4.8	7.0	12.8	12.2	6.7
National Savings as % of GNP	%	17.9	23.1	29.1	36.3	37.7	36.3
Tax Burden as % of GNP	%	15.4	17.9	17.3	17.5	17.7	18.6
Economically Active Population	1,000 Persons	12,193	14,431	15,592	16,873	17,305	19,975
Employed Population	1,000 Persons	11,692	13,683	14,970	16,354	16,870	17,515
In Agriculture	%	45.7	34.0	24.9	21.9	20.7	19.5
In Industry	%	19.1	22.5	24.4	28.1	28.5	28.2
In Services	%	35.2	43.5	50.7	50.0	50.8	52.3
Unemployed	1,000 Persons	501	748	622	519	435	459
Unemployment rate	%	4.1	5.2	4.0	3.1	2.5	2.6
60 years old and over	1,000 Persons	603	720	882	1,054	1,093	1,115
Trade Balance	US$ mil.	−1,671	−4,384	−19	7,659	11,445	912
Exports	US$ mil.	5,003	21,598	26,441	46,243	59,648	62,377
Imports	US$ mil.	6,674	17,214	26,460	38,584	48,203	61,465
Exports as % of GNP	%	24.4	28.9	33.7	36.8	35.8	29.7
Imports as % of GNP	%	34.9	36.8	34.7	31.9	30.6	29.2
Composition Rate of Exports by Commodity Groups							
Food & Live Animals	%	11.8	6.5	3.7	4.4	3.9	3.5
Machinery & Transport equipment	%	15.0	20.3	37.6	35.7	38.6	37.7
Manufactured Goods Classified by Material	%	29.4	35.7	23.3	21.5	20.8	21.9
Miscellaneous Manufactured Articles	%	35.8	29.8	27.6	32.4	30.8	30.4

Category	Unit	1975	1980	1985	1987	1988	1989
Imports by Type of Goods							
Capital Goods	%	26.5	23.0	35.5	35.5	36.7	37.7
Raw Materials	%	39.8	39.7	38.0	45.9	46.7	47.2
Crude Oil	%	17.5	25.3	17.9	9.0	7.1	5.4
Grain & Others	%	16.5	12.0	8.6	9.6	9.5	9.8
Imported Energy as % of Total Consumption	%	64.9	75.1	79.5	77.3	80.7	80.2
Exchange Rate of *Won* to U.S. Dollar (End of Year)	*Won*	484.00	659.90	890.20	792.30	684.10	679.60
Foreign Exchange Holdings	US$ mil.	1,550	6,571	7,748	9,193	12,378	15,245
Foreign Loans Receive	US$ mil.	1,278	2,919	1,988	2,667	1,879	1,332
Public	US$ mil.	476	1,516	1,024	1,109	891	472
Commercial	US$ mil.	802	1,403	964	1,558	988	860
Mineral Production							
Anthracite	1,000 M/T	17,585	21,338	21,907	23,042	22,670	18,997
Iron Ore (56% Fe)	1,000 M/T	574	545	625	565	666	677
Limestone	1,000 M/T	15,712	26,703	34,967	43,327	48,502	48,011
Major Industries							
Color TVs	1,000 Each	43	956	3,787	8,684	10,431	11,508
Synthetic fiber fabrics	10 Km^2	72.7	146.1	214.1	297.8	314.1	290.8
Polyethylene	1,000 M/T	66	227	352	469	571	636
Iron & Steel	1,000 M/T	1,928	7,568	11,962	14,216	16,117	16,942
Automobile	1,000 Each	37	121	361	944	1,069	1,087
Production of Food Grain	1,000 M/T	7,654	5,324	6,990	6,688	7,299	6,784
Rice	1,000 M/T	4,669	3,550	5,626	5,493	6,053	5,898
Barley	1,000 M/T	1,700	811	571	516	561	374
Wheat	1,000 M/T	106	95	13	5	3	1
Wholesale Price Index	1985 = 100	34.6	78.0	100.0	99.0	101.7	103.2
Consumer Price Index	1985 = 100	32.1	70.9	100.0	105.9	113.4	119.9
Total Households	1,000 Households	—	7,968	9,575	10,175	10,513	10,775
Persons per Household	Persons	—	4.6	4.2	4.2	4.2	4.0
Number of Houses	1,000 Units	4,734	5,434	6,104	6,449	6,670	7,032
Housing Supply Ratio	%	74.4	71.2	69.7	69.2	69.4	70.9
Receiving piped water as % of Total Population	%	42.4	54.6	66.6	71.1	74.2	76.0
Water Supply per Person/Day	liters	216	256	282	311	325	330
Telephone Subscribers	1,000 Persons	1,058	2,704	6,517	8,625	10,306	11,791
Hospital Units	Each	183	341	534	550	592	613
Hospital Beds	Each	21,242	38,096	74,365	85,327	90,277	92,726
Number of Physicians	Persons	19,588	25,279	33,385	38,611	39,672	40,364
Population per Physician	Persons	1,801	1,490	1,222	1,077	1,058	1,050
Motor Vehicles Registered	1,000 Vehicles	194	528	1,113	1,611	2,035	2,675
Passenger Cars	1,000 Vehicles	84	249	556	844	1,118	1,558
Trucks	1,000 Vehicles	83	227	413	547	635	769
Buses	1,000 Vehicles	22	42	128	200	260	323
Others	1,000 Vehicles	5	9	16	20	22	24
Length of Railroad Tracks	Km	5,619	6,007	6,299	6,340	6,456	6,436
Length of Express Highways	Km	1,142	1,224	1,415	1,539	1,550	1,551
Length of Subways	Km	9.5	9.5	132.6	132.6	132.6	140.7
Length of Roads	Km	44,905	46,951	52,264	54,688	55,778	56,481
Paved Roads	Km	10,000	15,599	26,072	31,282	34,234	37,493
Number of Foreign Visitors	1,000 Persons	633	976	1,426	1,874	2,340	2,512
In-country Expenditures	US$ mil.	140	369	784	2,299	3,265	3,556

DIFFERENCES

Korean Overseas Information Service/Seoul, Korea
December 1990

Introduction

Since World War II, Korea and Germany have shared the same burden of division of their homelands. Their peoples have yearned for national reunification.

It has been believed that Koreans generally have stronger aspirations than the Germans in terms of achieving reunification. Historically, while Germany has been united for only 74 years (1871-1945), Korea had been a united nation for about 13 centuries. The Germans have been scattered over parts of Europe with a number still living in Switzerland, Austria, Poland and other countries. Koreans settled down on their peninsula even before the pre-historic era and created a strong community with their own culture.

On the geographical front, it is said by many scholars that reunification of Korea—surrounded by powerful countries—is much more urgent than that of Germany which plays a key role in Central Europe. However, no progress has been made in the course of inter-Korean dialogue while various practical measures have been implemented between the two Germanies with the goal of realizing unification.

Differences between Korea and Germany

As a loser in World War II, Germany was divided into four areas by the victors and controlled by the West and the East. Although Korea was granted political independence right after the war ended, the 38th parallel across the Korean Peninsula became the line dividing it into two nations.

One major difference between Korea and Germany was in the separation of family members. In the two Germanies, families have been able to correspond with each other and talk on the phone. However, about 10 million families in the Republic of Korea still cannot talk by telephone or correspond with family members in the North. Almost all opportunities to contact families in the North have been denied.

Unfortunately, unlike Germany, there was a fratricidal war between the South and the North that began in June 1950 with an attack by the North Korean Communists, and went on for three years. An armistice still continues with 1.5 million troops confronting each other along the four kilometer wide Demilitarized Zone (DMZ). Obviously, the first priority to achieve reunification is to abolish tension and distrust between the South and the North.

Differences between North Korea and East Germany

One major policy of East Germany was to obtain recognition as an independent state from West Germany in accordance with international law. It also demanded West Germany to sign some basic agreements, join the United Nations simultaneously and exchange resident diplomatic missions. East Germany also exerted itself to obtain economic support from West Germany with the goal of accomplishing economic development. East and West Germany signed a Berlin Agreement in 1951, and the annual volume of bilateral trade between the two countries has averaged US$13 billion for the last decade.

North Korea has never recognized the Republic of Korea as its partner in dialogue and rejected a proposal from the South to simultaneously join the United Nations with the aim of peacefully solving problems between the two Koreas. Proposals to step up the pace of bilateral exchanges of people and goods and mutual cooperation between the South and the North have been denied by the North. No interest has been shown in offers to help the North Korean economy.

People in East Germany have been allowed to contact the outside world, including an access to TV and radio from West Germany and to West German newspapers. North Korea has made all-

out efforts to block the flow of information from the West and, in particular, from the South to the North.

East Germany in early 1990 adopted a multi-party system and reorganized its government through a democratic election. These steps contributed much to the achievement on October 3 of reunification of Germany. North Korea, however, is still pursuing its policy of isolation by cutting off outside contacts and concentrating on the adulation of Kim Il-sung and his son, Kim Jong-il. Most North Koreans have not been informed about the political reform and change now sweeping Eastern Europe.

East Germany has been one of the loyal members of the Soviet-led Warsaw pact and under strong influence of the Soviet Union since its establishment. It also has maintained strong political and economic ties with several Eastern European countries and participated with them in the course of the new political milieu characterized by *perestroika* and *glasnost*.

North Korea has received the advanced military equipment as well as economic and technological aid from the Soviet Union. Due to its special and traditional relationship with the People's Republic of China, however, it could maintain a distance from direct Soviet influence. Regarding domestic policy, North Korea was able to disregard a demand for reform from the Soviet Union.

Since the end of 1989, East Germany had abandoned its long standing policy of perpetuating the two Germanies and adopted national reunification as its new goal. It proclaimed its readiness to accept a formula which annexes East Germany to West Germany and agreed with West Germany to implement a unitary monetary system from July 1, 1990.

However, North Korea has held to its aims of communizing the South and establishing its form of government on the Korean Peninsula.

Prospect

North Korean leaders may have been shocked at the wave of reform sweeping socialist countries including the Soviet Union and their normalization of relations with South Korea.

It is expected that North Korea eventually must open its door and reform its society due to the dramatic change in the global political picture. Due to difficulties in its economy, it also is considered inevitable for the North to abandon its long standing isolation policy.

KOREA-USSR RELATIONS

Their Evolution and Future Prospects

Korean Overseas Information Service/Seoul, Korea
December 1990

The relationship between Korea and the Soviet Union has undergone countless ups and downs for more than a century since the Chosŏn Kingdom and the Russian Empire signed a trade treaty in 1884. Czarist Russia's attempt to secure a foothold in Korea to extend its influence in Asia led to its defeat in the Russo-Japanese War (1904-05), which greatly weakened its relations with Korea. Korea was colonized by Japan in 1910, losing its sovereignty, including the right to independent diplomacy, thus completely ending its official relations with Russia. The Russian Revolution of 1917 caused political instability there, further reducing its interest in Korea.

In early August 1945, the Soviet Union declared war on Japan and thus became involved in World War II Allied actions to liberate Korea and determine its future status. At the end of the war, on August 15, 1945, the Soviet Union occupied the northern half of Korea to receive the Japanese surrender, while the United States occupied the southern half. The dividing military line was the 38th Parallel.

Subsequent negotiations between the United States and the Soviet Union to establish a unified and independent Korean state failed completely. In 1948, South and North Korea became two separate states subscribing to different political ideologies.

As a result of the political and ideological division of the Korean Peninsula, relations between the Republic of Korea in the south and the Soviet Union became virtually non-existent again. The situation was aggravated by the Soviet Union's support and assistance to North Korea as part of the Cold War rivalry with the United States and its western allies, which supported the Republic of Korea.

The tension on the Korean Peninsula exploded into a hot war with the North Korean invasion of the South in June 1950. The three-year Korean War intensified hostility and mistrust between the Republic and the USSR, exemplifying the ideological confrontation that prevailed in the post-war world until recently.

The Republic of Korea regarded the USSR as the protagonist of the Cold War and the Patron of North Korea. For its part, Moscow viewed the Republic as a client state of the United States and refused to recognize it. The deep freeze between the Republic and the USSR persisted well into the 1970s until detente began to occur between the East and the West.

In line with the gradual thaw in superpower relations, the Republic also began efforts to expand its diplomatic contacts, which had been heavily focused on the United States and its allies. On June 23, 1973, President Park Chung Hee announced a special foreign policy initiative, which can be considered the precursor of today's northern policy of the Sixth Republic. He declared an open-door policy to cultivate relations with all nations, including those with different ideologies and political systems, on the principle of reciprocity and equality, and called on other countries to reciprocate. This foreign policy initiative was clearly aimed at the Soviet Union and the East bloc nations.

During the 1970s, sporadic unofficial contacts took place between the Republic and the Soviet Union. When a South Korean airliner strayed into the Soviet air space and was forced to land in Murmansk in April 1978, Moscow promptly repatriated its crew and passengers. In September of the same year, Moscow issued an entry visa to a Republic of Korea cabinet minister to allow him to attend an international conference in the Soviet capital. It was the first Soviet visa ever issued to a citizen of the Republic. Subsequently, the Soviet Union also began to permit the entry of South Korean scholars to attend international academic conferences.

The detente in the '70s had an impact on inter-Korean relations also. Dialogue was initiated be-

tween Seoul and P'yŏngyang in 1972, for the first time since the Korean War ended in 1953. Even though the South and the North continued to refuse to formally recognize each other, they began to acknowledge the existence of two independent political entities on the Korean Peninsula.

In the early 1980s, however, superpower relations cooled again. As a result, little progress was made in the attempts of the Fifth Republic to improve relations with the Soviet Union. The 1983 shooting down by Soviet fighters of a South Korean airliner that strayed into Soviet Far East airspace dashed hopes of improving relations between Seoul and Moscow anytime soon.

Republic of Korea-Soviet Union relations until the mid-1980s were basically governed by Cold War politics in their ugliest form. For its part, the Soviet Union viewed the Republic only in terms of its military and political strategy toward the United States of America. There were only minor, sporadic unofficial contacts between Seoul and Moscow. The state of bilateral relations had much to do with the domestic and external political environment in both countries.

In the Soviet Union, Leonid Brezhnev's prolonged hold on power stifled any new domestic or foreign policy initiatives and brought about a steady decline in the prestige of the Communist Party. Brezhnev adhered to a dogmatic ideology, imposing heavy military and foreign aid burdens on his country.

In the Republic of Korea, the political system grew increasingly out of step with its rapid economic and social development in the 1970s and thereafter, causing chronic domestic instability. This made it difficult to carry out innovative diplomacy, and Fifth Republic policies toward the Soviet bloc could hardly be effective.

However, a dramatic turn of events occurred in both the Republic of Korea and the Soviet Union in the mid-1980s to start the two nations moving increasingly closer together. In 1985, Mikhail Gorbachev rose to power by assuming the post of secretary general of the Communist Party and initiated the policies of *glasnost* and *perestroika* with the goal of ending political, economic and social stagnation. Externally, this has led to Moscow's efforts to end both the protracted confrontation with the capitalist world and the strategy of promoting "national liberation" and "class struggle" in the Third World. The "new thinking" in Soviet foreign policy called for peaceful coexistence and interdependence, stressing international cooperation for economic development and arms control for greater common security.

In this connection, Mr. Gorbachev issued the Vladivostok Declaration on July 28, 1986, outlining his policy to cultivate relations with Asian countries. In September 1988, while the Seoul Olympics were being staged, he made a speech in Krasnoyarsk, mentioning a need to develop cooperation with South Korea and to ease tension on the Korean Peninsula.

Soviet participation in the Seoul Games marked a turning point in bilateral relations, since it enabled the Soviets to take a firsthand look at the level of social, economic and political development in the Republic of Korea and made them better disposed to acknowledge it. In particular, academic, athletic and cultural exchanges related to the Seoul Olympics served to open the hearts of the two peoples to each other for the first time in many years.

The Sixth Republic that came into being in early 1988 as a consequence of the process of democratization begun in mid-1987 was able to launch active multi-directional diplomacy on the strength of a national consensus. This was climaxed in President Roh Tae Woo's declaration of new national unification initiatives on July 7, 1988. The new policy emphasized the need to make North Korea a partner in the quest for common prosperity and unification, rather than continuing to regard it as an adversary. It also called for multilateral efforts to induce the North to end its self-imposed isolation, and reiterated Seoul's willingness to cultivate ties with socialist countries, in part to defuse confrontation on the Korean Peninsula.

The July 7 Declaration gave significant impetus to improving Seoul-Moscow relations. The spirit of that declaration was exhibited again in President Roh's speech before the United Nations General Assembly in October 1988, which elicited understanding and praise from the world community.

On the strength of its heightend international stature, due in part to the Seoul Olympics, the Republic embarked on an intensive northern policy

aimed at forging links with the socialist world, a condition essential to securing a durable peace on the Korean Peninsula and helpful to convincing North Korea to open its doors.

The northern policy produced its first concrete result in June 1988 when Hungary agreed to exchange trade offices with the Republic. This led to the establishment of full diplomatic relations between Seoul and Budapest in February 1989. Then came normalization of relations with Poland in November 1989, with Yugoslavia in December 1989, with Czechoslovakia in March 1990, and subsequently with most other East European countries.

A major milestone in the evolution of the Korea-Soviet relationship was reached in November 1989 when the two sides agreed to establish *de facto* consular relations. This was followed by the signing of a civil aviation agreement, leading to the opening of regular Seoul-Moscow air services.

This moved the two nations into the fast lane toward full-fledged rapprochement: On June 4, 1990, Presidents Roh and Gorbachev met in the first Seoul-Moscow summit in San Francisco to discuss the early normalization of bilateral relations, leading to the signing in New York of an agreement between the foreign ministers of the two countries on September 30 to immediately establish full diplomatic ties. The development of bilateral relations is expected to quicken further with the scheduled visit of President Roh to the Soviet Union in December 1990. This will climax the series of mutual overtures that began around the time of the Seoul Olympics.

Now that all obstacles to bilateral links stemming from the lack of a formal relationship have been removed, interraction and cooperation between the two nations are certain to increase much more briskly. In particular, economic cooperation is expected to gain fresh momentum with the second round of Government-level Seoul-Moscow talks slated for the last week of December 1990.

The opening of formal relations will not only benefit both countries but also contribute to reconciliation and cooperation throughout Northeast Asia, especially by stimulating certain countries that have been resisting change to see the light and adapt to the times.

For example, North Korea may be dismayed for a while by the Seoul-Moscow rapprochement and its consequences but is expected eventually to realize the advantage of joining in the regional movement toward greater rapport and cooperation under a new international order. P'yŏngyang is thus expected to take a more sincere attitude toward dialogue and exchanges with the South based on its recognition of the changing realities of the Korean Peninsula and the region around it.

Likewise, the People's Republic of China is also expected to be encouraged to adopt a more positive stance toward cultivating ties with the Republic of Korea. Beijing has recently exchanged trade offices with consular functions with Seoul but has stopped short of agreeing to formal diplomatic relations.

The policy of the Republic of Korea is to pursue continuing development of ties with the Soviet Union and to turn this into a catalyst for a durable peace on and around the Korean Peninsula in closer cooperation with its traditional friends as well. To that end, the Republic is taking more progressive approaches to North Korea with a view to engaging it in fruitful dialogues to resolve the problems of the Korean Peninsula with the help of the improving international climate due largely to the Seoul-Moscow rapprochement. The Republic, however, intends to pursue a prudent course of action in close consultation with all its friends so as not to cause an abrupt change in the balance of power on and around the Korean Peninsula.

Growth in Bilateral Links

The thaw in Republic of Korea-Soviet Union relations is perhaps best illustrated by an exploding number of visitors between the two countries,

Visitors between Korea and USSR

Year	Soviet Visitors to Korea	Korean Visitors to USSR	Total
1986	61	92	153
1987	313	80	393
1988	1,879*	356	2,235
1989	1,995	1,940	3,935
1990 (Jan.-Sept.)	3,516	5,163	8,696

*Includes 655 members of the Olympic team.

which soared from only 153 in 1986 to 8,696 during only the first nine months of 1990, as shown on the following table.

Improving relations between the Soviet Union and the Republic of Korea are also clearly reflected in the sharply rising bilateral trade, which leaped from a mere US$31 million in 1981 to US$600 million in 1989 and continues to grow this year (see following table).

Major exports from Korea are textiles, ship repair services, steel, electronics, machinery, soap, footwear and toothpaste. Major Soviet products imported into Korea are steel, fishery products, nonferrous metals, coal, agricultural commodities, lumber, pulp, organic chemicals and machinery. One notable development in bilateral trade was the signing in May 1990 of an agreement to annually import 40 metric tons of enriched uranium from the Soviet Union into the Republic of Korea between 1990 and 1999.

Republic of Korea's Trade with USSR

(In millions of U.S. dollars)

Year	Exports to USSR	Imports from USSR	Total
1981	21	10	31
1984	26	41	67
1986	50	68	118
1987	17	133	150
1988	26	178	204
1989	207	392	599
1990 (Jan.-Sept.)	316	253	569

UNIFICATION POLICIES

Korean Overseas Information Service/Seoul, Korea
December 1990

The July 7 Special Declaration

One of the most significant developments in domestic policy under the leadership of President Roh Tae Woo has been the expansion of paths leading potentially to the reunification of the divided Korean Peninsula. Since World War II, Korea has been frustrated by the division of its land into the Communist North and the capitalist South. The ideological confrontation between the two halves of the Peninsula, which resulted in the break-out of the fratricidal Korean War on June 25, 1950, has remained unabated.

As the result of the three-year-long war, about 10 million people were forced to leave their home and became separated from their families. Since then, most Koreans, as well as those separated from their families, have yearned for the reunification of the nation.

Nevertheless, despite a series of unification proposals, no progress was made because of North Korea's intransigence. Therefore, on July 7, 1988, in compliance with the rising aspirations for unification, President Roh Tae Woo announced a special declaration which is considered the most feasible proposal to date. It was seen as timely and was overwhelmingly welcomed by the general public due to the changing international situation and the shifting environment both of which create conditions favorable to reunification.

The essence of President Roh's special declaration of July 7, 1988 can be categorized into six policies:

1. The Government will actively promote exchanges of visits between the people of the South and the North, including politicians, businessmen, journalists, religious leaders, cultural leaders, artists, academics, athletes and students and will make necessary arrangements to ensure that Koreans residing overseas can freely visit both parts of Korea.
2. Even before the successful conclusion of the South-North Red Cross Talks, the Government will promote and actively support, from a humanitarian viewpoint, all measures which can assist dispersed families in finding out whether their family members in the other part of the Peninsula are still alive and their whereabouts, and will also promote exchanges of correspondence and visits between them.
3. The Government will open doors for trade between South and North Korea, which will be regarded as internal trade within the national community.
4. The Government will endeavor to achieve balanced economic development between the South and the North with the goal of enhancing the quality of life for all Koreans on the Peninsula, and will not oppose nations friendly with us trading with North Korea if military goods are excluded.
5. The Government will make its best efforts to put an end to counterproductive diplomacy between the South and the North and to cooperate in ensuring that North Korea makes a positive contribution to the international community. The Government also hopes that representatives of South and North Korea will contact each other freely in international forums and will cooperate to pursue the common interests of the whole Korean nation.
6. To create an atmosphere conducive to durable peace on the Korean Peninsula, the Government will cooperate with North Korea in its efforts to improve relations with our allies including the United States and Japan, and in parallel with this, the Government will continue to seek improved relations with the Soviet Union, China and other socialist countries.

As described above, the July 7 Declaration by President Roh marked a major turning point in the conduct of inter-Korean relations by defining North Korea not as an adversary involved in competition and confrontation with the South but as a member of a single ethnic family to be embraced and included in a national community seeking

common prosperity on the basis of mutual trust, reconciliation and cooperation.

In a word, a major milestone in the reunification of Korea was established under the Sixth Republic. In addition, more detailed and progressive follow-up measures were implemented by the Government over the past two years with the goal of boosting inter-Korean reconciliation and cooperation. For instance, in 1987, with a view to removing the Communism phobia in our society, the Government announced a decision to repeal the law which strongly prohibited access to materials, such as newspapers, articles, journals and books published by North Korea and other Communist countries. In addition, the Government proclaimed that other materials that were completely forbidden to the public in the past would be gradually allowed. Furthermore, the Government opened a special library on May 22, 1989 in downtown Seoul, featuring printed and audio-visual information on North Korea and other Communist countries.

This library was founded to meet the general public's growing demand for information on North Korea and other socialist countries, and currently, about 26,000 items are available for public viewing. They include 5,000 books, 50 periodicals and 300 feature and documentary films on North Korea. It also has 4,500 books and documents and 50 dailies and periodicals on the Communist ideology and system. Since its founding until the end of September 1990, 11,178 persons, mainly university students and journalists, have visited this library.

In parallel with this, the Government in 1989 established larger North Korean Centers in Pusan and Kwangju and at the Unification Observation Tower near the DMZ in Kangwon-do with the intention of providing greater opportunities to see the real situation of North Korea.

Due to the fruitful result of the policy to provide information on North Korea, the Government will open additional centers at Imjingak and Ch'ŏrwon by the end of 1990. In particular, from this year, the Government has been showing a North Korean movie once a month, and giving a seminar to university students, concerning classified materials on North Korea.

Another significant aspect of the Sixth Republic's unification policy is the effort to tear down the invisible barriers between the South and the North. For instance, the fact that in 1989 the Government lifted its long-standing ban on the publication of artistic works, including novels, music and paintings, of those who defected or were abducted to North Korea during the Korean War is a good indication of the change in the Government's stance in dealing with the issue of national reunification.

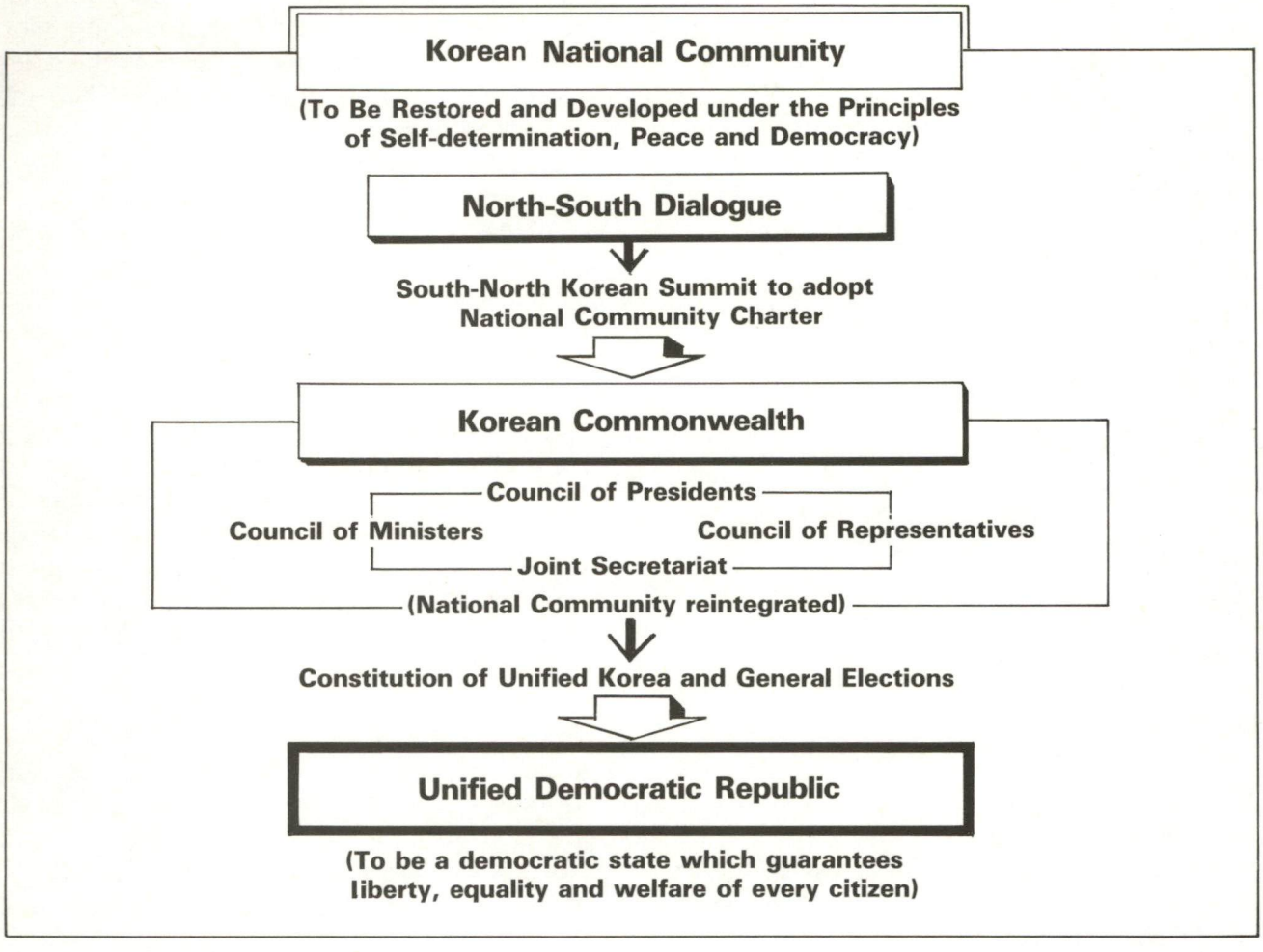
On the educational front, President Roh Tae Woo has ordered the Cabinet to reform unification education from primary school to high school. As a result, some textbooks, especially those which give a negative image of North Korea, were revised to promote harmony between the South and the North. The purpose of this reform was to dispel the distrust and antagonism that have built up between the South and the North since the partitioning of the land into two halves committed to different ideologies and political systems, and to inspire students with a forward-looking vision with the goal of easing tension and promoting reconciliation and cooperation between the two parts of Korea.

As a follow-up to this policy, the Government has halted since July 9, 1988, all slanderous broadcasting against North Korea in the forward areas, and ended broadcasting of personal attacks on specific North Korean figures through the Liberty Program Service of KBS.

The Proposal of the Korean National Community Unification Formula

On September 11, 1989, President Roh Tae Woo proclaimed a new unification formula, "the Korean National Community Unification Formula," at the National Assembly. Considering the long-standing deep distrust, confrontation and antagonism between the South and the North that have never diminished since the Cold War began in Korea, it is imperative to set an interim stage toward unification during which both will recognize the other and seek co-existence and co-prosperity, irrespective of the existence of different political systems. In this sense, the Korean National Community Unification Formula is a feasible and reasonable plan for peacefully unify-

The Korean National Community Unification Formula



ing our homeland. It calls ultimately for the merger of South and North Korea, under the principles of independence, peace and democracy, in a unified democratic republic and for the establishment of a Korean Commonwealth as the essential interim stage. Specifically, in such a Korean Commonwealth, a common sphere of national life would be created to promote prosperity in both the South and the North and restore national homogeneity, thereby accelerating the development of a national community.

As the highest decision-making organ, the Korean Commonwealth would have a Council of Presidents, or chief executives from both parts of Korea. Also, there would be a Council of Ministers, composed of delegates from both Governments and a Council of Representatives, to be composed of members of the legislatures of both the South and the North.

To support the activities of the Council of Ministers and the Council of Representatives, to help implement agreed matters and to handle other administrative affairs, the South and the North would set up a joint secretariat and exchange resident liaison missions to each other's capital—Seoul and P'yŏngyang. The joint secretariat and other institutions and facilities of the Korean Commonwealth would be established in a Peace Zone to be created within the Demilitarized Zone. This Peace Zone would be gradually developed into a City of Unification and Peace.

Promotion of South-North Dialogue and Exchanges

In order to put the July 7 Declaration into effect at the earliest possible date, President Roh proposed a summit meeting between the South

and the North in a special address on Liberation Day on August 15, 1988. Such a summit is regarded as the most effective way to move decisively towards South-North reconciliation and comply with the wishes of our 70 million people for national reunification as quicky as possible. Furthermore, several follow-up measures to implement the policies outlined in the July 7 Declaration of 1988 and the Korean National Community Unification Formula of September 11, 1989 were introduced by the Government.

In particular, the Government has endeavored to promote South-North Korea exchanges and cooperation with an eye on building mutual confidence and restoring a national community. With this in mind, the Government enacted in August, 1990 the Special Act Governing Inter-Korean Exchanges and Cooperation and the Act Establishing an Inter-Korean Cooperation Fund. Thus, a legal framework was laid for the expansion of bilateral exchanges between the two parts of Korea. Special Act Governing Inter-Korean Exchanges and Cooperation replaced the Basic Guidelines for South-North Korea Exchanges and Cooperation which went into force on June 12, 1989.

From June 12, 1989 until October 22, 1990, 352 persons travelled on six occasions across the border between the South and the North, and the South Korean Government approved 25 requests for permission to contact civilians in North Korea. More than 500 overseas Korean residents visited North Korea, and South Koreans were allowed to engage in business transactions with North Koreans amounting to US$32.8 million for the same period. It is worth noting that a group of 17 South Koreans including 14 musicians visited P'yŏngyang in October 1990 for 11 days to attend the Pan-national Concert for Reunification. This is the first time since the division of Korea in 1945 that a private group has obtained Government permission to make its own arrangements to cross the border. The government approved their application for the visit under the Special Act Governing Inter-Korean Exchanges and Cooperation.

Meanwhile, South Korea has pursued dialogue with North Korea on various channels. They include preliminary contacts to arrange a high-level South-North officials talks and a South-North parliamentarian conference, and working level sports meetings and Red Cross talks. These talks were highlighted by the inter-Korea Prime Ministers' meetings, unprecedented in the history of national division in Korea. The first two rounds of the talks were held alternately in Seoul on September 4-7 and in P'yŏngyang on October 16-19, 1990 to discuss ending political and military confrontation and promoting exchanges and cooperation between the two Koreas.

The two rounds of talks produced little tangible results beyond the scheduling of a third round for December 11-14 in Seoul. But the meetings were very significant for inter-Korea relations, as they were the first high-level talks headed by the prime ministers. In addition, the talks offered an indirect channel of communication between the top leaders of the North and the South. Presidents Roh Tae-Woo and Kim Il-sung exchanged greetings through their prime ministers when the premiers paid courtesy calls on the Presidents. Moreover, the two sides seemed to have felt that the basic work should be done to improve South-North Korea relations. Thus, in the second round of the premiers' talks the South proposed a Joint Declaration of South-North Reconciliation and Cooperation which accommodated most of the North Korean Proposals, while North Korea presented a seven-point draft text of a joint non-aggression declaration. Earlier in the first round the South presented a draft text for a Basic Agreement to Improve Inter-Korean Relations which incorporated ways to end political and military confrontation and promote exchanges and cooperation between the two Koreas. North Korea, on the other hand, gave priority to solving political and military issues at both rounds. In the forthcoming prime ministers' talks, the South Korean Government will try hard to produce an agreement (or agreements) with the North.

KOREA-SOVIET ECONOMIC COOPERATION

Korean Overseas Information Service/Seoul, Korea
December 1990

The international relations of the world have undergone dramatic changes since the mid-1980s. The East-West confrontation has given way and the two camps have begun to seek new ways to promote cooperation. The East-West rapport culminated in the U.S.-Soviet summit meeting at Malta in December 1989, which put an end to the four and a half decades of the Cold War.

The emerging new world order, highlighted by rapid change sweeping the socialist countries of Eastern Europe, substantial progress made in U.S.-Soviet talks on arms reduction, the move toward dismantling of the North Atlantic Treaty Organization (NATO) and the Warsaw Pact, and German unification, has heralded the advent of a post-Cold War, post-ideological era of peaceful coexistence.

As Soviet President Mikhail Gorbachev stated in a speech at Vladivostok in July 1986 and yet again at Krasnoyarsk in September 1988, the Soviet Union's Asia-Pacific policy calls for relaxation of tensions and mutual cooperation in the region, in keeping with its pursuit of East-West rapprochement and collaboration in the European region.

In positive response to the changing world political and economic order, the Republic of Korea launched its "Northern Policy" designed to help promote world peace and in particular to establish a lasting peace on the Korean peninsula, to facilitate sustained economic development of the peninsula, and ultimately to achieve peaceful unification of the peninsula.

Under its Northern Policy, the Republic of Korea has striven to improve its relations with northern countries and developed mutually cooperative ties with these countries through continuous exchanges in the political and economic fields, while at the same time trying to maintain dialogue with North Korea in order to build mutual trust and confidence.

With the inauguration of President Roh Tae Woo and the Sixth Republic, the government adopted Northern Policy as its principal policy initiative and has since pursued it aggressively. Such endeavors have produced substantial results.

In December 1989, the Republic of Korea and the Soviet Union agreed to exchange trade and consular offices. Subsequently, in June 1990, the Republic of Korea and the Soviet Union held a summit meeting in San Francisco, which opened the way for normalization of diplomatic relations and promotion of economic cooperation between the two countries. This was soon followed by the first Korea-Soviet ministerial-level talks in Moscow in August, which laid the groundwork for the establishment of formal bilateral economic relations. Finally, on September 30, the two countries established formal diplomatic relations, and on October 30, appointed ambassadors.

The second Korea-Soviet ministerial-level talks are to take place in mid-December, during which the two countries are slated to sign agreements related to economic cooperation. After such agreements are concluded, bilateral economic collaboration between the two countries is expected to expand sharply.

Until the early 1980s, economic exchanges between the Republic of Korea and the Soviet Union were limited to an insignificant amount of indirect trade. After the mid-1980s, however, bilateral trade has grown rapidly. During the first eight months of 1990, the Korea-Soviet trade amounted to approximately US$500 million and is expected to reach US$1 billion by the end of this year.

In the past five years, the Korea-Soviet trade has risen at an average annual rate of 51.8 percent. Over the same period, Korea's exports to the Soviet Union have increased at an average annual rate of 36.6 percent. In terms of value, Korean exports to the Soviet Union expanded to US$270 million in 1989 and have already reached US$268 million in the first eight months of 1990.

Unlike trade, a less complicated form of international economic cooperation, joint ventures between the two countries remain very sluggish. This is mainly because the Soviet economy is in the

process of transition and investment is viewed as risky in the absence of bilateral agreements protecting investment. To date, there are only two cases of Korean investment in the Soviet Union, one made by Jindo Fur Company which operates a fur plant in that country and the other made by Hyundai Group which is engaged in a forestry development project in the coastal region of the Soviet East.

On other fronts, however, much is being accomplished.

Progress has been made in Korea-Soviet bilateral cooperation in fisheries and aviation. Also, on November 6, 1990, four direct telephone circuits linking the two countries were put into operation. A regular shipping route between Pusan and Vostochny is scheduled to open before the end of 1990. The forthcoming Korea-Soviet ministerial-level talks will discuss ways to further expand bilateral economic collaboration. During the talks, the two countries are expected to formally sign their bilateral accords on trade, aviation, science and technology, and investment guarantees, all of which were already initialled. Furthermore, the two countries, which recently signed an agreement on patent, protection, are likely to hold the first working-level meeting within 1990 to prepare for the conclusion of agreements on fisheries and the avoidance of double taxation.

The Soviet Union has expressed hope that Korea will supply some 41 difficult consumer goods which the Soviet Union needs while its defense industries are converted to produce the products. It was learned that of these items, 35 are those which Korea will be able to supply in quantities worth US$5 billion over a period of three years. Fifteen of the 41 items are found to be those for whose production 48 Korean firms are capable of exporting manufacturing plants worth US$7.2 billion. Moreover, eight Korean firms are planning to invest US$370 million in joint ventures for the production of six of the 41 items.

In addition, of 22 development projects in which the Soviet Union wants Korean firms to participate, five involving natural resources development and 11 involving industrial development are considered warranting feasibility studies. A number of Korean enterprises are conducting active discussions with their prospective Soviet counterparts on these projects.

Currently, the Soviet economy is facing numerous difficulties that may inevitably arise in the course of transforming its Communist economic system of 73 years into a market economy. Nonetheless, the complementarity of the Korean and Soviet economies offers bright and promising prospects for mutually beneficial economic cooperation. Such prospects are further underscored by several positive factors.

First, Korea's well-developed light industries have great potential for supplying the Soviet Union with daily necessities and other consumer products which the Soviets need pending the development of their own light industry.

Second, Korea and the Soviet Union can gain much from their cooperation in the fields of science and technology. While Korea needs to upgrade the level of its industrial technology in order to prevent Korean industries from slipping in international competitiveness. The Soviet Union has the world-class scientific and technological capability in space science, aeronautics and science research. The two countries can benefit much from scientific exchange and technology transfer.

Third, there is a potentially large scope of cooperation in the development of social overhead capital in the Soviet Union. Many of foreign firms wishing to invest in the Soviet Union cite the inadequacy of Soviet social overhead capital as a major drawback. Equipped with abundant experience and expertise, Korean firms are most suitable for undertaking infrastructure projects, such as housing, highway, and harbor construction, and the development of telecommunications systems.

The possibilities of Korea-Soviet economic cooperation are thus virtually unlimited. Yet, it will probably take time before a market economy becomes firmly established in the Soviet Union. Under the circumstances, the Soviet Union has several problems that may pose impediments to the implementation of economic collaboration between Korea and the Soviet Union. The problems concern the foreign exchange system, the management system for external trade, joint-venture firms, the inadequate infrastructure facilities, and shortages of consumer goods.

On the other hand, the Soviet Union, richly endowed with natural resources and highly advanced in certain fields of science and technology, possesses enormous potential for developing its economy when it blends in certain aspects of a capitalist market system and provides enough incentives to motivate all its economic partners to enhance productivity. The Soviet Union, however, will have to carry out institutional reform necessary for the maximization of the efficiency of a market economy, while simultaneously minimizing the adverse ramifications of its economic transition.

Korea and the Soviet Union can be expected to solve problems and find effective ways to deepen their economic cooperation by holding governmental-level talks on a regular basis, since the structures of the two economies are such that they can complement each other.

Meanwhile, Korean firms and their Soviet counterparts, who will be directly involved in Korea-Soviet economic cooperation, can do much to exercise and improve their creativeness and entrepreneurship by maintaining close and active contact with each other.

With the realization of all this, annual two-way trade between Korea and the Soviet Union is expected to rise ten-fold from an estimated US$1 billion in 1990 to US$10 billion by sometime after 1995.

KOREA IN FOCUS

Korean Overseas Information Service/Seoul, Korea
December 1990

Introduction

In the past two decades, Korea has been one of the fastest developing nations in the world—both in economic and social terms. Rapid industrial and economic growth have seen the Republic reach developed nation status in a remarkably short-time. The Korean people also find themselves in the midst of a new era of democratic development which, since it began in 1987, has created a significantly different political environment.

The successful hosting of the 1988 Summer Olympics also appears to have convinced many foreign observers of the Korean situation that the country now has a welcoming and stable environment. Since the Games, there has been an influx of foreign companies establishing offices or operations in Korea; the spin-offs from the hearty welcome Seoul gave to the world in 1988 are also being reflected in the country's tourism figures, in cultural and educational exchanges, and in economic co-operation. The Olympics also played an important role in the warming of ties between the Republic of Korea and all countries in the world.

This era of stability and expanding international ties represents the most exciting period in the country's history—and yet, in retrospect, Korea has, in its 5,000-year history, quite an enviable record for governments of longevity and stability; the country's last dynasty, the Yi Dynasty of the Choson Kingdom, lasted 500 years.

Inevitably, the Koreans of today, while enormously proud of their country's past, look at Korea's role and reputation from a more recent historical perspective; but, in order to understand today's Korea—its land, people, culture, history, and recent economic and political transitions—it is necessary to look at both the past and the present. "Korea In Focus" aims to give you a brief overview to help in your general awareness of Korea today. More detailed information can be obtained from individual organizations or government offices.

Land

The Korean Peninsula, located in Northeast Asia, is bordered on the north by China and the Soviet Union and juts towards Japan to the southeast. Since 1948, the 221,487 square kilometers which make up the entire peninsula have been divided, roughly along the 38th Parallel, into the Republic of Korea in the south and the Democratic People's Republic of Korea in the north. The Republic of Korea covers 99,221 square kilometers, a land area a little more than twice the size of Switzerland.

Seoul is the capital of the country which is made up of nine provinces; other major cities include Pusan, Taegu, Inchon, Kwangju, and Taejon.

The landscape is spectacular in its variations although about 70 percent of it is mountainous. The highest peaks on the peninsula are Paektusan (2,744 meters) in the North and Hallasan (1,950 meters) in the South. The oceans around the peninsula are a major source of livelihood and recreation for Koreans; the shoreline is dotted by more than 3,000 islands.

The peninsula's longest river is the Amnokkang (790 kms) in the North. One of the South's major waterways in the Han-gang which flows through Seoul to the West Sea (Yellow Sea). A redevelopment project which began in 1982 has turned a 36-kilometer stretch of the river where it flows through Seoul into a beautiful recreational facility, with water sports on the river and parks and sports fields lining its banks.

History

A look back at the 5,000 years of Korean history reveals triumphs and tragedies, successes and struggles which have been instrumental in shaping the Korea and Koreans of today. One remarkable fact that emerges from such an historical examination is that Korea has largely been ruled by long-term, stable governments. Korea's kingdoms and dynasties generally lasted about 500 years or more. The last kingdom, Choson, lasted for 500 years,

until 1910 when Japanese troops invaded Korea, occupying the country until 1945.

Although Korea's traceable history began considerably earlier than the seventh century, it was in 668 that Korea, as a unified country, came to occupy most of the peninsula as it exists today. Indeed, the people of the earlier Ancient Choson Kingdom also settled and lived in Manchuria, eastern China, north of the Yangtze River.

Korea as an historical entity with a cohesive culture and society can be traced back to what is called the Shilla Unification, Prior to the Unified Shilla period (668-935) was the Three Kingdoms period, which ended when Shilla conquered the Paekche Kingdom (18 B.C.-A.D.660) and the Koguryo Kingdom (37 B.C.-A.D. 668).

The Koryo Kingdom that followed (918-1392), saw Buddhism, which had arrived in Korea during the Three Kingdoms era, continue to flourish. The period is best known internationally for its famous blue and green inlaid celadon pottery, as well as for the invention of the world's first movable metal type.

General Yi Song-gye's establishment of the new Choson Kingdom (1392-1910) saw Confucianism dominate national and family life until Japan imposed colonial rule.

Korea was finally liberated from Japanese rule at the end of World War II—but only to become entangled in the fierce ideological conflict that led to the formation of two separate states in the north and the south, divided along the 38th Parallel. In 1950, North Korea launched an all-out attack on the Republic of Korea, triggering the Korean War which raged until 1953. The devastating conflict was ended by an armistice agreement which established the Demilitarized Zone (DMZ) that now cuts across the peninsula's mid-section.

It was almost a decade after the end of the war before the Republic of Korea had recovered sufficiently to establish stability and start the momentum for its now remarkable recovery and development. The three decades since then have been a time of spectacular progress which has seen the creation of a modern, industrialized nation.

People

Korea is an homogenous society. Although there have been historic and prehistoric migrations of Chinese, Mongols, and Japanese, Koreans are very conscious of the ethnic differences and cultural distinctions which give them their unique identity.

The population of the Republic of Korea was estimated at just under 42 million as of mid-1988, making it the 23rd-largest in the world. Its population density is among the world's highest and Seoul, the capital, has over 10 million inhabitants. The annual population growth in the Republic has dropped from an average of 2.7 percent in the 1960-66 period to only 0.97 percent in 1988. This figure reflects the impact of a "stop at two" national family planning campaign of recent years as well as changing attitudes towards the desired number of children in a family—induced in part by high competition and quality in the educational system. The slowdown is also partly the result of the increasing numbers of young, working women who are opting to marry later then was the norm in the past.

The annual number of births per 1,000 of population declined from 40 in the early 1960s to 16.5 by 1988, while the death rate fell from 11-12 to 5.9. The average lifespan for Koreans has increased from 51.1 years for men and 53.7 for women in 1960 to 66.2 for men and 72.7 for women in 1988.

The country's rapid industrialization has been behind today's concentration of population in urban centers. The proportion of Koreans living in cities has jumped from only 28 percent in 1960 to 69.9 percent as of 1988—only slightly lower than the 73 to 76 percent levels in the United States, Japan and France.

Language

The Korean language is spoken by some 60 million people living on the peninsula and its outlying islands as well as some 1.5 million Koreans living in other parts of the world.

Korean belongs to the Ural-Altaic language group, which is found in a narrow band from Korea across Mongolia and central Asia to Turkey. It is quite similar to Japanese in grammar and sentence structure, and yet it is also said to be

distantly related to Hungarian and Finnish in basic form. Korean is a non-tonal language, with agglutinative and polysynthetic elements—phonemes, or sound elements, are combined to make a whole syllable, each of which has a single and unified definite meaning or function. Elements of a phrase or sentence are joined to form one utterance but cannot exist independently.

A polysyllabic and atonal language, Korean has no linguistic relationship with Chinese. However, Korean, like Japanese, possesses a rich vocabulary borrowed from Chinese, in the same way that many European languages include a large number of words of Latin and Greek derivation. The Korean alphabet, Han-gul, invented by King Sejong in 1446, comprises 14 consonants and 10 vowels. Simple and highly efficient, Han-gul is easy to learn and to write—factors which have greatly contributed to the high literacy rate of Koreans.

Climate

Korea has four distinct seasons with fall generally considered the most pleasant time of year for tourists. The climate is similar to that of the northeastern part of the United States. The mean temperature during winter is normally below freezing. January is the coldest month, with a temperature of 23F (−5C), Summer in Korea is hot and humid. August is the warmest month, with an average temperature of 78F (25C). The annual temperature range from the coldest to hottest months is about 28.3C in Seoul. The temperature range is much greater in the north and the interior than in the south and along the coasts.

Korea is located in the East-Asian monsoon belt. The summer monsoon produces heavy rainfall and about 70 percent of the annual precipitation occuurs from June through September. Annual precipitation varies from 500mm in the northeastern inland areas to 1,400mm along the southern coast. The amount of rainfall decreases from the south to the north. The winter weather pattern, which originates in the interior of the Asian Continent, is dry and low in temperature. The winter months normally receive less than 10 percent of the total annual precipitation.

There are two sources of typhoons affecting Korea's climate. Those originating in the Yangtze Valley of China, usually affect Korea in March, April and in the early part of summer and bring with them abundant rainfall vital to the rice crop. The other typhoons usually originate in the east Philippines during the summer months. On average, the southern coast generally gets one or two mild typhoons a year, and a strong one every two to three years.

Religion

Religion in today's Korea covers a broad spectrum of faiths and beliefs. Buddhism, Christianity, Confucianism, Islam, shamanism, and numerous other indigenous religions exist in Korea although none of them by itself dominates the major sector of the population or influences contemporary culture.

Despite the co-existence of so many different religions, Korean history has never witnessed internal strife or conflict caused by religious differences. Rather, the various religions have united and rallied to support the nation in times of crisis.

The religious population of Korea today is more than 17 million, about 42.6 percent of the total population, according to 1987 census records. Buddhism remains the formal religion of perhaps 20 percent of the population although Christianity is the most dynamic religion, and is followed by almost 16 percent of the Korean population. However, most of the population follow certain customs and practices which are clearly Confucian. Native shamanistic traditions remain alive, and kut (shaman ceremonies) are still performed. For visitors from Western countries, there are a number of church services in English.

Education

Education has been at the heart of Korea's growth by training and supplying the manpower needed for rapid industrial and economic expansion.

A ladder-type educational system is currently in use, encompassing elementary school (six years), middle school (three years), high school (three years), and college (four years), as well as various graduate and professional programs. Education is compulsory only through the sixth year of elementary school. Both high schools and colleges require students to take standard qualifying examinations.

Today, about 90 percent of the nation's youth graduate from high school. About 35 percent of high school graduates each year embark on four-year courses at universities and colleges and a further 20 percent enter two-year junior colleges. This compares very favorably with a country such as Britain, where only 15 percent of 18-year-olds proceed to universities or polytechnics. The national literacy rate is in excess of 95 percent.

The National Institute for Educational Evaluation charted the course for future educational development when it established a five-year plan in 1987. The plan includes various programs to improve the quality of education. Funding for research institutes associated with colleges and universities comes from a number of sources, including the national treasury and private corporations.

The government has also signed agreements with 58 countries on the exchange of information and promotion of international understanding through cooperative programs in education and culture. Korea also participates in international exchange activites coordinated by UNESCO.

The government has eased regulations on overseas study. This new policy also encourages those in the teaching profession to take advantage of opportunities for training abroad.

Transportation

The tremendous pace of local economic growth in the past two decades, has been reflected in the expansion of transportation facilities and the increases in Korea's annual passenger and cargo volumes. The annual volume of passenger transportation rose from 1.6 billion persons in 1966 to 13 billion in 1989.

Seoul has a well-developed mass transit system of subways, buses, and taxis. Airport shuttles or city buses are conveniently available and operate throughout the city. The subway system is the seventh longest in the world, carrying 2.759 million people each day in 1989; its four lines reach most major locations in the city.

The domestic air services of Korean Air and the new Asiana Airlines, serve eleven airports; Seoul, Pusan, Cheju, Taegu, Sokcho, Kwangju, Chinju, Yosu, Ulsan, Kangnung, and Pohang.

Korea has three international airports—in Seoul (Kimpo), Pusan (Kimhae) and Cheju (Cheju)—all equipped with modern air traffic control facilities and support systems. Korean Air's worldwide network serves 34 cities in 20 nations, including recently inaugurated regular flights to Moscow. The newly launched Asiana Airlines recently started international flights with regular service to four cities in Japan.

An expressway system also connects Seoul with provincial cities and towns, putting any place in mainland Korea within a one-day round trip of the capital. Express buses transport passengers to and from all principal cities and resorts in the country.

The railways also serve the entire country through an efficient and extensive network. The super-express train, Saemaul, runs from Seoul to Pusan in four hours and 10 minutes. There are also ordinary express and local trains.

Ocean liners, cruise ships, and passenger-carrying freighters visit Korean ports. A ferry service links Pusan with Cheju Island and the Japanese ports of Shimonoseki and Osaka.

Telecommunications

Telephone services have rapidly expanded during the last decade, particularly during the Fifth Five Year Economic and Social Development Plan period (1982-86). During these years, the government has invested US$1.2 billion in communications annually, accounting for 7.7 percent of total government investment. One million new telephone circuits have been installed each year during this period, taking the total number of telephone lines to 13.87 million as of 1989. Virtually every home in the country now has its own telephone and all telephone circuits are connected by automatic switching systems.

By the year 2001, a total of 22 million telephone lines will have been installed, putting the telephone supply rate at 40 per 100 people—on a par with the most advanced nations in the world.

With this massive expansion of telecommunication facilities, the government is developing a plan to construct an Integrated Services Digital Network (ISDN). The Ministry of Communications is promoting the development of diverse state-of-the-art data communication services, including the digitalization of telephone, telex, videotext and teletext.

CHALLENGING TIMES

Korean Overseas Information Service/Seoul, Korea
December 1990

Koreans are finding their democratic experiment both exhilarating and challenging. Nearly three years after the inauguration of President Roh Tae Woo in February 1988, it is clear that democracy is taking root. Citizens enjoy the new found freedom to express themselves, engage in political activities virtually without restrictions and elect their representatives in fair and free elections. Authoritarian government—a legacy of Korea's monarchical past, Japanese colonial rule and the patriarchal administrations of the First to the Fifth Republics with the exception of the brief Second Republic which lasted less than a year—is now a thing of the past and the Government's legitimacy is unquestioned.

The sudden socio-political changes were triggered by Democratic Justice Party President and Presidential Candidate Roh Tae Woo's June 29, 1987 Declaration of Political Reforms which brought to an abrupt end the mounting unrest and increasingly violent demonstrations demanding democratization. While both necessary and popular, the sweeping reforms have had a temporary unsettling impact on both the economy of Korea, contributing to the slowing down of growth and the wiping out of the budding trade surplus, and on the ethical and moral underpinnings of Korean culture and tradition rooted in Confucianism, which is an ethic that in Korean society has emphasized community interests and hierarchies and social order over individual initiative and self-determination, the central tenets of democratic society. Thus the breathtaking experiment in democratization has had both its upside and its downside, and it was only after the public became profoundly concerned about the repercussions of social and political excesses accompanying democratization that some kind of balance began to be sought among the various social, political and ideological forces. The leadership of both the Government and the opposition parties has shown a strong commitment to protect and broaden this hard-won democracy.

Although President Roh Tae Woo was elected by a direct, popular vote and in a free and democratic election, his Government had a somewhat shaky start because his Democratic Justice Party failed to secure a majority in the April 1988 parliamentary elections. It won only 125 seats in the 299-seat National Assembly, while Kim Dae-jung's party for Peace and Democracy (PPD) took 71 seats. With Kim Young-sam's Reunification Democratic party and Kim Jong-pil's New Democratic Republican Party (DRP) securing 59 and 35 seats respectively, the three opposition parties held a substantial majority of the parliamentary seats. This often resulted in political impasses.

Two concerns occupied the attention of the nation during 1988. The Olympics Games were seen as an opportunity to prove to the world that Korea had matured to the point that it could contribute more positively to the international community and that it was ready and willing to play a leading role in regional affairs. Beyond the success of the Games—which was important in itself, being the largest and most impressive to date—they helped Korea expand its diplomatic horizons and increased the momentum of the northern policy, designed to establish contact with the socialist countries of East Europe and Asia and ultimately to find a breakthrough to hostile North Korea.

As significant, 1988 was the year when the transition from authoritarianism to democracy began to really take hold. Sociopolitical changes were fast paced and broad in scope. The consciousness and expectations of the people underwent a major transformation. Newspapers were freed from Government guidelines on what to cover and what not to, thousands of political dissidents were released from jail, and long-suppressed labor unions began to organize and frequently go on strike in order to press demands for higher wages and improved working conditions.

After the conclusion of the Olympics, the opposition parties made it the first order of business to investigate and expose the wrongdoings and scandals of the previous administration of President Chun Doo Hwan. The issue did not die even

after the former President went into voluntary exile in a remote Buddhist temple after having donated all his wealth to the nation and two of his brothers were arrested and received jail sentences on charges of extortion and embezzlement. The controversy was not brought to a climax until the last day of 1989, when President Chun was convinced to testify before the National Assembly. While he denied any wrongdoing—to the dismay of the opposition lawmakers—his ritual appearance officially closed the book on that divisive issue.

After the Olympics and into 1989, radical students and dissident groups, who have played a catalystic role in Korean political upheavals for decades, returned to their previous themes, opposing "American imperialism," insisting on the arrest and prosecution of President Chun and demanding the resignation of the Roh Government. As genuine democratic reforms began to spread throughout society, however, public tolerance of the dissidents began to wane. They not only lost their most potent platform but became increasingly more divorced from reality with their dogmatic stances becoming more pronounced. The illegal travel to North Korea by three activists on a self-professed unification mission dismayed the public not only because they had broken the law but also because their activities were seen as undermining the potential for meaningful South-North dialogue.

Labor activism among industrial workers, on the other hand, moved closer to pragmatic, institutionalized activity within the framework of legal boundaries. Most of the large scale disturbances on the labor scene in 1988 and 1989 took place in the large enterprises that could best afford to pay the price, were limited to demands for pay raises and better working conditions and did not involve other political issues, and were settled with a minimum of Government intervention.

But clearly there were serious difficulties involved as the labor disputes, though generally short-lived, contributed not only to rapid wage increases of more than 20 percent annually but also to production delays, missed shipments and lost orders. Partly as a result of this, the South Korean economic growth rate dropped from 12 percent in 1988 to less than 7 percent in 1989. The slowdown in exports as Korean products lost some of their competitive edge and the slower rise in jobs as many domestic and foreign investors were frightened off by higher costs and labor militancy provided the Government with the justification to take tougher action against what it considered to be excessive job actions.

Perhaps the most conspicuous political development since the inauguration of the Sixth Republic was the merger of three political parties into a large Government party. After many months of speculation that there would be some kind of a party realignment once the "Fifth Republic issues" were settled, President Roh Tae Woo and opposition leaders Kim Young-sam and Kim Jong-pil declared on January 22, 1990, the inauguration of a new majority party through the merger of their parties. The announcement of the merger of the three conservative parties—the Democratic Justice Party of President Roh, the Reunification Democratic Party of Kim Young-sam, and the New Republican Democratic Party of Kim Jong-pil—came as a major surprise. Few had expected that long-time opposition leader Kim Young-sam would join hands with Roh, his political rival in the past, and his Government party. Opinion polls indicated that the initial reaction of the public concerning the merger of the three parties and the subsequent advent of the Democratic Liberal Party was generally favorable, as this was thought likely to enhance political stability.

The three leaders declared that they had agreed on the merger "to realize the historic tasks of democratic development and national unity." It also was the product of political compromise through which President Roh secured a large majority in the National Assembly and earned the reputation as a great conciliator and master politician. President Roh could look forward to an effective administration during his term in office.

Kim Jong-pil, by deferring to Kim Young-sam as being first among the two equals, cleared the way for the merger. By initially promoting collaboration with Kim Young-sam's RDP, Kim Jong-pil succeeded in inducing Roh to join them in forming the new conservative party.

For Kim Young-sam, the merger represented the gamble of a lifetime. By shedding his opposition status, Kim Young-sam assumed a leading posi-

tion in the new "Government party," received a share of the cabinet posts, and became a viable contender for the position of chief executive.

Kim Dae-jung, for his part, expressed indignation in what he claimed was a political "coup d'etat which ignored the will of the people." He launched a public campaign to denounce the merger. However, it was in large part the bitter rivalry between the two Kims which led Kim Young-sam to seek collaboration with Roh and Kim Jong-pil rather than Kim Dae-jung. Several independents and a handful of Kim Young-sam's former Reunification Democratic Party members who denounced the merger joined hands in forming a nascent "Democratic Party."

One of the merger's more immediate effects was to galvanize the radical dissenters who had been running out of issues and steam. Earlier in 1989, a broad range of "progressive forces," including labor unionists, students leaders, dissidents and other activists, had merged into a single coalition. While many in the alliance preferred to remain outside of institutional politics rather than organize themselves into a party, others felt a clear need to participate in institutional politics and fielded a candidate in a by-election in August of 1989. On November 10, 1990, a new party, the Minjungdang or People's Party, was inaugurated. Composed of dissidents, militant students, labor activists, self-professed representatives of the rural and urban poor and other anti-establishment elements, it will face two main challenges: the inevitable factional and personal friction resulting from an ideological party lacking in clear leadership and the difficulty of winning seats in an election. Progressive parties in Korea have always done poorly relative to their strength in the streets, factories and schools, since most voters take a dim view of any political group smacking of Marxism. It is significant, nevertheless, that a faction of the dissidents has decided to take part in institutionalized politics.

As 1990 comes to a close, several unresolved political issues occupy the attention of the nation. On the issue of unification, the country is now pretty well united behind the Government. While the radicals persistently object, there is general acceptance of the position of the Government that it should be the single channel to arrange increased contacts with the North with an eye on reconciliation and unification and that the remaining restrictions on exchanges should be gradually lifted, always taking into consideration the North Korean attitude.

The idea of a constitutional revision to introduce a parliamentary system has also stirred controversy among the politicians on an on-again-off-again basis. The prospects for this change recently diminished because of persistent objections not only from the opposition but also from some factions of the Government party. The issue has been put on a back burner for the time being but will almost certainly resurface in the days ahead.

There is growing public impatience with delayed implementation of local autonomy, and the parties have finally agreed in principle to hold local elections in 1991. There are still a lot of differences to be ironed out between the ruling and opposition parties, however, and this issue will take up a great deal of the public's attention in the last days of 1990 and the early months of 1991. Besides local elections, National Assembly elections will be held in the spring of 1992 and Presidential elections at the end of that year. These elections will be the first real test of the public support of the ruling Democratic Liberal Party. The opposition, on the other hand, will try furiously to increase its strength and subsequently its leverage against the mammoth LDP.

Over the past three years, Koreans have largely overcome the birth pangs of political transition and have begun to consolidate democratic gains. With diplomatic horizons expanding, inter-Korean tensions seeming to be easing, and economic life steadily increasing, despite some adverse developments, Koreans can increasingly more confidently look forward to reaching the ranks of the advanced nations in a not very distant future.

well since its reforms began in 1979; his people, unlike Mr Gorbachev's, are tolerably well fed, their shop shelves are full and their factories—the non-state ones—are humming. Years from now China may still be well ahead of the Soviet Union. What, though, if a remade Russia, buoyed by western help, emerges as a great economic success from this week's events? Then it could be China that falls behind.

In Asia that possibility preoccupies not only the communists. Staunch non-communists—from authoritarian democrats like Malaysia's Dr Mahathir and Singapore's Lee Kuan Yew to the less autocratic leaders of Japan and Taiwan—are inclined to the Chinese approach, to put economic reform ahead of political liberalism. If the Soviet Union becomes truly absorbed into the western camp, this could become the new division between East and West.

Japan

The minder returns

FROM OUR TOKYO CORRESPONDENT

THE formidable Ichiro Ozawa is back in active politics in Japan. Mr Ozawa, it may be remembered, took the blame when the candidate of the ruling Liberal Democratic Party was defeated in the April election for the governorship of Tokyo. He did the Japanese thing and resigned as secretary-general of the party. Not long afterwards he had a heart attack. He is now said to be well again.

The prime minister, Toshiki Kaifu, will, for one, be relieved that the man who made his name as chief fixer for the ruling party is again by his side. Mr Ozawa did much to salvage Mr Kaifu's reputation after the prime minister delayed and then bungled his response to Iraq's invasion of Kuwait. It was Mr Ozawa who did the deal with two small groups to get the government's additional $9-billion contribution to the Gulf effort through parliament in March.

Now Mr Kaifu needs Mr Ozawa again. Although originally seen as a stop-gap, the prime minister has acquired a popular following. Most Japanese would probably like the mildly incompetent but sincere Mr Kaifu to stay on. But a powerful coalition within the ruling party is out to discredit him. It is determined to kill his cherished political reform bills, designed to reduce graft in Japanese politics, which are now before a special session of parliament.

The bills are being fought by opposition parties that fear they would lose seats under a plan to end multi-seat constituencies; by a number of government members of parliament who believe their seats would be endangered; and above all by factions in the ruling party that want to prevent Mr Kaifu from having any more successes. Mr Kaifu badly wants his bills to pass. If he maintains his winning streak, he will have a good chance of being re-elected as party leader (and thus retaining the prime minister's job) in October.

The leaders of the three mid-sized factions, Hiroshi Mitsuzuka, Kiichi Miyazawa and Michio Watanabe, want to prevent the large faction of Noboru Takeshita from dominating the leadership election. They say Mr Kaifu must resign if the reform bills fail to get through parliament.

Mr Ozawa has kept in touch with developments from his hospital bed, but he has been unable to do much about the attempts to stall the reform bills. However, the first thing he did on being discharged from hospital was to call a press conference to announce: "Whatever happens to the bills in the Diet will have nothing to do with whether Mr Kaifu will continue in power." The message to those three faction bosses was clear: try to bury the reform bills and the Takeshita faction will bury you. Mr Ozawa is a protégé of Shin Kanemaru, who is a king-maker in the Takeshita faction.

The Takeshita faction still has no candidate of its own to put forward as the next party leader. Mr Ozawa, at 48, is considered too young to be prime minister. The faction's other rising star, Ryutaro Hashimoto, who has been finance minister for the past two years, is expected to resign soon in embarrassment (his secretary was involved in one of the recent financial scandals). In-

Lessons of the boomu

FROM OUR TOKYO CORRESPONDENT

GETTING a place for young Yoshio or Hiroko in even a mediocre Japanese university is becoming tougher. More and more of Japan's educationally vigilant and newly rich parents want a college education for their 18-year-olds. Private two-year colleges are packed to the ceiling with students who may not have been able to get into sought-after four-year universities. Many private colleges are coining it.

Dozens of administrators from obscure American colleges have also been lured by the prospect of a quick yen. Running out of money and students back home, 33 foreign universities have set up campuses in Japan. Between them they are reckoned to have enrolled some 10,000 Japanese students.

But the campus *boomu* has brought its casualties. After only two years in Japan, the Osaka branch of United States International University (USIU)—a liberal-arts college based in San Diego, California—closed its classrooms in June. With debts reported at $24m, USIU-Japan has sought court protection while it tries to reconstruct its business. Angry parents want their fees back.



Many of the newcomer colleges lack credentials. They may masquerade as universities, but are really community colleges—for which there is no adequate Japanese term. Local education authorities tend to lump them alongside *juku* (crammers). A few have passed muster as *senshu gakko* (vocational training schools). None has been accepted under the education ministry's strict rules as a *daigaku* (a four-year university).

Only half a dozen of the branch campuses are believed to offer the level of education they do at home. Hardly any can award degrees in Japan, though most can transfer credits earned by Japanese students back to the parent campus. Many promise more in their advertising than they can deliver. One exception is Temple University of Philadelphia, which opened its doors in Tokyo in 1982. As the oldest and most respected of the foreign campuses in Japan, Temple offers complete degree courses in a wide range of subjects, along with graduate courses in economics.

Are the branch campuses in Japan missing a trick or two? One of the most coveted degrees by Japanese students going abroad is an MBA. Many Japanese students are willing to pay up to $10,000 just for tips on how to prepare applications (along with ghost-written essays) for good business schools like Harvard or Wharton. But instead of setting up "B-school *juku*" in Japan, yet more American colleges are opening branch campuses in Tokyo. Another ten are expected this year—just as Japan's population of college kids is about to shrink by 25%.



Ozawa is back in the backroom

creasingly then, it looks as though the Takeshita faction will once again throw its weight behind Mr Kaifu. Mr Ozawa's job will be to do the deals to ensure that Mr Kaifu gets enough votes to win re-election.

Mr Ozawa is slimmer than he used to be, and has given up smoking, though the political manoeuvring he faces is a continuing strain. Assuming he can bring Mr Kaifu to victory, it is still not clear how long the triumph will last. The current thinking in the party is that Mr Kaifu will be allowed to carry on for probably no more than one year, rather than the normal two. Then Mr Takeshita—having kept out of the limelight while public memories of the Recruit shares-for-favours affair subside—will be ready to reclaim the title for himself.

China

An old opiate for the young

FROM OUR CORRESPONDENT IN KUNMING

ON THE street corners of Kunming, in south-west China, the old men smoke their tobacco in hookahs. No one bothers them. An addiction to tobacco is not considered a great sin in Kunming—or indeed in the rest of China—and hookahs are picturesque. Heroin is the problem in Kunming. Children as young as 12 and 13 are on heroin, says one mother. Not for them an old age smoking hookahs.

Kunming, the capital of Yunnan province, lies on a route used by drug dealers to transport heroin from the factories of Myanmar (Burma) to Hong Kong and thence to the outside world. In Kunming itself the drug changes hands in the hundreds of little hairdressing salons, dance halls and video-games halls that line the town's maze of lanes. The walls of the town are plastered with posters advertising private clinics which promise to cure drug addiction. Addicts get bags of herbal medicine in return for the equivalent of perhaps $150.

The police have put up their own messages. At the entrance to a video-games hall are pictures of addicts vomiting and being rushed to hospital. Outside the tauntingly named Golden Triangle Café, a favourite haunt of back-packers, the police have pinned up a two-page essay describing the historical roots of drug addiction in China.

The chief of Yunnan's anti-drugs agency, Chen Cunyi, says that he set up a squad of 1,300 specialists as soon as the heroin problem became apparent, back in 1982. But still the heroin is coming through. The police reckon that some 30 drug factories are operating in Myanmar.

After the Communists won power in 1949, China all but eliminated the illegal use of drugs. The punitive methods they used against pushers are still in operation. Dealers can be, and frequently are, executed after mass-sentencing rallies in sports stadiums. Addicts who refuse to reform can be sent to labour camps without trial for up to three years.

When the police make a big drugs haul, of heroin, cocaine or cannabis, they put on a show, burning the drugs in public. Many pushers are Chinese, but 680 of the 3,425 people arrested last year thoughout China for drug-related offences were foreigners, mostly Burmese, Hong Kongers, Thais and Vietnamese. A Briton went on trial on August 13th in Shanghai on a drugs charge and another Briton is under arrest there.

Dedicated Communists feel ashamed that young people should find solace in drugs rather than in Marxism. And, once hooked, ideology has even less appeal. "Drug addicts do not believe in anything," said a doctor who treats addiction. The growth of minor private enterprise—small shops, or perhaps prostitution—means that many drug takers are able to earn the money to pay for their daily fix.

In China as a whole, the government hopes to halt drug-related crime in three years. Mr Chen, in charge of the anti-drugs effort in Yunnan, says he is determined to clean up Kunming and the rest of his patch. In Hong Kong the narcotics bureau declines to comment on these ambitions. But its officers point out that the smuggling route from Myanmar has been trodden for many years, and will not stop in a hurry.

For a while, then, the traditional methods of control will persist in China. The helpful Mr Chen says he will invite "friendly" foreign journalists to watch next time there is a big death-sentence rally.



Hard drugs, hard evidence

India

The end of One-Eyed Jack

FROM OUR DELHI CORRESPONDENT

ON THE day Rajiv Gandhi would have turned 47, had he lived, the man believed to have masterminded his assassination died. He went by the one-word name of Sivarasan, and was known by the police hunting him as One-Eyed Jack because of his glass eye. He was a member of the Tamil Tigers, the guerrilla group that wants a separate state in north-eastern Sri Lanka.

Evidence gathered since Gandhi was murdered on May 21st convinced the Indian police that Sivarasan was their man. They were tipped off that he was hiding in a house in Bangalore, but in the end were cheated of their quarry. When the house was surrounded on August 18th Sivarasan and many of his colleagues committed suicide, mostly by swallowing cyanide capsules. In the past many Tigers have killed themselves rather than surrender.

The Tigers have denied killing Gandhi. If the Indian police are right and they did the deed it may be that they could not bring themselves to admit to a deeply unpopular crime. One theory for the Tigers' motive presumes that they want not only a slice of Sri Lanka, but the southern Indian state of Tamil Nadu as well. To achieve this, it would be necessary to drive a wedge between Tamil Nadu and the rest of India. Many Indian Tamils resent domination by northern Indians.

Rajiv Gandhi was a northerner who enjoyed wide support in Tamil Nadu. He was in the way, and had to be eliminated. The Tigers also had reason to hate Gandhi. The soldiers he sent to Sri Lanka as a peace-keeping force in 1987-89 forced the Tigers back into the jungle. The theory is far from watertight, but it is accepted by the Indian authorities and enables them to close the Gan-



Bereaved, because of One-Eyed Jack

dhi murder investigation.

The Tamils of Sri Lanka can no longer take Indian sympathy for granted. That sympathy dates back at least to 1983, when refugees from the Sri Lankan civil war started coming to Tamil Nadu. The state government of Tamil Nadu and the Indian army fed, trained and armed the Tigers and several other guerrilla groups fighting the Sri Lankan government.

The Tigers created a network of illicit businesses in Tamil Nadu—smuggling, alcohol, drugs—that made them rich. They bought weapons from abroad and set up arms factories in Tamil Nadu. They virtually ran parts of the state near the coast, and shot down rival Tamil factions. After the assassination, they are now feared and disliked by most Indian Tamils, though still supported by a minority. The current chief minister of Tamil Nadu has been the first to crack down on the Tigers, and lives in constant fear of assassination.

The Tigers, however, say that in the long run Indian Tamils will be honour bound to support them again. The sight of maimed Tamil refugees from Sri Lanka will become more vivid than that of Rajiv's mangled body. That, anyway, is what the Tigers like to believe.

A carload of Burmese democrats

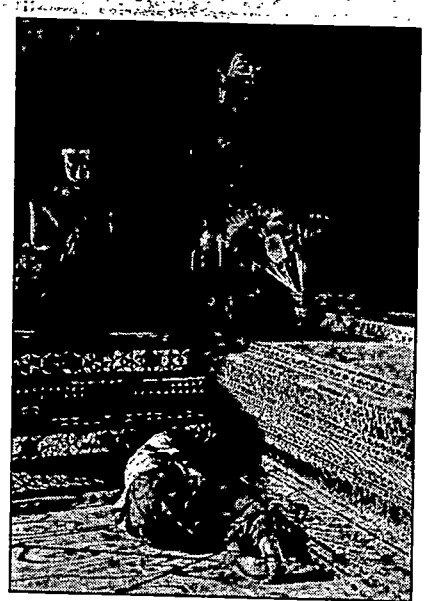
THE first request made by Peter Limbin is to avoid talking of Myanmar. That is the name imposed on Burma by the military junta. Anything the junta has done is wrong, he says, and probably illegal. Mr Limbin is foreign minister of the National Coalition Government of the Union of Burma. It is not a government in exile, he explains. Its base is in Burma, although only just: in Manerplaw, just over the border from Thailand.

Unlike the usual "pretender" government set up to oppose a dictatorship, the National Coalition does have a mandate to rule. In May last year the junta allowed a general election to take place. It was won overwhelmingly by the National League for Democracy. The junta did not honour the result and has refused to convene parliament. Of the 392 members of the League who were elected, 62 have been put in prison (at least three may have died there), 15 are known to have left the country, more than 100 are in hiding and the rest are under surveillance. The National Coalition Government is composed of elected members of the proposed parliament.

But whatever the National Coalition's claim to legitimacy, the reality is that the junta rules the country. Manerplaw provides a sanctuary only because it is held by the Karens, one of the tribal groups that are opposed to the junta. The National Coalition has no money. This week five of its members were in London and were planning to cram themselves into a modest car to visit supporters around Europe.

They have not asked other governments for recognition, knowing that it would probably be refused. What heartens them is that decent countries loathe the junta. In July the European Parliament condemned the junta's human-rights violations. The Americans are incensed that most of the heroin reaching the United States from South-East Asia comes from Myanmar. The army is assumed to be in the heroin business.

The National Coalition is composed of patient people. One day Ne Win, the general who seized power in 1962 and, it is believed, still rules from behind the scenes, will be gone. One day the democrats' leader, Aung San Suu Kyi, will be freed from house arrest and the legitimate government will take office. On that occasion, no doubt, Myanmar will be Burma again.



Say a prayer for Burma

Australia

Asia calling

FROM OUR CANBERRA CORRESPONDENT

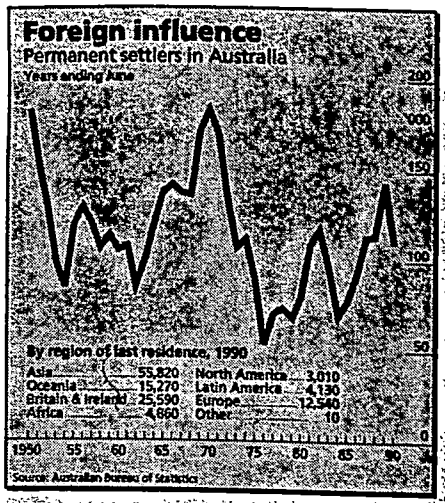
IN 1977 Sang Nguyen arrived in Australia as a refugee from Vietnam. In 1988 he was elected to Richmond Council, a local authority in Melbourne. This month he became mayor of Richmond, the first Vietnamese mayor in Australia. Mr Nguyen's achievement has encouraged those who believe that what is called multi-culturalism is the best prospect for Australia.

Australia has always been settled by immigration. Its aborigines first arrived from the Indonesian islands 40,000 years ago. English convicts and their jailers began the wave of white immigration in 1788. Since 1945 some 5m settlers have arrived, and 1m have left. The population is around 17m, still tiny for Australia's size, even allowing for its vast inhospitable interior.

These days only bigots talk of "white Australia". In 1989-90 46% of all immigrants came from Asian countries. However, without necessarily being bigoted, some prominent Australians want to see immigration cut, particularly now that the country is in recession. In June the federal employment minister, John Dawkins, said immigration should be halved because, he claimed, high immigration probably harmed the economy and the environment. In July the former treasurer (finance minister), Paul Keating, who still hopes to be prime minister, said he doubted whether Australia could continue housing immigrants at the present rate. An economist, Stephen Rimmer, says multi-culturalism costs $7 billion a year and is a large cause of Australia's relative decline. Another economist, Robert Birrell, says immigrants are pushing up welfare costs and adding to unemployment.

Supporters of immigration are not standing for this. John Nieuwenhuysen, the head of the Bureau of Immigration Research, says critics have overstated the costs and ignored the benefits of immigration. His backers believe immigration probably boosts employment because the money immigrants bring and spend more than offsets the expansion of the labour supply.

The level of immigration has, in fact, been falling for the past two years. This is



not, says the government, because of a change in policy, but because there is less demand for skilled immigrants in a recession. Apart from people with special skills, Australia takes in relations of Australian families and a quota of refugees. Businessmen with money are also favoured. The number of immigrants to be admitted to Australia this year is 111,000, compared with 145,000 in the peak year 1988-89.

The average Australian does not seem much concerned by immigration. In a poll listing 12 issues that might influence people's voting intentions, immigration came bottom. The last published poll specifically about immigration was taken in May 1990, before the immigration target was reduced. When put on the spot, 65% of Australians said they wanted immigration to be cut back or stopped.

If the poll is a true reflection of Aussie feelings, it is more likely to be expressed in casual verbal abuse than by violence. Ron Casey, a broadcaster and football coach, got some publicity last year when he threw a glass to the ground and stormed out of a television studio because others in the programme were arguing for multi-racialism. This word, though, like its associate, multiculturalism, is just another way of saying that Australia has a "rich cultural mix".

Mayor Nguyen says he has had his share of racist taunts. They upset him when he arrived in Australia, but he is philosophical about them now. Criticism of Vietnamese by Australians of other backgrounds is in "the nature of human beings", he says. He is happy with Australia. "It is a great opportunity for me now." Spoken like a true Aussie.

New Zealand

Waitangi's wisdom

FROM OUR NEW ZEALAND CORRESPONDENT

THE Maori are a people who fell from grace. Until shiploads of European migrants began arriving 150 years ago, they accounted for virtually all New Zealand's population. Now they make up less than a tenth of the 3.4m people and hold only 5% of the land in tribal ownership. They contend, like the dispossessed native peoples of America, that their land was stolen. What is novel is that they expect to get it back.

Their hope stems from the Treaty of Waitangi, signed in 1840 between the Maori chiefs and a British government influenced by Christian sentiments. The Maori exchanged sovereignty for guaranteed ownership of their lands, forests, fisheries and other possessions. Once the settlers acquired power, the treaty was conveniently disregarded.

But not forever. In 1985 the Labour government endowed a hitherto innocuous, but independent, body with the power to hear claims of past breaches of the treaty and to recommend the level of compensation. Not surprisingly, the tribunal has been swamped with claims, some large.

Outsiders may be bemused that past governments are being tried for misdeeds a century, or more, old, especially when the misdeeds are more venal than mortal. An example is the claim of Ngai Tahu, a small tribe that inhabited New Zealand's South Island and sold most of its land to the government before 1860. Although the tribe numbered fewer than 3,000 at the time, the government set aside minimal reserves for them. This year the Waitangi Tribunal found that the government of the day had failed to give the tribe an economic base. The tribunal took the view that the tribe was, as a result, entitled to both land and money in compensation.

The compensation due if all the tribunal's recommendations are accepted by the government is huge. The settlement of just one claim, for commercial fishing rights, resulted in the government agreeing to give the Maori NZ$10m ($5.7m) and 10% of the country's commercial fishing catch.This will cost tens of millions of dollars and is only an interim deal; the Maori can come back if they feel they are entitled to more under the treaty.

Perversely, such efforts to make amends for the past may actually widen New Zealand's racial division. Many European New Zealanders, worried at the bill they may have to foot, see the Waitangi Tribunal as a monster. They take the view that it was European capital and know-how that built New Zealand's prosperity.

The Labour government which created this "monster" was voted out of office last year (mainly because of its economic policies). The new National Party government says it prefers to negotiate directly with tribes, rather than rely on the tribunal. However, it has so far shown little inclination to curtail the tribunal's jurisdiction. Perhaps it sees the tribunal as a safety valve. The more prosaic suggestion is that the government is not sure what to do.

The real solution to New Zealand's racial problems lies in demography. Whatever their differences, Maori and European New Zealanders have been happy to interbreed. At some point in the next century, more than half of New Zealanders will have some Maori blood. Perhaps, therefore, the Maori could assimilate the Europeans, and allow everyone a share in the tribal bounty?



A Maori dance and an All Black team

Indonesia

Unequal gains

FROM OUR SOUTH-EAST ASIA CORRESPONDENT JAKARTA

"FROM the very onset we realised that equitable distribution without growth will only mean sharing poverty. Growth without equitable distribution means sharing injustice." Thus President Suharto presenting Indonesia's budget for the current fiscal year. He means what he says. Over the past 24 years his country has perhaps been more successful than any other large developing nation at improving the lives of its poorest citizens.

But success breeds its own problems. Indonesians' expectations have grown bigger than their rice bowls. And an increasing number of them suspect that the rich, especially the Chinese industrialists close to Mr Suharto, have pocketed most of the profits from the recent economic boom. The perceived growth in the gap between rich and poor is likely to be a big issue in the elections due to be held in March 1992.

First, the achievement. When Mr Suharto took over in 1967, Indonesia's GNP per person was $50, roughly half that of India's; now it is $500, almost 50% higher than India's figure. In 1970 the first attempt to estimate how many Indonesians lived in absolute poverty found that 60% of the population, 70m people, lived below the official poverty line. By 1987, when the most recent estimate was made, this ratio had fallen to 17%, 30m people. The poorest fifth of the population, who had accounted for only 6.9% of the total spent on consumption in 1970, accounted for 9.2% in 1987. Although the poor's share is still miserable, it has at least been growing, which is more than can be said for many countries.

A World Bank study of how Indonesia managed to achieve this reduction in poverty stresses that the government made sensible use of the oil windfalls of the 1970s. It invested in agriculture, education and transport, thus ensuring that a new generation of rice farmers (80% of the population) were able to use new techniques and then get their produce to market. What the government did not do was to rely on direct transfer programmes, consumer subsidies or public employment. The Bank has particularly high praise for the skill with which the Indonesian government shielded the poor from the radical adjustment it was forced to make when oil prices began to slump in 1983. By slashing spending on fancy industrial projects, it maintained spending on the services of most use to the poor, such as clinics and primary schools.



Stringing along

Although most Indonesians agree that they have never had it so good, there is a lively debate over who has really benefited from the rapid growth since 1987, which has seen the economy expand by one-fifth. This boom has been driven by industry, which means that Java has prospered disproportionately. It accounts for 75% of Indonesia's industrial value-added and 60% of its population. The islands of east Indonesia produce only 3% of the country's industrial output, but support 15% of the population. They are where the poverty grinds hardest.

In Java there are still pockets of acute poverty. But on the island as a whole, real wages for unskilled workers in agriculture and industry have recovered from the 1986 recession and show a healthy increase since 1983, a sure sign of more job opportunities.

But a lot of Javanese do not see it this way. They have an uneasy sense that the Chinese-owned conglomerates have creamed off the gains. These groups were allowed to acquire various monopolies while the economy was tightly regulated—and have been able to retain them during the first stages of deregulation. The largest, the Salim Group, controlled by Liem Sioe Liong, accounts for 5% of Indonesia's GDP. The Salim Group and many of the other conglomerates are at an interesting stage—the second generation is in the process of taking over. Many of the heirs have been educated abroad and lack their fathers' feel for Javanese sensibilities. "Some of them are blatant fat cats," says a western businessman who has lived in Jakarta since the 1970s. "The Javanese do not like the way they behave, but they don't let this show. Resentment is building up."

The government has introduced some token measures to curb the conglomerates. Last year Mr Suharto told them to offer 20% of their equity to co-operatives; he also asked banks to increase lending to small businesses. The message these measures were supposed to convey was, however, blunted by another decision: to award a monopoly on the trade in cloves to Tommy Suharto, the president's youngest son.

The World Bank has recommended that Indonesia should ensure that the terms for private enterprise are free and fair, if the attack on poverty is to continue to succeed. This will mean exposing the conglomerates to more competition and making relations between them and the government more open—a polite way of saying that cronyism must end. That implies a break by the president with the friends who bankrolled his government in its early days and who have driven the economy's recent growth. For Mr Suharto it will be a hard political decision.

Comparative social indicators

	GNP per person $, 1989	Life expectancy at birth 1989	Infant mortality rate 1989	Daily calorie intake per person 1988
Indonesia	500	61	64	2,670
China	350	70	30	2,632
Philippines	710	64	42	2,255
Thailand	1,220	66	28	2,287

Source: World Development Report



A hesitant patroller of the Pacific

FROM OUR TOKYO CORRESPONDENT

DAMNED if they do, damned if they don't. Six months ago their Asian neighbours were prodding the Japanese to play a more active part in keeping the Pacific peace. Now that Japan has made its first, tentative suggestion to do just that, the neighbours are having second thoughts.

The suggestion came from Japan's foreign minister, Taro Nakayama, at a meeting in Kuala Lumpur on July 22nd-23rd with the Association of South-East Asian Nations. Why not, he asked his counterparts from Singapore, Thailand, Malaysia, the Philippines, Indonesia and Brunei, establish a forum for security matters, an annual meeting at which ASEAN and interested parties—Japan, Australia, New Zealand, South Korea, America, Canada and the EC—could swap views about security problems in the Asia-Pacific region?

An innocuous but useful question, Mr Nakayama might have thought. Unfortunately, he reckoned without the memories still alive in some of Japan's once-occupied territories. The idea of Japan seeking a greater security role in the region was enough to ring alarms all over the Pacific. In Tokyo all that could be heard was the scuffling of ministers in retreat.

They and their officials had been seeking ways to overcome the embarrassment caused by Japan's belated response to Iraq's invasion of Kuwait. That bungle cost Japan dear in straight money: some $13 billion in contributions to Middle East countries and to the American-led coalition that ousted Saddam's army from Kuwait. The cost in international goodwill has probably been greater. Japan's hopes of a permanent seat at the UN Security Council may have been dashed for years to come.

But there will be a price to pay at home, too. Eighteen months ago the new guard within the foreign ministry thought they had won the argument for a less insular Japan: henceforth Japan would shoulder its share of the global burden alongside its rich-country partners. At the time, George Bush welcomed this more self-confident Japan, and gave Toshiki Kaifu, the prime minister, every encouragement. America and Japan even began referring to the "equal partnership" between them. The subsequent fiasco over the Gulf made such talk look at least premature; the ASEAN rebuff makes it, and the foreign ministry, look foolish.

Not that the rebuff is explicit. In deference to their leading foreign investor (and their own ambivalence on the issue), ASEAN's ministers agreed to "study" the Japanese proposal. This means they will take their time: in fact, so much time that the Japanese plan could be buried in dust. Meanwhile, they would prefer Japan to carry on sending them bankers and businessmen rather than battleships, even friendly ones that might be used for shooing away unwelcome interlopers. Anyway, some—not all—in ASEAN argue that they must first involve Japan in the East Asian economic group being promoted by Malaysia.

The Americans have a different reason for putting Mr Nakayama's proposal on the shelf. "An interesting idea," said a senior State Department official politely. Unsaid was the determination that nothing should spoil America's arrangement of bilateral alliances around the Pacific.

After all, America's separate security pacts with Japan, South Korea, Australia, Thailand and the Philippines have helped both to contain and to demoralise the region's communists. Why then should America welcome an Asian equivalent of the Conference on Security and Co-operation in Europe (CSCE)? It would only complicate dealings with China, Vietnam, Cambodia and Myanmar—not to mention the Soviet Union. As the Japanese themselves are well aware, the Soviet proposal for an "Asian CSCE" was disingenuous, to put it charitably. It was in fact little more than a ploy to neutralise the American Seventh Fleet.

Meanwhile, for all their doubts about Japanese power, the ASEAN nations can still applaud a Japanese policy of financial stick and carrot to keep China on good behaviour. They did not object when, in April, Japan sent a token fleet of minesweepers to the Gulf, making goodwill calls at ASEAN ports on the way. Mr Kaifu's offer of money and men to help the United Nations monitor the arms trade also pleases them.

And so does Japan's toughness towards the Soviet Union. Japan's Asian friends could not care less about the disputed Japanese islands off the tip of north-eastern Japan that were seized by the Russians at the end of the second world war. But they are not at all happy with the way the Soviet Union has been transferring weapons from west of the Urals to Siberia.



Nakayama on the foredeck

Above all, countries in the region—including China and the Soviet Union—are delighted that Japan has taken the initiative in trying to get North Korea, bankrupt but still belligerent, to end its isolation. This is far from easy. After three rounds of talks—in Pyongyang in January, Tokyo in March and Beijing in May—the North Koreans remain as prickly as ever. But progress is slowly being made, thanks to Japanese persistence and the hint of hard currency and soft loans. One sign is North Korea's decision to apply for membership of the United Nations without minding if South Korea belongs too: a reversal of its old argument that separate memberships would perpetuate the peninsular division.

Japan can also claim credit for North Korea's recent decision to accept the UN's nuclear-safeguards accord. Though it signed the Nuclear Non-Proliferation Treaty in

1985, North Korea had refused to accept the mandatory safeguards that go with it. It now says it will sign the accord that provides for international checks of its nuclear plants, apparently no longer insisting that American nuclear weapons allegedly kept in South Korea also be inspected.

All this may be a long time coming. But if Japan does bring North Korea back in from the cold—and to that end some 350 Japanese politicians (mostly local assemblymen) flew to North Korea on July 21st for five days of informal talks—the rest of Asia will be grateful. And Mr Nakayama and his foreign-ministry bureaucrats will give themselves a hearty pat on the back.



Still far from the mainstream

Myanmar

Destructive engagement

FROM OUR SOUTH-EAST ASIA CORRESPONDENT

THE military regime in Myanmar (as it insists on calling Burma) has more friends than it deserves. On July 23rd in Kuala Lumpur the foreign ministers of the Association of South-East Asian Nations (ASEAN) decided to ignore liberal whinging—relayed to them at a meeting with their counterparts from North America, Europe and Japan—about the plight of the Burmese.

ASEAN's rationale is that only a policy of "constructive engagement"—the term used by the Reagan administration to describe its policy towards South Africa—will lead nasty, repressive Myanmar back "into the mainstream of the region". Arsa Sarasin, Thailand's foreign minister, said: "We don't condone what's happening there but simply we cannot change them by putting pressure on them. We feel very strongly that we ought to engage them, talk to them, reason with them." What Mr Sarasin says, his ASEAN colleagues from Malaysia, Singapore, the Philippines, Indonesia and Bru-

Anything to miss the scoop

FROM OUR TOKYO CORRESPONDENT

IN MOST democracies journalists pride themselves on their independence, but not, it seems, in Japan. To interview minor civil servants, let alone ministers, Japanese journalists submit their questions in advance. At government briefings they meekly accept "administrative guidance"; at the briefings given by big companies they do much the same. For all its embrace of liberal democracy, Japan has a domestic press as outspoken as a rubber duck.



All the news that's fit to write

With the foreign press, Japanese officials go a step further. To keep the local news-hounds happy, the contents of any interview with a foreign journalist are divulged immediately to Japanese journalists covering the same beat. A handful of foreign correspondents in Tokyo (this one included) recently saw their own words being relayed by a Japanese wire service minutes after interviewing the prime minister, Toshiki Kaifu. Rival foreign newspapers were doubtless delighted.

The source of the problem is Japan's peculiar arrangement of news cartels. Journalists from the main newspapers and broadcasting stations get assigned to *kisha* clubs covering just one outlet—the public prosecutor's office, the Finance Ministry, the Liberal Democratic Party's headquarters. No other journalists can cover stories there. In exchange for the exclusive franchise and the off-the-record briefings, members willingly abide by the club rules. Woe betide anyone with initiative seeking his own story.

In April TBS, the largest commercial broadcasting station, disregarded a Foreign Ministry edict against travelling to the Soviet-held islands north of Hokkaido that are claimed by Japan. TBS's punishment was to be banned from the ministry's briefings during Mr Gorbachev's visit that month—but none of the *kisha*-club members at the Foreign Ministry muttered a word of protest.

Japanese journalists put up with such indignities, some 40 years after censorship was abolished, out of fear of their bosses as much as of their sources. Editorial heads rolled recently after a failed boardroom coup at *Mainichi Shimbun*, Japan's fourth largest daily. Senior journalists had dared to criticise the newspaper's president, Noboru Watanabe, for his disastrous business record.

Demoralised hacks at NHK, Japan's somewhat bland public broadcasting network, have been a little more fortunate. On July 15th their imperious chairman, Keiji Shima, had to resign after telling lies to a parliamentary committee. He had sworn he was in New Jersey watching the television monitors of an NHK satellite launch. In fact, he was in a Los Angeles hotel—allegedly with a woman who was not his wife. Even deserving journalists rarely get such lucky breaks.



a Hong Kong gang. Or they may represent Guangdong crime organisations.

Often the robbers are part of a Hong Kong gang, sometimes (though not always) a Triad outfit; the airport heist, it seems, was carried out by Hong Kong boys (the accents again). One theory—implausible though it may appear on closer inspection—is that Hong Kong's criminals, just like its law-abiding citizens, want to enrich themselves before the colony is handed back to China in 1997.

Even if the robbers are local, their guns are usually imported from China. Guns are strictly controlled in the colony and used to be hard to come by. No longer. Smuggled Chinese imports have lowered the price of an illegal handgun in Hong Kong from HK$5,000-10,000 ($650-1,300) to a mere HK$800. The guns are frequently Chinese army issue.

The increasingly porous border with China makes things hard for the Hong Kong police. Fast-growing Guangdong, which has a gold-rush air about it, is thick with crime and corruption. Hong Kong officials say in private that the provincial Public Security Bureau is "up to its eyes" in smuggling.

Yet China is not all bad news for Hong Kong's police. Many members of Guangdong's Public Security Bureau genuinely try to enforce the law; as many as 20 of them may have been shot dead this year doing so. And, whatever their other faults, the top Chinese leaders have no truck with common criminals. Lu Ping, the Beijing bureaucrat responsible for Hong Kong, made a point of visiting a police station when he called on the British colony recently. Less symbolically, the Chinese sent a Public Security team from Beijing to knock heads together in Guangdong when Hong Kong asked for help earlier this year to fight smuggling from the colony into the mainland.

The success of the anti-smuggling operation—Hong Kong authorities claim that the HK$100m-a-week trade of the first quarter this year has dropped to near nothing—suggests that the armed robberies too may be containable. Hong Kong attacked smuggling with legislation that created a presumption of illegality when goods were found in suspicious places, and by successfully appealing for Chinese help. The authorities are introducing an organised-crime bill next month that may put the gangs behind the robberies on a similarly disadvantageous legal footing. Now if China will once more give a bit of help...

Japan

Kanazawa looks west

FROM OUR SPECIAL CORRESPONDENT IN KANAZAWA

TOSHIKI KAIFU, the richest man at this week's summit of the rich G7 nations in London, may not want to bail out Mikhail Gorbachev's sinking empire, but some of his provincial compatriots think otherwise. According to Mr Kaifu, *perestroika* will be a deserving cause only when the Soviet Union hands back the four Japanese islands off the tip of north-eastern Japan that it took in the closing days of the second world war. The official line—which Mr Kaifu dare not depart from—is no islands, no aid.

But that is not the view in the coastal regions of Japan that look west across the Sea of Japan—where Soviet submarines lurk unseen. Anything that makes living with the military giant easier has to be grabbed at the earliest opportunity.

Accordingly, while the Japanese prime minister was resisting Soviet overtures in London, Yoichi Nakanishi, the governor of Japan's Ishikawa prefecture, was leading a 180-strong delegation of businessmen and local officials to see what they could do for the nearest bit of industrial Russia. "*Perestroika*," says Mr Nakanishi, "is a high-risk but high-return investment."

It is not just the chance to make a quick rouble from Siberia's vast supply of natural resources that attracts the good people of Ishikawa. One of the advantages of Japanese capitalism, the governor argues, is that it does not need a high return—at least not in the early years.

Instead, developing a better "human interface" with Japan's Soviet neighbours is at least as important; hence Mr Nakanishi's welcome for Mr Gorbachev's proposal, which he made in his visit to Tokyo in April, for a Japan Sea Trading Zone—binding the coastal economies of China, North and South Korea, the Soviet Far East and Japan. Ishikawa prefecture, the governor says, will



More than 200m people have now been "affected" by floods in China, where disaster statistics so often read, mind-numbingly, like telephone numbers. There is even an official definition of "affected"—it means that farmers' crops have been damaged, or that people's houses have been flooded or washed away, or that they have had to move. Floods are an annual event in China. But this year's differ in scope, intensity and timing. Eighteen of China's 30 provinces are afflicted, from the Soviet to the Burmese borders. Worst hit are the fertile plains of the Yangtze and Huai deltas that also house some of China's most successful light industries. Economic losses are estimated at $7 billion. But what is really ringing alarm bells in Beijing is that China's usual flood season has only just begun. The fear is that the worst may be yet to come.

become the country's "window on the Japan Sea".

It has a better claim than most. Kanazawa, the prefectural capital, is a miniature Kyoto, with a population of 430,000, a magnificent 400-year-old castle, some 15 universities and arguably the most exquisite public garden (Kenrokuen) in Japan. The rival city of Niigata works better but has few of Kanazawa's charms. A recent survey by *Nihon Keizai Shimbun*, a financial daily, judged Kanazawa to be the most comfortable of Japanese cities to live in. For centuries it has practised the fine arts of leisure, textile design and ceramics.



The tradition lives on: the city produces half of Japan's textile machinery and attracts 19m visitors a year (Kyoto, the country's biggest tourist centre, gets 40m sightseers annually). But will tourism and textiles provide the revenue that Kanazawa's rapidly ageing society is going to need? The local government has mapped out a high-tech future and has started courting makers of office electronics. Its biggest prizes so far: Toshiba, Nippon Motorola, Sony, Hitachi and Panasonic. Kanazawa is also to get one of the two post-graduate technical universities that Japan's Education Ministry is planning (the other will go to Nara).

But Kanazawa, equidistant from Tokyo, Nagoya and Osaka, will remain in the middle of nowhere until it becomes easier to get there. At present it takes over four hours to go from Tokyo to Kanazawa by train; more than six hours by road. The next *shinkansen* (bullet train) line will go not to Kanazawa but to Nagano, which will play host to the 1998 Winter Olympics. The tiny airport at Komatsu, which civilian airlines have to share with the Japanese air force, has only two international flights a week, both of them to Seoul.

One idea, however, is to use Kanazawa castle as a convention centre once the university that now occupies it moves to a new campus in March 1993. Soon the city will play host to an international superconductivity meeting. New hotels are springing up in anticipation of many more conventions to come.

All those things should help arrest the slow decline of this graceful city. But bigger solutions are needed if the best and brightest of its young people are not to head off for the brighter lights of Tokyo and Osaka. Kanazawa is not the only city on the "backside of Japan" that urgently needs to find better-paying jobs.

That is why, as he headed off last week for Irkutsk, Kanazawa's twin city in the Soviet Far East, Mr Nakanishi was keener than ever to lure the Siberians into joint ventures not with the giant trading houses of Tokyo and Osaka but with the local firms of Ishikawa. The calculation is simple: trade across the Sea of Japan could do for the neglected west what trade across the Pacific did for the other side of Japan. Meanwhile, who cares if Mr Kaifu disapproves?

Only one Philippine base

FROM OUR SOUTH-EAST ASIA CORRESPONDENT

AN ERUPTING volcano can move more than lava. American and Filipino negotiators first sat down in May 1990 to talk about what would happen to America's military bases in the Philippines after their current leases expire on September 16th this year. Seven meetings and much posturing later, both sides were still far apart. Then Mount Pinatubo blew its top, causing such damage to Clark air base and Subic Bay naval base that it at last dawned on the Filipinos that the Americans really might walk away without renewing the lease. On July 17th the two countries agreed on a deal in principle that will allow America to use Subic for another ten years. Clark will be given up in September next year; four smaller bases will be returned this September.

The loser through its own procrastination is the Philippines. It had been asking America to pay rent of $825m a year—$400m in cash and the rest in kind—for a seven-year lease. The Americans had refused to go higher than $360m a year for 10-12 years. After the explosion of Pinatubo, America decided the cost of rebuilding Clark would be too high, so reduced its offer to $203m a year in cash for Subic alone. This offer, dressed up with a further $350m in aid next year, is what the Philippines has been obliged to accept, assuming the Philippines' Senate abandons its anti-bases bombast and, as required by the constitution, gives its assent with a two-thirds majority.

Now that the Soviet Union has withdrawn strike aircraft from its base at Cam Ranh Bay in Vietnam, Clark no longer seems so important to America. Besides, the sea lanes through the South China Sea are better covered from aircraft-carriers. And a deal with Singapore will allow American fighters to be based there on a temporary basis.

The loss of the Crow Valley target range, which is part of Clark, is more annoying. It was a fine place in which to train pilots in low-level flying—until the volcano destroyed all the electronic kit to measure accuracy.

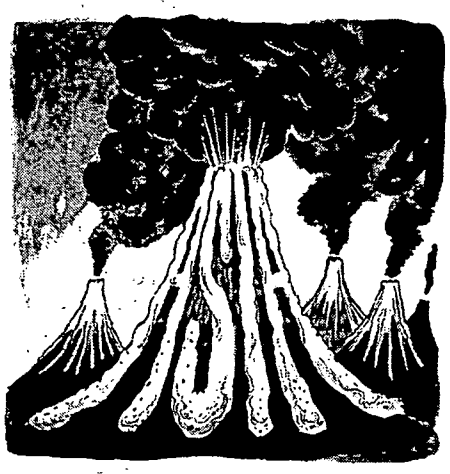
By contrast, Subic Bay, one of the best natural harbours in South-East Asia, has always been a valued American installation. Although not essential to American naval operations, it is useful. More important, most of the Philippines' neighbours feel more comfortable (Singapore and Japan publicly so) knowing the Americans are still around in the region. They fear that without a superpower policeman, too many regional powers would start flexing their muscles. They will, therefore, be relieved that Subic is in America's hands for another ten years. Mount Pinatubo's comment this week was another cloud of volcanic ash.



Farewell, guys . . .

ASIA

The other ring of fire



ON THE face of it, Asia ought to be one of the regions least affected by the shifts in the old cold-war crust of world politics. Unlike Europe, Asia was always a hotch-potch of alliances and rivalries, and never divided neatly into opposing armed camps. Indeed the big shift in Asian politics came several years ago, when the Soviet Union and China decided to end their old quarrel. That is why the shrinking of Soviet influence, which has so transformed the political map of Europe, seems of less consequence when viewed from Delhi, Kuala Lumpur or Tokyo. Yet, though the landscape will be slower to change in Asia, the change could still be explosive.

Asia is potentially a Middle-East-in-the-making. On the Korean peninsula, close to 2m armed men, backed by a formidable array of firepower, including (at least on one side) nuclear weapons, confront each other across the demilitarised zone. The Cambodian civil war rumbles on. In the South China Sea six countries—Brunei, China, Malaysia, the Philippines, Taiwan and Vietnam—vie, and sometimes fight, over the possibly oil-rich Spratly islands, which, like the disputed Paracels farther north, straddle sea lanes vital to others, including Japan.

Less explosively, China and Japan are in dispute over the Senkaku islands. Japan and the Soviet Union are still at odds over four Soviet-occupied island groups off the northern tip of Japan. Across the region there are worries, and occasional disputes, over choke points and trade routes.

The two really big powers in the Middle East, America and the Soviet Union, are outsiders. In Asia there are five big powers—America, the Soviet Union, China, Japan and (increasingly) India—and all have powerful navies operating in the region's crowded waters.

But do not forget the smaller fry. In the Middle East oil money buys weapons. In East Asia several of the smaller countries, particularly Singapore (the technological Israel of the region), South Korea and Taiwan, have the industrial base to make many weapons of their own, from warships to missiles—and lots more for export. Rapid economic growth means plenty of money for defence modernisation (see chart).

But just as economic growth provides money for the toys of war, so it provides powerful reasons for avoiding war. Countries that depend as much on trade as South Korea and Singapore do will think hard before igniting a conflict.

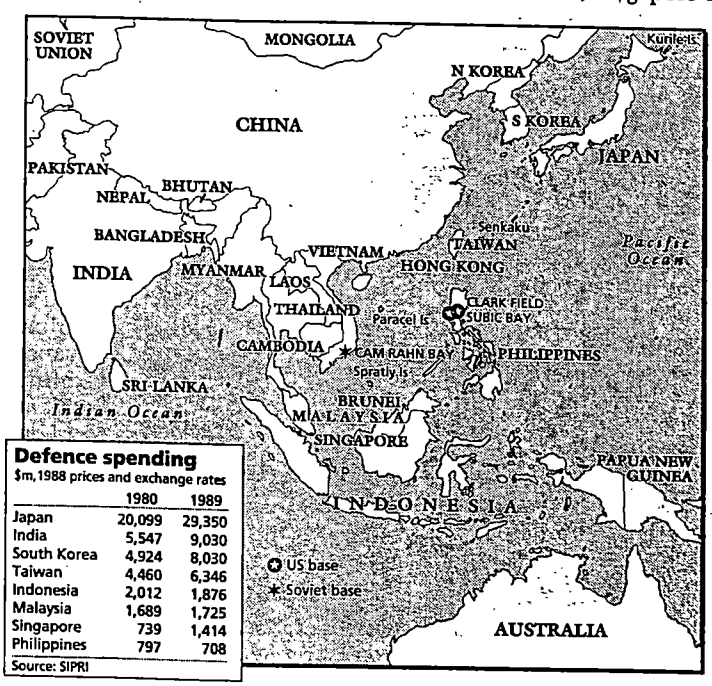
Similarly, it was largely economic pressure that encouraged the Soviet Union last year to normalise relations with South Korea and is encouraging China, more gingerly, to follow suit. In so far as Japan's coaxing of North Korea succeeds, it does so because the North can no longer afford its economic isolation.

Elsewhere, high minds are at work to ensure stability in the region. Australia and the Soviet Union have suggested an all-Asia security gathering. The idea has not impressed the Americans and the Japanese, who think the region too diverse and the idea too woolly. There was a warmer welcome for a recent Canadian proposal for a North Pacific Security Dialogue to include America, the Soviet Union, China, Japan and, of course, Canada. The idea is to start small—on environmental issues and the like—generate confidence and hope to build on that foundation.

Confidence-building will be on the agenda later this month at the annual meeting of the foreign ministers of ASEAN (the Association of South-East Asian Nations, which groups Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand). For the first time, China and the Soviet Union will be invited to come and watch. Indonesia is preparing a conference of the various Spratly claimants in the hope of averting a clash. Even the almost-forgotten Five-Power Defence Arrangement (an old club of the Commonwealth linking Britain, Australia, New Zealand, Malaysia and Singapore in joint exercises) is getting a new lease on life.

All very reassuring. But the governments of Asia still worry that they lack effective mechanisms to cope with the unexpected. With Soviet power shrinking and under budgetary pressure at home, the United States is already reducing its ground forces in Asia. The aim is to be the balancing power and protector of last resort, without diminishing the security of friends in the region, above all Japan. That is popular. A too conspicuous American presence can be a liability. But how will America cope, now that its two main bases in the Philippines, Clark and Subic Bay, have been smothered by volcanic dust from Mount Pinatubo?

Any hint that America is wavering (especially now that the Russians are dithering about



Defence spending
$m, 1988 prices and exchange rates

	1980	1989
Japan	20,099	29,350
India	5,547	9,030
South Korea	4,924	8,030
Taiwan	4,460	6,346
Indonesia	2,012	1,876
Malaysia	1,689	1,725
Singapore	739	1,414
Philippines	797	708

Source: SIPRI

leaving Cam Ranh Bay, their naval base in Vietnam) will immediately bring pressure in Japan to extend the range of its forces—and send aftershocks throughout the region. Japan's diplomatic initiatives—over Cambodia and Korea—are viewed with some suspicion. Might Japan's new diplomatic self-confidence spill over into military cockiness?

As for the rest, both the Soviet Union and China are preoccupied with domestic problems. That does not mean either will turn out to be a good neighbour. It is too soon to say what will emerge from the chaos of the Soviet Union. For its part China makes no secret that, if it had the wherewithal, it would play the power in the region that it feels it ought to be. Look to the future and there is plenty to worry about in Asia.

Afghanistan

Blown deals, blown minds

FROM A CORRESPONDENT IN HELMAND

IN THE valley of the Helmand river, the opium farmers are bringing in their crop. It looks good for the farmers in this part of southern Afghanistan—but bad for the American officials who are trying to fight drugs at their source. Afghanistan produces more opium than any country except Burma. Some 40% of Afghanistan's opium is grown in upper Helmand. Refineries in the border areas of Pakistan will process the raw gum into heroin for Pakistan's 1m or more drug takers. More heroin will be smuggled to Europe by sea and air, or overland via Iran and Turkey.

Opium is profitable. At a rough guess it is 150 times more profitable to a farmer than growing wheat. Yet in 1989 a guerrilla leader in Helmand, Naseem Akhundzada, ordered his followers to stop growing opium. In Islamabad, according to his account, the American ambassador, Robert Oakley, and other officials had promised him agricultural aid if he banned the crop. On his return to Helmand, Naseem pronounced poppies "un-Islamic" and ordered that any already sown should be dug up. In March 1990, during a visit to Peshawar, he was murdered. But Naseem had kept his end of the bargain. American officials agree that any remaining poppies in his area were "marginal". Yet no American aid has appeared.

Naseem's brother, Rasool, is furious—and wants to wreak vengeance and make money at the same time. His followers say he has told them to "plant poppies everywhere, even on the rooftops". Rasool's fief probably accounts for half of Helmand's opium. Rasool denies having spoken so strongly. "Since the Americans didn't keep their promises," he said, "we planted some poppies—just a few—this year. We had to because our area is very poor and backward." Like Rasool, virtually all Afghans who grow opium justify it on the ground of economic necessity.

At any rate, poppies have made a comeback in Musa Qala and Kajakay, the Helmand districts that Rasool controls. The change is striking: not a stalk nor a blossom was to be seen there this time last year. Now more than half the cultivable land appears to be given over to growing them.

American officials formally deny they made a promise to Naseem. They say they agreed only to further talks if the ban proved successful. But an American embassy source confirmed that the Americans promised agricultural aid, including improved wheat seed, fertiliser and help in clearing blocked underground irrigation channels, on condition that the ban succeeded. The ambassador appears to have given his word in good faith, only to be overruled in Washington. Part of the Foreign Assistance Act, narrowly interpreted, forbids American officials to deal with anyone who has ever been involved in producing narcotics. According to an aid worker, "The legislation was pretty new and not well understood even in Washington, let alone Islamabad."

Helmand farmers are hardly Colombian-style drug lords. Their mud-walled houses are much less opulent than those of guerrilla politicians in Pakistan. The heroin refiners and traffickers make the real profits. However, the farmers are getting some benefit from rising prices. In May 1990 a kilo (2.2lb) of raw opium brought a farmer the equivalent of about $10-20. This May a kilo sold for the equivalent of about $100.

The word is spreading that opium is the



Family business

Runway clear

WHAT price a new airport for Hong Kong? Answer: a visit to China by Britain's prime minister, John Major; twice-yearly meetings between foreign secretaries on "matters of mutual concern"; a pledge to restrict the Hong Kong government's borrowings; and a promise that when the communist mainland takes over Britain's capitalist colony in 1997 there will still be at least HK$25 billion ($3.2 billion) of fiscal reserves in the Hong Kong kitty.

That much was announced on July 4th in a "memorandum of understanding" between Britain and China after a visit to Beijing last week by Sir Percy Cradock, a special adviser to the prime minister on foreign affairs. Because China is, in effect, giving its approval after months of opposition, the way is now clear to raise money for an airport and associated projects that all agree are essential—but which carry a daunting price tag set originally at HK$127 billion. But did Sir Percy concede too much to get China's blessing?

The British naturally say no. True, there will be a full board member from the Hong Kong branch of the Bank of China on the Airport Authority, a Sino-British "Airport Committee" and a "Consultative Committee" to listen to China's views. And certainly it is a concession to limit Hong Kong's government debt in 1997 to HK$5 billion—unless China agrees otherwise. But most of this was on offer when the foreign secretary, Douglas Hurd, visited Beijing in April. The point, as Hong Kong's governor, Sir David Wilson, is quick to emphasise, is that China has not been given a veto on airport matters or any right to intervene elsewhere.

Quite so, and Hong Kong's unconsulted people will sigh with relief that their present and future masters have at last ended their quarrel.

But it can hardly be argued that China has not gained from its resistance. Mr Major will be the first western leader to visit China since the Tiananmen bloodshed two years ago (though Japan's Toshiki Kaifu will go there next month). Moreover, the language of this week's memorandum contains the same fudges on "consultation and co-operation" that allowed China to interfere in the first place. The runway may be clear, but before 1997 the skies can still blacken.

crop to grow. Poppies were harvested for the first time this year in other parts of southern Afghanistan. Farmers near Kandahar have been setting out young poppy seedlings next to fields in mid-harvest, clearly an experiment aimed at growing two crops a year.

Rasool has not ruled out a new deal with the Americans: "If they'll work with us, we'll work with them, but this time on the condition they give us proof of their good faith first."

Sri Lanka

A warning?

FROM A CORRESPONDENT IN COLOMBO

MIGHT India send its soldiers back to Sri Lanka to fight the Tamil Tiger guerrillas? The idea is dismissed by the Sri Lankan government. Getting rid of the Indians in March 1990 has been the single most popular act of President Ranasinghe Premadasa. Yet the Tigers appear to believe that India is preparing to attack them again. This belief may stem only from fear of the Indians, who made the Tigers beg for peace, but the belief is strong nevertheless.

It may well have been the motive behind the attack on a military headquarters in Colombo on June 21st, the day that, in Delhi, P.V. Narasimha Rao was being sworn in as the new prime minister of India. Twenty-one people were killed and 50 houses wrecked. This is what we can do, even in the heart of Colombo, the Tigers seemed to be suggesting to India; now stay out.

The explosion ends any hopes Mr Premadasa may have entertained for new talks with the Tigers, whose main demand is for a separate Tamil state in north-eastern Sri Lanka. The talks were broken off a year ago, once the Indians were out of the way and the Tigers had gained enough confidence to emerge from the jungle.

The attack happened as the country's economy was on the mend after eight years of sluggish growth. According to the central bank, GDP rose by 6.6% in real terms in 1990, the highest rate since 1983 when the civil war erupted. Tourism is recovering: there were nearly 300,000 visitors last year, an increase of 61% over 1989, and bookings looked good for this year; it is too early to tell whether tourists will still arrive.

However, the attack will hardly help Sri Lanka's relations with India, already damaged by the murder, possibly by the Tigers, of Rajiv Gandhi. Since the attack the Indian high commissioner's house in Colombo has been barricaded. He did not ask for the barricades. They are "for his own protection", according to Sri Lanka's security forces. At least they give the appearance of trying to do something.

Japan

Vintage Tanabe

FROM OUR TOKYO CORRESPONDENT

"PUT new wine in new bottles," said Takako Doi, announcing her decision on June 25th to stand down as leader of Japan's largest opposition party, the Social Democratic Party of Japan (as the Japan Socialist Party was recently renamed). What Miss Doi meant was that a new policy needs a new leader. Since their crushing defeat in the local elections held across the country in April, the Socialists have been agonising over why the people of Japan dismiss them as too nutty to govern. Their scapegoat, after five years as party chairman, is the left-leaning Miss Doi.

Miss Doi is an attractive politician, popular with the public and competent in debate. But she has her detractors—within her own party especially. Her departure will leave room for fundamental changes that the party has long resisted but urgently needs. Her replacement—to be elected on July 21st-22nd—is expected to be Makoto Tanabe, at present the party's vice-chairman. Mr Tanabe is a pragmatist from the party's right wing and the architect of several reforms that promise to force the backward-looking Social Democrats to confront the future.

Only two years ago they were riding high. Voters flocked to Miss Doi's party in the wake of the Recruit shares-for-favours scandal that rocked the ruling Liberal Democratic Party (LDP) and wrecked the careers of a dozen government figures. More support came from voters angered by the LDP's consumption tax and its liberalisation of farm imports. In July 1989 the opposition won a handsome victory in the election for the upper house of the Diet (parliament).

Unhappily for Miss Doi, who is criticised for failing to build on that victory, the swing to the Socialists was only a protest vote—designed to teach the arrogant Liberal Democrats a lesson. A more serious criticism has been her reluctance to recognise socialism's setbacks elsewhere in the world. The party may have changed its name (albeit only in English), but not its passionate adherence to the principle of "unarmed neutrality" and its vow to tear up Japan's Mutual Security Treaty with America. It adamantly refuses to recognise South Korea and insists on all manner of outdated vestiges of Marxist-Leninist ideology. Even as war was breaking out in Iraq, Miss Doi was in Baghdad seeking to persuade Saddam Hussein of the virtues of pacifism. Such naivety has earned widespread scorn.

So has the party's inconsistency. It was the Socialists who first proposed sending an unarmed Japanese peace corps to help out in the Gulf last autumn—but the party then torpedoed the government's efforts to do just that.

More than anything, however, it has been the party's intellectual emptiness that has left it looking unfit as well as unwilling to govern. Instead of offering alternatives to the government's policies, it has preferred simply to say No to everything. It has sworn, for instance, to abolish the once-hated (but now accepted) 3% consumption tax, but has offered no alternative means of providing for Japan's rapidly ageing society.

The heart of the problem is the Social Democrats' factional politics, which is almost as Byzantine as the LDP's. Back in 1986 Miss Doi was the choice of a coalition of the party's left-wing and centrist groups. That gave her little room for compromise on issues of defence and foreign policy that might otherwise have won more main-



Turning their backs on socialism

stream support for her party. Mr Tanabe, by contrast, comes from the right wing, where he is boss of a 64-member faction called the Suiyokai. It is the Suiyokai that has been pushing the party to break with its pro-Soviet past.

Since May the Suiyokai has been urging the party at least to recognise the constitutionality of the Self-Defence Forces, as Japan's armed services are known. It wants the party to accept the Mutual Security Treaty with America and stop quibbling about recognising South Korea.

Indeed, in some ways, Mr Tanabe's group goes further even than the ruling LDP. It wants to see the armed services slightly reduced, but independent units created to undertake UN peace-keeping tasks. As long as the party sticks to its basically anti-American policy of "unarmed neutrality", says the Suiyokai, it is doomed to a life of opposition for opposition's sake.

Mr Tanabe has the support of the party's centrist—and second largest—faction and so seems certain to be elected. But will he make any difference? At the age of 69, he may lack both the time and the energy to reshape Japan's Marxist-Leninist relic into a modern social-democratic party.

Vietnam

Catching up with the neighbours

FROM OUR SOUTH-EAST ASIA CORRESPONDENT HANOI

RESIDENTS of Ho Chi Minh City rarely tire of reminding visitors that, in its heyday (and when it was still called Saigon), it was fancier than Bangkok. That, however, was long ago, so take pity on Phan Van Khai, the present chairman of Vietnam's State Planning Commission. Later this month Mr Khai will become deputy prime minister. He will start his job with a visit to Thailand, and will be expected to return with ideas on the one objective all Vietnamese support—how to catch up, and then surpass, their historically despised neighbours.

His chances are poor. The Bank of Thailand says that Thai GDP per person was $1,468 at the end of 1990. Vietnam guesses that its GDP per person is $200. Using official figures as a base and assuming, quite unrealistically, that Thailand grows at only 4% a year and Vietnam at 8%, it would still take Vietnam over half a century to catch up.

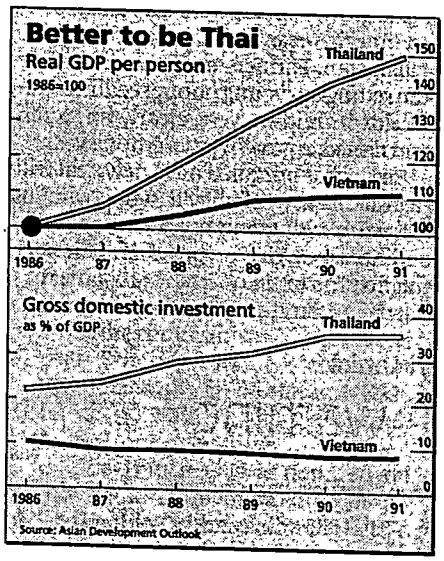
But the Vietnamese are not easily daunted. The aim of the seventh congress of the Vietnamese Communist Party, which ended on June 27th, was to ensure that, although Vietnam's politics remained rooted to the spot, its economic reform would accelerate. To prepare for this illusion in time for this month's meeting of the National Assembly, the congress appointed a 13-man Politburo whose average age is 64—down from 71 for its predecessor—and chose Do Muoi as the party's new secretary-general. The appeal of Mr Muoi is that both reformers and ideologues see him as "one of us".

The same thinking may explain the extra political clout given to the army. Le Duc Anh, the defence minister, is number two in the new Politburo; Doan Khue, the army's chief of staff, has moved up to number five. The army has borne the brunt of budget cuts over the past two years. Its support is essential if reform is to continue.

The main economic appointments, however, are those of Vo Van Kiet, who moves up to number three and will be appointed prime minister by the National Assembly, and Phan Van Khai, who comes in at number eight. Mr Kiet was the architect of the first round of reforms in 1986; Mr Khai is a former governor of Ho Chi Minh City. Completing the economic team is Phan Van Tiem. He is not on the Politburo, but will be appointed finance minister. In 1989 Mr Tiem introduced a reform of the price system praised by the World Bank as the "most far-reaching in any socialist country".

What he and his colleagues must do now is encourage investment. Since 1986 Vietnam's gross fixed investment has averaged less than 10% of its GDP (China's, by comparison, has been around 38%). First, Vietnam needs some commercial laws. Without them, businessmen will go only for quick returns. Second, the root cause of Vietnam's persistently high inflation—the government's budget deficit—must be addressed.

That could be hard. According to the Asian Development Bank, government



Meeting mortgages—and husbands

FROM OUR TOKYO CORRESPONDENT

HAVE Japanese housewives been watching "Belle de Jour", the French film in which Catherine Deneuve plays a respectable housewife by night who becomes a prostitute by day for the kicks, not the money? The question arises from the recent prosecution of a "date club" (escort agency) in Shin-Matsudo, a dormitory town 30 minutes by metro from Tokyo.

Prostitution is illegal in Japan, even though cards advertising prostitutes' services arrive in letter boxes along with ads for pizza takeaways. The curious feature of this case is that of the 43 women working in the agency 30 were housewives married to respectable *sarariman* earning salaries of around ¥10m ($72,000) a year.

According to *Shukan Gendai* magazine, the women say they plied their trade to help pay the mortgage and school fees. Out of the ¥25,000 charged for a 90-minute session, ¥15,000 went straight into the woman's handbag. The need for extra cash is understandable, given Japan's crazy property prices. A typical house in Shin-Matsudo this suburb costs about ¥100m. If a buyer puts down half in cash, he—or she—must still pay about ¥4m a year for the mortgage.

There is probably also an element of boredom in the housewives' diversion. It is well known that Japanese salarymen—male chauvinists to a man—hardly spend any time at home. The police reckon that there are at least ten escort agencies in Shin-Matsudo alone, a place known only for its sheer ordinariness. If that pattern is repeated throughout urban Japan, the chances are rising of a salaryman dating his own wife. Now that might be exciting.



Jam today, bigger jam tomorrow

FROM OUR SOUTH-EAST ASIA CORRESPONDENT

BANGKOK

ANYONE who has visited Bangkok may find it hard to believe, but the city's traffic jams are about to get worse. On July 3rd the government slashed import duties on cars, which means a lot more upwardly-mobile Thais will now be able to afford their ultimate dream—and add to everyone's lateral immobility.

The government's motives are laudable. Until now the Thai car market was so protected that second-hand cars tended to appreciate in value. Import duty on cars with engines of over 2,300cc was 300%; on kits to be assembled in Thailand it was 112%. These duties have now been cut to 100% and 20% respectively. The government hopes there will be a more competitive Thai car industry.

That could be disastrous for Bangkok. Throughout last year 400 exorbitantly-priced new cars and pick-up trucks were joining the city's thronged streets each day. Over the past year the average traffic crawl at peak hours has slowed from 7 kilometres per hour (4mph) an hour to 4kph. School runs begin as early as 5.30am—and some parents have converted their pick-ups into bedrooms so their offspring can sleep and eat breakfast on the way to school. The lead content in Bangkok's air is three times the limit considered safe in the United States.

Chamlong Srimuang, Bangkok's popular governor, has toyed with the idea of setting quotas for cars or auctioning permits to use cars in the central districts. But Thais are too anarchic to accept such measures. The city's bus company has an ailing fleet. "Building more roads will mean more traffic," says one architect.

The only hope is a public transport system. Rising land prices have forced up the cost of a proposed elevated railway by 50% over the past two years to 65 billion baht ($2.6 billion). The appearance of two competing schemes may make its investors back out. But even if all three schemes were begun tomorrow, they would not come into operation until the end of the decade. And their construction will cause even more congestion.



Try walking

spending in 1990 accounted for a fairly modest 22% of Vietnam's GDP. With services such as schools and hospitals on the point of collapse, and with the armed forces restive, it will be hard to cut spending much further. The real problem is the tax system, which barely works. Last year the government's tax revenue was a meagre 5.2% of GDP. In the past the gulf between spending and revenue has been filled by aid from the Soviet Union (now stopped) and transfers from state-owned enterprises, many of which are unable to compete in a more open economy. If reform is to stay on track, therefore, the government will have to close down unprofitable state-owned enterprises.

Because America has vetoed World Bank lending to Vietnam, such tough decisions cannot be dodged. The paradox is that loans from the World Bank and other agencies will be all the more needed once the decisions are taken—both to cushion their effect and insure against a conservative backlash against reform. The new team in Hanoi hopes that, despite American opposition, it will win some promises of aid at the annual meetings of the World Bank and IMF in October. As if to add insult to injury, these meetings will take place in Bangkok.

Bougainville

Unwisdom in the Solomons

WHEN the island of Bougainville declared independence in May last year, it sought recognition from the rest of the world. The world declined, continuing to treat Bougainville as part of Papua New Guinea. However, some unofficial support came from the Solomon Islands, with which Bougainville has cultural ties. On June 28th it was reported that Papua New Guinea was accusing the Solomons of allowing the Bougainville Revolutionary Army to set up a "liaison office" in its capital, Honiara. Papua New Guinea has now withdrawn its high commissioner.

Papua New Guinea's attempts to deal with its breakaway island appear increasingly clumsy. In January PNG and the separatists signed an "accord" that was vague about the future but at least promised an end to the fighting, which had cost more than 1,500 lives since 1989. Under the accord the PNG army was to stay out of the island. However, in April PNG soldiers landed in the north of Bougainville. The prime minister of PNG was abroad at the time and said the landing did not have government approval (that came later).

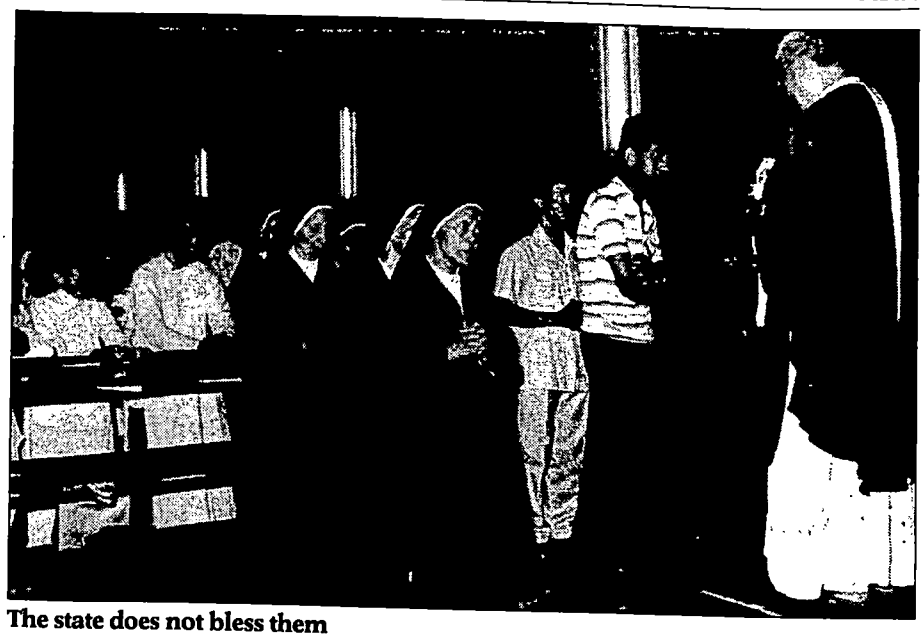
In June, though, the leader of the raid, Colonel Leo Nuia, was ordered home after boasting on Australian television about how his men had strafed Bougainville rebels from helicopters. The bodies of five people executed by the soldiers were dumped in the sea from the helicopters. Australia was appalled. Australia had given four helicopters to PNG on the strict, but, as it turns out, naive, understanding that they were not to be used against the rebels.

Papua New Guinea used to be an Australian colony, and the Aussies like to keep an eye on the place. The present trouble could have been foreseen in 1975, when PNG was granted independence. Bougainville wanted to go its own way, either on its own or in association with the Solomons. But it possesses one of the world's largest copper deposits and so was too valuable to lose. Under Australian management, it accounted for 35% of PNG's exports. The mine is now closed—and likely to remain so until the Bougainville impasse is broken by more imagination than anyone has shown so far.

bonus from the new projects.

Mutual goodwill could solve such technical issues; but there is none. Chandra Sharma, head of Nepal's Water and Energy Commission, says that no politician or bureaucrat in the country will risk his career by striking a deal with India that might then be denounced as a sell-out to India.

He is probably right. One explanation for the defeat in last month's election of the former prime minister, Krishna Prasad Bhattarai, is that he welcomed the Indian prime minister, Chandra Shekhar, to Katmandu in February and promised better relations. That probably cost Mr Bhattarai more than the 750 votes by which he lost to his communist rival. Meanwhile, the factories of north India are starved of power, and Nepal is mired in poverty.



The state does not bless them

Vietnam

Adeste fideles

FROM OUR SPECIAL CORRESPONDENT IN HO CHI MINH CITY

ON MOST Sunday evenings in Saigon, as Ho Chi Minh City is better known, there is not even standing room in Notre Dame Cathedral. Worshippers spill into the surrounding square, straining to hear the mass above the racket of milling motorbikes. The city's other churches, many of them only recently reopened after 15 years of repression, are as full. As faith in the Communist Party's dogma dwindles, more Vietnamese seek solace in its great rival—the Roman Catholic church. The party is understandably nervous.

Phan Khac Tu, vice-president of the state-controlled National Committee for the Union of Vietnamese Catholics, stresses that the freedom to worship, guaranteed by article 68 of the constitution, is now respected. Some 6m of Vietnam's 67m people, he reckons, are practising Catholics; four seminaries have been reopened to train priests; between 1,000 and 1,500 people attend each of the six masses celebrated at Mr Tu's own church on Sundays. But even the cheerful Mr Tu has to admit that "some local authorities do not understand or trust officials who deal with religion" (party-speak for priests).

This tension between church and state goes back centuries. The Catholic church made a deeper imprint on Vietnam than on any other Asian country, bar the Philippines. Alexandre de Rhodes, a French Jesuit, introduced the Romanised script which replaced Chinese characters in Vietnam in the 18th century. The church was particularly strong in the north, where land has always been scarce and officials oppressive. In 1847 a new emperor ordered that all Vietnamese Catholics should have *ta dao* (infidel) branded on their left cheek. European priests were to be drowned and Vietnamese ones sawn in half lengthwise. He thus provided the pretext for France's colonisation of the country.

Between 1946 and 1954, Catholic districts in the north fortified themselves to fight both the French and the communist-led Vietminh. After the Vietminh's victory in 1954, about 1m Catholics fled south rather than live under communist rule (many won senior positions in the Saigon government). Their role has been neither forgotten nor forgiven in Hanoi.

The case of a priest called Dominic Tran Dinh Thu, who came south in 1954, is not untypical. After the fall of Saigon in 1975, he was sent to a re-education camp. He was eventually released, but in 1987 was rearrested and charged with "anti-communist activities". Father Thu, who is 84, is unlikely to survive his 20-year sentence at a re-education camp in Dong Nai province. The sentence was handed down only five months after Nguyen Van Linh, the secretary-general of the Communist Party, had admitted past mistakes in the handling of Catholics and promised greater leniency.

Between April and September last year, the party arrested an unknown number of "reactionaries in priests' clothing". One case that became public was that of Nguyen Van De. He and ten of his followers were jailed last August for terms of two to ten years. Phan Khac Tu says Mr De's crime was to translate and disseminate foreign books.

"To arrest a priest is such a complicated matter," sighs Nguyen Chinh, a chain-smoking party cadre of the old school and acting chairman of the National Committee for Religious Affairs. Mr Chinh is at pains to point out that the recent arrests were not specifically anti-Catholic. Buddhists, Protestants, members of the Cao Dai sect, poets and miscellaneous intellectuals have also been curbed. "In religious areas, as in all others, we must control negative people who create problems," he says. Asked what sort of religious activities are blessed by the party, Mr Chinh points to the decision by Vietnam's Council of Bishops to make May a month of prayer for the success of its leaders, now engaged in secret talks on the country's future political and economic direction.

But the Council of Bishops lacks a head since the death last year of the cardinal archbishop of Hanoi. Mr Chinh says that discussions with the Vatican about a replacement have not started yet. Since Pope John Paul rivals Mikhail Gorbachev as an enemy of communism in the eyes of the Vietnamese party, the discussions may be delayed for some time.

Japan

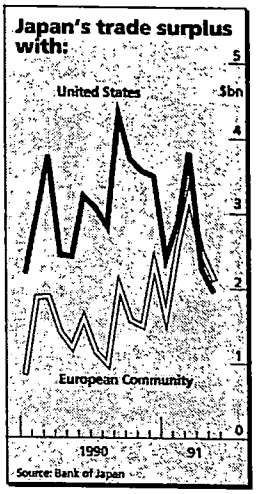
Not quite so threatening

FROM OUR TOKYO CORRESPONDENT

HOW WEAK is the Japanese economy? The question seems inherently absurd in the land of the industrial robot and born-to-shop consumer: real GNP grew at an annualised 11.2% in the first three months of the year; and the trade surplus reached $25 billion in the first five months, up 32% from the previous year. In the financial year to March 1993, the surplus could reach $70 billion, compared with an estimated $64.9 billion in the year just ended.

None of this augurs well for Japan's ever-tense relations with its trading partners. But for once the focus may not be on the deficit with America. Japan's surplus with America

actually shrank last month, by 19% year-on-year, to $1.9 billion. By contrast, the surplus with the European Community rose 79% from the previous year to $2.1 billion. This was the second month running in which Japan's surplus with the EC overtook its surplus with America. Moreover, the pattern will continue: Japanese companies still have to equip their European factories with made-in-Japan components and machinery.



This has already flushed out some of Europe's most manic anti-Japanese chauvinists, notably France's prime minister, Edith Cresson. She once described the Japanese as "ants" who "sit up all night long thinking of ways to screw both Americans and Europeans"—to which the graffiti on the Peugeot showroom in Tokyo now reply "Death to Cresson".

But the Japan-bashers should take heart. Japan's economy may not be as strong as the statistics suggest. The vigour of GNP growth in the first quarter is probably as misleading as was the collapse in domestic demand in the final quarter of 1990. That happened because consumers were shell-shocked by Saddam Hussein. Quite possibly, therefore, the new surge in GNP represents only a rebuilding of stocks.

A second reason is the policy of monetary tightening—now more than two years old—pursued by Yasushi Mieno, the tough governor of the Bank of Japan (see page 71). For social reasons as well as monetary ones, he is intent on squeezing the last drop of juice out of the property market and the rest of Japan's speculative economy. Bank lending will barely grow this year; a battered stockmarket has been virtually closed to new share issues for more than a year.

This is hardly a recipe for a booming economy. Indeed, the pain is showing in a five-fold increase in bankruptcy liabilities to ¥3.1 trillion in the first five months of 1991 (admittedly, bankruptcies had been running at their lowest rate since 1974). At some point the financial squeeze will crimp companies' capital spending. This matters because business investment continues to be the backbone of the economy. It has accounted for 55% of the real growth in Japan's GNP since the final quarter of 1986. Capital spending is also about 25% of total GNP. So a 10% drop would reduce economic growth—which the government forecasts will be 3.8% this year—by 2½ percentage points.

So far there has been no such fall in investment. Japanese companies view capital spending as a kind of virility symbol, a sign of their competitiveness. The result is that no company wants to be the first to cut back. Indeed, the latest Bank of Japan quarterly survey of 5,000 companies revealed that big companies planned to increase their investment by 7% this year, a bigger rise than first predicted, though down from last year's 17% increase. This has given Mr Mieno a good excuse again for not easing monetary policy (even though inflation is down to 3% and falling).

The pressure is inexorable. Small and medium-sized companies plan to cut their investment by 7% this year, according to the same Bank of Japan survey. The big companies will follow later, doubtless all at the same time. They will have to cut because tight credit, combined with an expected decline in their profits this year, means they will increasingly have to finance their investment out of working capital or the sale of securities. This is not sustainable, which is why corporate Japan may not be quite the threat that people like Mrs Cresson imagine.

The Philippines

The voice of God

FROM OUR MANILA CORRESPONDENT

IS GOD saying from the mountain top, Yankee go home? Most Filipinos are deeply religious. They have no doubt that God has been speaking to them loud and clear this month through eruptions of the Mount Pinatubo volcano, which have so far claimed around 200 lives. They are now working, somewhat eccentrically, on what theologians call hermeneutics, the science of interpreting what was said.

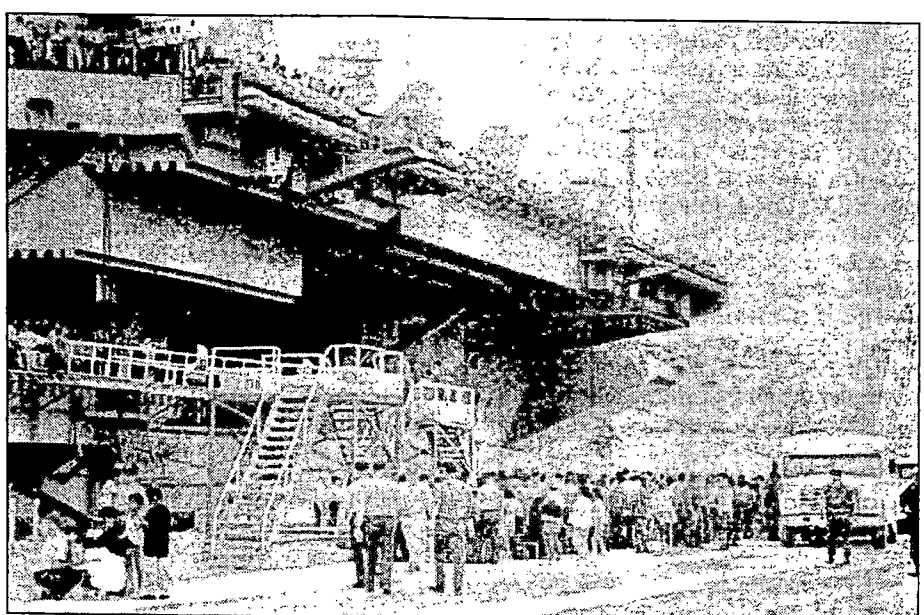
The translations vary. Animist tribesmen on the mountain slopes accuse scientists of angering the mountain gods by sinking wells to tap geothermal energy. Others say God is condemning the increasing pornography in Philippine films and magazines. The Roman Catholic hierarchy says prayer is needed to discern correctly what God is saying.

The Philippines' former first lady, Imelda Marcos, has no doubts. From her exile in New York, she says the eruptions are God's exoneration of her late husband, the disgraced Ferdinand Marcos.

Whatever the hermeneutic nuances, one coincidence does impress itself on the hyper-religious Philippine national psyche. After waiting quietly for 600 or more years, the volcano erupted just as an agreement seemed imminent on renewing the lease for America's military bases in the Philippines, which expires in September.

For a while after the explosions started on the weekend of June 8th-9th, both American and Philippine officials stoically insisted that the future of the Clark air base and Subic Bay naval base, and the accompanying aid package to the Philippines, would remain unaffected. But it seemed clear to even the most casual observer that one minor detail could not be overlooked: both bases were cloaked in what looked like a heavy snowfall of volcanic ash (close-up it looks and feels like the best white beach sand). Such ash, spreading for miles and carried on every gust, is not good for jet engines—which is why flying was banned not just at Clark and Subic but also at Manila airport, more than 80km (50 miles) from the eruptions. Vulcanologists predict another three years of Pinatubo "snowfalls".

Inevitably, therefore, the financial calculations made by both American and Phil-



Never to return?



plug of lava in the main crater pops. This is the threat to Angeles City, and the nearby air base (from where 14,500 Americans have been moved to safety). Valleys leading from this part of the mountain would carry the incendiary avalanche in their direction.

Indonesia

Staying alive

FROM OUR JAKARTA CORRESPONDENT

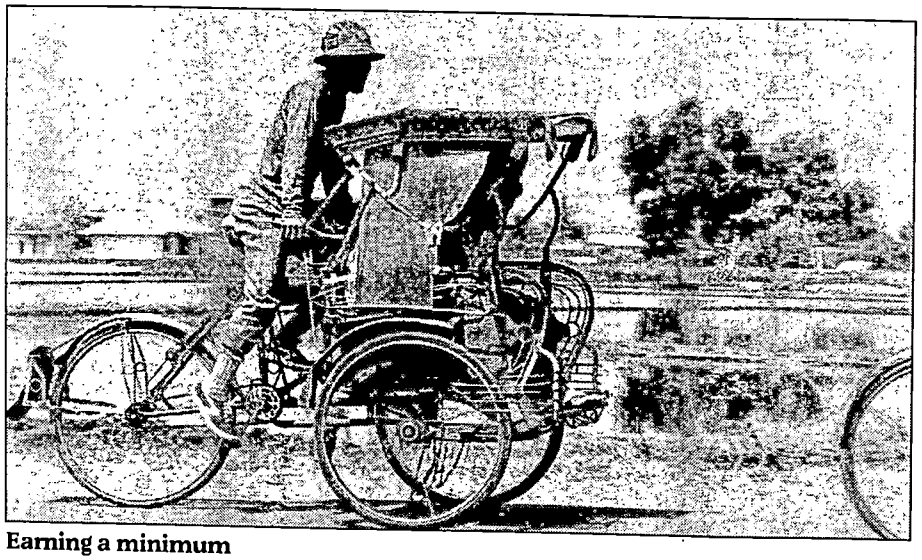
A PAIR of Nike sports shoes that sells for $150 in the United States is made by Indonesian women paid the equivalent of 58 cents a day. In a country where half the workforce is unemployed or underemployed, the women are glad to have a job. All the same, there are rumblings that could eventually lead to better rewards.

Some of the rumbling has come from America's trade-union grouping, the AFL-CIO. It says Indonesia's trade privileges with the United States should be ended unless work conditions improve. The American unions are worried not only by Indonesia's low wages but also by its sweatshops. Possibly as a result of this, Indonesia's factory inspectors have been stirred into action. The manpower minister, Comas Batubara, acknowledges that most factories pay less than the minimum wage, while regulations about overtime, insurance, sick leave and the like are ignored. Still, the minister proudly notes that the country's average minimum wage, when it is honoured, is now nearly two-thirds of what a single man needs to stay alive. Two years ago it was 37%.

The American unions also point to the obstacles in the way of workers who want to get organised. The All-Indonesia Workers' Union is dominated by former army officers and is subservient to the government. Even this union is banned by many factory owners. An independent trade union, Solidarity, was set up last year, but the government has refused to register it. All mass organisations must be registered by law.

Last week Solidarity's secretary-general, Saut Aritongan, was seized and kept blindfolded for three days before being released. The government denies any connection with the affair, in which Mr Saut was allegedly threatened with death if he "continued to disrupt the government's development plans". Afterwards, a senior military officer said that activities aimed at improving the lot of workers at the expense of factory owners did not go down well with the ethnic-Chinese magnates who form the backbone of Indonesia's economy.

Other rumblings have come from the countries Indonesia depends on for aid. Jan Pronk, chairman of the donor countries that met in Holland this week to grant Indonesia $4.75 billion in aid for this year, recently criticised the country's policy on worker's rights. It is unlikely, though, that Mr Pronk's concern for Indonesia's poor is shared by all donors, particularly Japan, the main foreign investor. They are impressed by Indonesia's export-led growth—a phenomenon not unconnected with its cheap, docile workers.



Earning a minimum

Fiji

Coup talk

WHO rules in Fiji? The country has a president and a prime minister. But it also has a military chief, Major-General Sitiveni Rabuka, who considers he knows better than either what is best for the Fijians. General Rabuka has the physique of a pit bull terrier, and some of its charm. On June 7th he growled that the government should resign. It has not resigned, but it is worried.

The government is weak. It has never submitted itself to the electorate, having been appointed in 1987 after Colonel (as he then was) Rabuka had overthrown the elected government. Colonel Rabuka staged a second coup the same year to remind the government who was in charge. Might he try a third? The general said on June 7th that if he took over the government this would not constitute another coup, but would be "mere repossession" of the power he had vested in the president, Sir Penaia Ganilau. Sir Penaia is the general's paramount chief.

One of the general's complaints against the government is that it is in a muddle over a new constitution. About half the people in Fiji are descendants of Indians brought in to work the sugar plantations in the 19th century. The government that was overthrown in 1987 was mainly Indian. The new constitution limits the number of Indians who can be elected to parliament and, in theory, ensures that ethnic Fijians will rule the country for ever. However, the Fijian chiefs who dominate the present government fear that, in practice, their future power may not be guaranteed. An election had been promised for this year but has been postponed until 1992, allowing more time for the constitution to be dickered with.

General Rabuka is also critical of the government's handling of a dispute with sugarcane growers. The dispute has hit production of sugar, Fiji's largest export. The general says, probably correctly, that the government has lost credibility.

The Indians are quietly amused. Although they have no love of General Rabuka—and many Indians have left Fiji because of him—they are enjoying the government's discomfort.

On June 11th the army called up 3,000 reservists, bringing the number of men under arms to 7,000. The prelude to a coup? Just a routine medical check, said an army man. Next day General Rabuka offered the president a whale's tooth, a Fijian gesture of respect. The government claimed that this was "an unconditional apology". The feeling in the capital, Suva, was that the general would not further threaten the government. For the moment.

Indonesia

Mauritania, Mozambique, Tuvalu, and Vanuatu as least-developed beneficiary developing countries, in accordance with section 504(c)(6) of the 1974 Act.

My decisions will take place at least 60 days from the date of this letter.

Sincerely,

George Bush

Note: Identical letters were sent to Thomas S. Foley, Speaker of the House of Representatives, and Dan Quayle, President of the Senate. The letter was released by the Office of the Press Secretary on April 27.

Memorandum on Modifications of the Generalized System of Preferences

April 26, 1990

Memorandum for the United States Trade Representative

Subject: Actions Concerning the Generalized System of Preferences

Pursuant to subsections 502(b)(4) and 502(b)(7) and section 504 of the Trade Act of 1974, as amended (the 1974 Act) (19 U.S.C. 2462(b)(4), 2462(b)(7), and 2464), the President is authorized to make determinations concerning the alleged expropriation without compensation by a beneficiary developing country, to make findings concerning whether steps have been taken or are being taken by certain beneficiary developing countries to afford internationally recognized worker rights to workers in such countries, and to modify the application of duty-free treatment under the Generalized System of Preferences (GSP) currently being afforded to such beneficiary developing countries as a result of my determinations.

Specifically, after considering private sector requests for a review of the alleged violation by Costa Rica and Uruguay of the expropriation provisions of subsection 502(b)(4) of the 1974 Act, I have decided to terminate the reviews of Costa Rica and Uruguay without prejudice, noting that modification of GSP eligibility is not warranted at this time.

Second, after considering various private sector requests for a review of whether or not certain beneficiary developing countries have taken or are taking steps to afford internationally recognized worker rights (as defined in subsection 502(a)(4) of the 1974 Act) to workers in such countries, and in accordance with subsection 502(b)(7) of the 1974 Act, I have determined that Indonesia and Thailand have taken or are taking steps to afford internationally recognized worker rights, and I have determined that Liberia has not taken and is not taking steps to afford such internationally recognized rights. Therefore, I am notifying the Congress of my intention to suspend the GSP eligibility of Liberia. Finally, I have determined to continue to review the status of such worker rights in Benin, the Dominican Republic, Haiti, Nepal, and Syria.

Further, pursuant to section 504 of the 1974 Act, after considering various requests for a waiver of the application of section 504(c) of the 1974 Act (19 U.S.C. 2464(c)) with respect to certain eligible articles, I have determined to modify the application of duty-free treatment under the GSP currently being afforded to certain articles and to certain beneficiary developing countries.

Specifically, I have determined, pursuant to subsection 504(d)(1) of the 1974 Act (19 U.S.C. 2464(d)(1)), that the limitation provided for in subsection 504(c)(1)(B) of the 1974 Act should not apply with respect to certain eligible articles because no like or directly competitive article was produced in the United States on January 3, 1985. Such articles are enumerated in the list of Harmonized Tariff Schedule of the United States (HTS) subheadings in Annex A.

Pursuant to subsection 504(c)(3) of the 1974 Act, I have also determined to: 1) waive the application of section 504(c) of the 1974 Act with respect to certain eligible articles from certain beneficiary developing countries; and 2) waive the application of subsection 504(c)(2)(B) of the 1974 Act with respect to certain eligible articles from certain beneficiary developing countries. I have received the advice of the United States International Trade Commission on whether any industries in the United States are likely to be adversely affected by such waivers, and I have determined, based on

Statement on the Death of Senator John Heinz

April 4, 1991

Barbara and I are deeply saddened by the news of the plane crash today in Pennsylvania in which U.S. Senator John Heinz and others have been killed. While all of the facts about this tragic accident are still unclear, our condolences go out to the families of all those killed or injured.

The people of Pennsylvania have lost a great leader, and the Nation has lost a great Senator. In particular, his steadfast efforts to protect Social Security and health care benefits for the elderly, his work to ensure both free and fair trade with our trading partners, and his commitment to protecting the environment have touched the lives of all Americans. His leadership and commitment will be greatly missed.

Adding to this tragedy is the apparent loss of life of at least two schoolchildren killed when the wreckage hit the ground and those piloting the aircrafts involved in the accident.

John Heinz was a close friend of our family. Barbara and I join the citizens of Pennsylvania and all Americans in extending sympathy and prayers to his wife, Teresa, and his sons, John, Andre, and Chris. Our hearts go out to the families in Merion, PA, who have suffered loss as a result of the accident.

News Conference With Prime Minister Toshiki Kaifu of Japan in Newport Beach, California

April 4, 1991

The President. Let me just say what a pleasure it's been to have Prime Minister Kaifu here in the United States. In the past year, we've resolved significant trade disputes, and we've moved to ease trade tensions. I think we've made solid progress in opening new markets to satellites and telecommunications, wood products.

We need to move ahead now in other areas—construction services, autos, auto parts, semiconductors, other areas. We need to prove that our efforts under the SII, the Structural Impediments Initiative, produce real results. I think progress has been made. It remains our best hope of fending off those who advocate managed trade between our nations.

In 1990, the U.S. trade deficit with Japan fell for the third straight year. And American exports to Japan continued to rise, up more than 75 percent since 1987. In fact, I think many Americans would be surprised to learn that Japan buys more goods from the U.S. per capita than we buy from Japan.

The Prime Minister and I both agree that we want to see a successful conclusion to the Uruguay round. And I might take this opportunity to urge the Congress of the United States to take decisive action and send a clear signal that America stands for free trade by extending the Fast Track procedures.

We had full discussions on the Gulf, and I took this occasion to thank, profoundly thank, Prime Minister Kaifu for the assistance that Japan made as a member of this coalition. Japan has provided a substantial level of financial support for Operation Desert Storm.

Just to save time, we will be putting out a more full statement here. But Mr. Prime Minister, I welcome your visit. And it's been a great pleasure having you here—all too brief a visit, but a very important one. Thank you for coming all this way.

The Prime Minister. Thank you, George, for kind remarks. You've shown yourself to be the great leader not just of this great nation, the United States, but of the entire world. Not only that, may I say, you are the private self of a countless number of people across the world who are fighting for the peace and justice, for freedom and democracy.

I am most pleased to see you, here in this beautiful State of California again, since we met over a year ago in a similar setting, and to be able to continue our close dialog.

I wish to take this opportunity on behalf of the entire Japanese people to pay our deepest respect to the great leadership you exerted as President throughout the Gulf crisis and to the dedication and sacrifice of the American soldiers, men and women, in Operations Desert Shield and Desert Storm.

The world has just overcome a great challenge in the Gulf region, and now it is time to tackle a truly historic mission, which is to build a new international order in the aftermath of the cold war. The Gulf crisis has demonstrated beyond anybody's doubt that the United States is the only superpower with the capability to play the most important role in the post-cold-war world and to do so in a responsible way.

At the same time, it has become clear that it is just as important that the like-minded countries work together and support American efforts. We deeply recognize this in Japan. Together with Americans, Europeans, Asians, and other peoples of the world, we seek to participate actively in this endeavor and cooperate for creating a new international order.

Throughout the Gulf crisis, Japan firmly supported the United States and international coalition efforts and cooperated as much as possible. And we are grateful for the appreciation expressed by the President. Nevertheless, sometimes Japan's efforts have not been properly understood and appreciated, and frankly speaking, this reception has caused disappointment among Japanese people. Thinking about the future of Japan-U.S. relationship, which is so important to the peace and prosperity of the world, I firmly believe that we have to rectify this situation.

Japan and the United States are staunch allies, bound together with strong security ties and a close economic interdependence. I believe the world strongly desires to see friendly and cooperative bilateral relations between our two countries, in which both sides will bring their respective strengths in order to meet global challenges, and will tackle problems between our two countries.

We are with you always, standing together as firm allies and friends across the Pacific. I'm convinced that the friendship and the spirit of cooperation between our two peoples will always prevail. Thank you.

The President. What we thought we'd do is alternate questions for Prime Minister Kaifu and for me, and alternate between the Japanese journalists and the U.S. journalists. Inasmuch as we're in the United States, I'm the appointed coordinator here. [*Laughter*] Self-appointed.

Japan

Q. I'd like to ask a question of Prime Minister Kaifu. Because of constitutional constraints Japan was not able to send military forces during the Gulf war. However, Japan financed the $9 billion additional contribution through tax increase, and in that respect I believe it is fair to say that Japan has shed its blood in its own way. However, that contribution is not properly valued in the United States. On top of that, more recently, there seems to be a stepping up of Japan-bashing in the United States over trade issues, whereas in Japan there is dissatisfaction amongst the Japanese people. People are grumbling that Japan is not an automatic teller machine of a bank.

Now, I wonder if through your meeting today you've been able to, shall I say, lead the relations which have been in a somewhat awkward state, more recently, toward a more smoother relationship.

The Prime Minister. In the process of peace recovery, or recovery of peace in the Gulf region, Japan, from the very beginning, showed its basic position that Iraq is wrong. And from Japan's position, we cooperated and made contribution as much as possible. With regard to financial cooperation, we put a bill to the Diet of the Japanese Parliament. We passed a budget bill for that purpose. And for the purpose of funding that budget, we asked the Japanese people to accept an increased tax. And we were aware of the need to make this contribution, and the President has kindly appreciated that contribution that Japan made.

On the other hand, I'm certainly aware that there are divergent views in the United States. We would like to continue with our efforts so that we will be establishing a relationship of mutual confidence that is unshakable.

Iraq

Q. Mr. President, the critics are suggesting that you've abandoned the Kurds to Saddam Hussein's mercy; one has even likened it to your Bay of Pigs. Could you explain to us why we were willing to do so much to help liberate Kuwait and why now we are standing on the sidelines while the Kurds are struggling?



The President. stated objective c in the internal made very clear go into Iraq. I c brutality against not want to see have performed tion, sucked into

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The President. sion of that with we are in agree we can to help th



Japan-U.S. Relat

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The President. Be glad to. It was never a stated objective of the coalition to intervene in the internal affairs of Iraq. Indeed, I made very clear that we did not intend to go into Iraq. I condemn Saddam Hussein's brutality against his own people. But I do not want to see United States forces, who have performed with such skill and dedication, sucked into a civil war in Iraq.

We will not have normal relations with Iraq until Saddam Hussein is out of there. But I made very, very clear from day one that it was not an objective of the coalition to get Saddam Hussein out of there by force. And I don't think there's a single parent of a single man or woman that has fought in Desert Storm that wants to see United States forces pushed into this situation—brutal, tough, deplorable as it is.

Q. If I may follow, will you offer asylum to the Kurdish refugees if Turkey keeps its borders closed?

The President. I have had a good discussion of that with Prime Minister Kaifu, and we are in agreement that we will do what we can to help the Kurdish refugees.

Japan-U.S. Relations

Q. I'd like to ask a question related to the rice issue, which I believe is on the top of the agenda between Japan and the United States. And I should like to direct this question to both the President and the Prime Minister.

The first, I should like to know, Mr. President, what your thoughts are with regard to the issue of opening up the Japanese rice market and whether you took up this matter during your meeting today.

The President. Yes, we had a full discussion of this matter. Yes, we would like to have access to the Japanese rice market. Yes, Prime Minister Kaifu explained the complications that he faces in Japan on this question. But I think the overriding point is we both realize that we must have a successful conclusion of the Uruguay round, and to do that, agriculture must be included.

The Prime Minister. Yes, let me respond to that myself, as well. The rice issue was mentioned in the context of the Uruguay round negotiations. What I said was that, regarding the Uruguay round, we recognize the importance of close cooperation between Japan and the United States to bring the round to an early and successful conclusion.

Now, I also explained that—well, there are difficult issues in the agriculture area for our countries—the United States, the European Communities, as well as for Japan. And so, I said, let us endeavor together to resolve the issue of rice together with the other issues, the difficulties for the other countries in the context of the Uruguay round.

Iraq

Q. Mr. President, in 1989 and 1990 when the talk of critics were calling on you to speak out more forcefully for the uprising in Eastern Europe and the Lithuanian aspirations for independence, you said you hesitated to do so for fear of raising expectations such as were raised in Hungary in 1956. Now, people are saying you've done just that by calling for the overthrow of Saddam Hussein, and you've let the rebels down when they moved on those expectations. Could you discuss that and give us your feelings and whether you see a parallel?

The President. I think I was right in 1989, and I think I'm right now. I made clear from the very beginning that it was not an objective of the coalition or the United States to overthrow Saddam Hussein. So, I don't think the Shiites in the south, those who are unhappy with Saddam in Baghdad, or the Kurds in the north ever felt that the United States would come to their assistance to overthrow this man.

We're not going to get sucked into this by sending precious American lives into this battle. We've fulfilled our obligations. Now, do we hurt when Kurdish people were hurt and killed and brutalized? Yes. Are we concerned at the brutal treatment of the Shiites in the south? Yes. Do we wish that the people would get rid of Saddam Hussein on their own? Absolutely. But I have not misled anybody about the intentions of the United States of America, or has any other coalition partner, all of whom to my knowledge agree with me in this position—all of whom do.

Can we get one from the U.S. side for Prime Minister Kaifu? And then I'll take

asked, to make it better? The successful conclusion of the Uruguay round, to which we're both committed, would help. Working together with Japan to alleviate the suffering of these Kurdish victims of Saddam's brutality—that will help. Working with Japan to help guarantee the security and the stability of the Gulf and reconstruction of the Gulf—that will help. Moving forward in other trade areas can help, although we're closing that gap.

But, Norm [Norman Sandler, United Press International], when there are problems, it is understandable that people dwell on those specific problems and we overlook the fundamentals. And those fundamentals include the fact that the Japanese Government and the U.S. Government, as you look around the world, see eye-to-eye on almost every problem around the world.

Let me give you one more example. The answer is too long—excuse me, Toshiki—but one more example. Japan is trying to be helpful to the development and strengthening of democracy in this hemisphere. So, while we take up the difficulties, let's also remember these fundamentals that are strong as they can be.

Last one, and this is for the Prime Minister.

Soviet-Japan Relations

Q. I'd like to ask a question regarding the Soviet Union. President Gorbachev of the Soviet Union will be visiting Japan. And I wonder in relation to that, you discussed during your meeting today—well, assistance for the Soviet Union. And together with that, I should also like to know whether you had any discussions on trade in technology with the Soviet Union?

The Prime Minister. With the upcoming summit meeting with President Gorbachev's visit to Japan, I did mentioned in general terms that we should like to take up as a major item on our bilateral agenda the resolution of the territorial issue between Japan and the Soviet Union, so that we shall be able to sign a peace treaty which will lead us toward a genuine friendship.

However, we did not discuss specifics such as technological assistance or economic assistance. I did explain our, shall I say, diplomatic schedule ahead of us with the Soviet Government and the North Korean Government which we would like to promote for the purpose of attaining peace, stability, and prosperity in the Asia-Pacific region.

The President. Well, I think we're a little behind schedule for the—no. No, no. [*Laughter*] But thank you.

Never get enough. Here we go. Thank you all very much.

Note: The President's 77th news conference began at 4:10 p.m. in Ballroom A of the Four Seasons Hotel. In his remarks, President Bush referred to President Saddam Hussein of Iraq. A tape was not available for verification of the content of this news conference.

Statement on Japan-United States Relations

April 4, 1991

I think back to when I met with Prime Minister Kaifu in Palm Springs last March—1 year and a world of change. Since then, we closed the last chapter on the cold war. We built a coalition that rescued a tiny nation from a terrible fate. We defended an ideal that is good and right and just.

But our work is far from finished. With change comes new challenges—for both our nations—with global implications for growth, stability, and peace.

Our two nations must work to forge a global partnership. And since last year's meeting in Palm Springs, we have made very real progress. In the past year, we have resolved significant trade disputes and we've moved to ease trade tensions.

We've made solid progress, opening new markets to satellites, telecommunications, and wood products. We need to move ahead now in construction services, autos and auto parts, semiconductors, and other areas. We need to prove that our efforts under the Structural Impediments Initiatives produce real results. It remains our best hope of fending off those who advocate managed trade between our nations.

Today, let us reaffirm our commitment to tear down the walls to free and fair trade,

and build on the open exchange that helps both our nations.

Our efforts to expand free trade have produced real results. In 1990, the U.S. trade deficit with Japan fell for the third straight year. American exports to Japan continued to rise, up more than 75 percent since 1987. In fact, many Americans would be surprised to learn that Japan buys more goods from the United States per capita than we buy from Japan.

Together, our two nations share a special responsibility to maintain and strengthen the multilateral trading system. Japan and the United States are powerful forces for global prosperity. But we cannot promote continued growth in a world system where free market forces are in retreat.

That is why the success of the Uruguay round trade talks is critical. Along with other nations, Japan and the United States must assume strong leadership roles in knocking down barriers to free trade in all areas, including agriculture. And once again, I call on the U.S. Congress to take decisive action—send a clear signal that America stands for free trade by extending Fast Track procedures.

Trade is just one dimension of our relationship. Last year, our two nations marked the 30th anniversary of our Mutual Security Treaty. Our commitment to common defense has never been stronger, and yet here, too, our longstanding alliance continues to adjust to new challenges and new realities. Just this January, in keeping with its growing economic might, Japan agreed to increase its share of the costs as host nation to American forces.

Let me be clear: The United States welcomes the broadest possible participation by Japan in world affairs. In the past year, we've seen a significant easing of tensions in Europe. I call on Japan to join with us in seeking solutions to regional conflicts that threaten stability in the Pacific. And I thank Japan as a key member of the coalition that triumphed over the forces of aggression in the Persian Gulf. For the first time, Japan contributed to a multinational peacekeeping effort, and it is providing a substantial level of financial support for Operation Desert Storm.

I welcome the visit of Prime Minister Kaifu. We must do all we can to build public support for our relationship and to promote contacts of every kind between the American and Japanese people. Just this last year, Japan's distinguished former Foreign Minister Abe announced the creation of a new foundation to promote exchanges that bring together academics and artists, that encourage tourism and travel.

For more than 40 years, Japan and the United States have been partners—partners in democracy, partners in prosperity, partners in peace. I am convinced that our meeting today proves that this partnership remains strong, that together we will constitute a source of stability, now and into the next century.

Statement on Aid to Iraqi Refugees
April 5, 1991

The human tragedy unfolding in and around Iraq demands immediate action on a massive scale. At stake are not only the lives of hundreds of thousands of innocent men, women, and children but the peace and security of the Gulf.

Since the beginning of the Gulf war on August 2, the United States has contributed more than $35 million for refugees and displaced persons in the region. Many other countries have also contributed. It is clear, however, that the current tragedy requires a far greater effort. As a result, I have directed a major new effort be undertaken to assist Iraqi refugees.

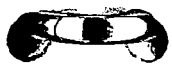
Beginning this Sunday, U.S. Air Force transport planes will fly over northern Iraq and drop supplies of food, blankets, clothing, tents, and other relief-related items for refugees and other Iraqi civilians suffering as a result of the situation there.

I want to emphasize that this effort is prompted only by humanitarian concerns. We expect the Government of Iraq to permit this effort to be carried out without any interference.

I want to add that what we are planning to do is intended as a step-up in immediate aid, such as is also being provided by the British, the French, and other coalition







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And that is why America and our allies are going to prevail in the Gulf. And that is why America and our partners are going to prosper in the years to come. You see, I firmly believe that our best days are before us. And I can assure you, America, and the world that we will continue to fight for principle, we will continue to do the hard work for freedom.

Thank you all very much. I'll be glad to take your questions. And may God bless the troops in the Gulf and the United States of America.

Free Trade

Q. Mr. President, every year there are 80 million new more mouths to feed in this world. You and your Presidency have been sensitive to their needs—not only to help feed them, as we can, but more importantly to help them economically to be able to feed themselves. Recently you sent Carla Hills to the GATT negotiations, and she has done a superb job of moving the world's food trade to the top of the agenda at GATT in an effort to try to get more market-oriented agricultural trade which would help enormously during the next decades in getting food produced where it should be produced and into the mouths of hungry people.

Now, while we try for free trade, just about every country we compete with is using managed trade in a democratic, socialist mercantile system, replete with export subsidies—like Japan and the EEC. In view of the fact that they seem to be rejecting our desire that they move toward freer trade, do you think GATT will ever be able to solve the problems of that kind, or will we have to go to a managed industrial policy like most of the Western world in order to compete?

The President. Well, Dwayne, I don't want to give up on the GATT round. I go from optimistic to sometimes pessimistic. I still believe that we have an opportunity to get a successful conclusion of the GATT round. Whether it will be done by the time our fast-track authority runs out, I'm not sure.

But I believe that we can get the kind of conclusion that will avoid making the situation that you've described even worse. Because I don't want to see us resort to the kind of government-mandated targeting and the government controls that go with the kind of economies that you have described. So, I am still hopeful that we can get a successful conclusion. The major hang-up on the GATT round involves agriculture. And we have had a great deal of difficulty getting some of our friends in Europe, and to some degree the Japanese, fully on board in terms of agriculture.

Carla Hills is tough as nails, and she will continue to work hard to get this done. But I think we ought to—before we start going down the road of managed economies and targeted products like some of the others that we compete with do, I think we ought to go all-out to see that we can successfully resolve that round.

At the same time, I was talking to David at dinner and to Rand—we are working hard on this new North American free trade zone. And I believe that, even if GATT gets hung up for a while, we should keep pushing hard for a free trade zone with these three countries—Canada, Mexico, and the United States. And that would lead, I think, inextricably to a hemisphere that is free and fair.

So, I want to keep pushing on that. I worry about the problems that you throw out there, but I'm not prepared to give up yet on GATT. And we are weighing in heavily with the EC, with France, with Germany, and with Japan so we can reach a successful conclusion.

Japan and Germany

Q. Mr. President, wars are often historic moments in the relationship among nations. In this war, our two largest economic partners, Germany and Japan, appear to have become our two most reluctant and troubling political partners. Will this adversely affect our economic relationships with these two countries or, on a brighter note, do you think that the war will make Germany and Japan realize the need for closer political and economic cooperation with the United States?

The President. In the first place, I believe that it is not fully realized that Japan has pledged $9 billion to Desert Storm in addition to the billion they spent before we were in the war, and Germany has now pledged $5 billion. Th
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pledged $5 billion. Those are very generous contributions in my view—or appropriate contributions, in my view. And I am grateful to Prime Minister Toshiki Kaifu and to Chancellor Helmut Kohl for doing this.

So, the concept of burden-sharing that has concerned the American people on the costs of the war is in far better control than I think we've made clear. In other words, I feel comfortable where it is. Now, I think we have to recognize that Japan and Germany have constraints, constitutional constraints placed on them as a result of World War II.

I think if you look around the world and you take a look at the Pacific countries, particularly the countries out there, the ASEAN countries, there still is some concern about a totally rearmed Japan. And that's a sentiment that is shared by many members of the Japanese Diet.

So, we should not be saying to them, you've got to do more in the way of tanks and planes and military force. So, I'm hoping that the world will see that they are pitching in and will continue to pitch in as these costs mount, because clearly we are doing a lot of work that benefits the people in both those countries. They are both dependent on foreign sources for oil—both of them heavily dependent on oil from that part of the world. But I think they understand that.

In terms of the long run, it is my hope that because we have taken this lead role in the coalition—because we have put together what I think history will show is an historic, albeit diverse, coalition—that the people of Germany and the people of Japan as well as others around the world will see a United States that has a vastly restored credibility, and that that will help us, I think, as we talk to them about other kinds of problems.

So, I don't see anything out of this that should diminish our interest in continuing strong economic relations with them. Having said that, I'd go back to Dwayne's question. Both—particularly Japan—has got to give us access, and Germany in agriculture as part of the EC has got to give us access to markets. But perhaps our credibility will be such because we've bitten off this really tough—decided to bite off this tough assignment and complete it, that we will have some—I wouldn't say leverage on them, but persuasiveness that will lead to more harmonious trade relationships.

Soviet-U.S. Trade

Q. Mr. President, every European nation now has a comprehensive trade treaty with the Soviet Union including investment guarantees. Western Europe this year will do eight times as much business with the Soviet Union as we do, and in manufactured products almost 30 times as much.

Now, looking ahead, and with special reference to the problems you see involved in the negative attitudes of Congress, how do you see the possibility of U.S. business and industry catching up with the long lead that the Europeans have in trade with Russia?

The President. Well, right now, Dwayne, as you well know, why, we have some big problems. And you've seen the EC pull back within the last few days on some of their trade breaks for the Soviet Union. You see the pressure mounting in our Congress for me to pull back on most-favored-nation and on the moderate steps that we took to include the Soviets or to encourage the Soviets to join some of the international financial organizations. And that stems from the fact that there is this visible repression against the Baltic States.

A little history: We have never recognized the incorporation of the Baltic States into the Soviet Union. And so we have enormous problems when we see force used against those three republics. And it is a big problem. And it concerns me deeply, it concerns the American people deeply. And there are certain constraints on what we can do in moving forward until we get satisfied that this was an anomaly and not a new way of life.

Mr. Gorbachev faces enormous problems inside the Soviet Union. You've heard suggestions that—maybe you heard the press conference yesterday—the tone of some of the questions: "Well, you ought to start dealing with other leaders." He's the President of the Soviet Union, he has done wonderful things in terms of reunification of Germany, in terms of getting out—of freeing up the Eastern European countries. But he's faced with big problems.

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New World. And we trace our origins, our shared history, to the time of Columbus' voyage and the courageous quest for the advancement of man. Today the bonds of our common heritage are strengthened by the love of freedom and a common commitment to democracy. Our challenge, the challenge in this new era of the Americas, is to secure this shared dream and all its fruits for all the people of the Americas—North, Central, and South.

The comprehensive plan that I've just outlined is proof positive the United States is serious about forging a new partnership with our Latin American and Caribbean neighbors. We're ready to play a constructive role at this critical time to make ours the first fully free hemisphere in all of history. Thank you all for coming and God bless the peoples of the Americas. Thank you very, very much, indeed.

Note: The President spoke at 2:48 p.m. in the East Room at the White House. In his opening remarks, he referred to Secretary of the Treasury Nicholas F. Brady; U.S. Trade Representative Carla A. Hills; Secretary of Commerce Robert A. Mosbacher; William H. Webster, Director of Central Intelligence; Barber B. Conable, Jr., President of the World Bank, which is also known as the International Bank for Reconstruction and Development; and Richard D. Erb, Deputy Managing Director of the International Monetary Fund. The President also referred to the Group of 24, the industrialized democracies that have pledged support for economic and political reform in Poland and Hungary.

Message to the Congress Reporting Budget Rescissions
June 28, 1990

To the Congress of the United States:

In accordance with the Impoundment Control Act of 1974, I herewith report eight proposed rescissions totalling $327,375,000.

The proposed rescissions affect programs of the Department of Defense. The details of the proposed rescissions are contained in the attached report.

George Bush

The White House,
June 28, 1990.

Note: The attachment detailing the proposed rescissions was printed in the "Federal Register" of July 6.

Statement on the Japan-United States Trade Negotiations
June 28, 1990

Last year the United States and Japan launched a new cooperative endeavor in economic policy called the Structural Impediments Initiative. This initiative is designed to address underlying structural problems in both of our economies with the goal of contributing to more open and competitive markets and to the reduction of payments imbalances. A joint working group was formed to identify and solve these problems. Over the past year, these discussions have demonstrated the constructive and cooperative spirit which characterizes the relationship between our two countries.

The joint report of the SII working group has just been issued in Tokyo, following up an interim report issued in April. I welcome and endorse this joint report. Both countries have identified structural impediments, taken initial corrective actions, and made commitments to take further steps to resolve a wide range of structural problems. We expect that the structural policy actions to be taken will have a positive effect on our economies, encouraging open and competitive markets, promoting sustained world economic growth, contributing to a reduction in global payments imbalances, and enhancing the quality of life in both Japan and the United States. Although our efforts on SII are bilateral, the effects will be beneficial for the entire world.

I particularly welcome the clear commitment by Japan to reduce further its current account surplus and view the SII process as

an important framework in which the underlying causes of trade imbalances can be removed.

Removing structural impediments is a two-way street. As Japan tackles its structural problems, so must the United States. In particular, I look forward to working closely with the Congress on efforts to strengthen both public and private saving and to reduce our budget deficit through the negotiations now underway.

Both our governments recognize that further effort will be necessary in order to address fully these structural problems and to maintain the momentum of our adjustment efforts. I am pleased that an effective follow-on mechanism has been established. Continuing success on SII can help us move away from trade disputes, thus allowing us to focus our efforts on more positive activities as we continue to develop a global partnership between our two countries.

The personal efforts of Prime Minister Kaifu were responsible in large measure for the substantial progress on our joint effort to address these structural problems. I commend Prime Minister Kaifu for his strong and courageous political leadership. I look forward to a full range of discussions with Prime Minister Kaifu when we meet July 7 in Houston.

Message to the Congress Transmitting the Annual Report of the Federal Council on the Aging

June 28, 1990

To the Congress of the United States:

In accordance with section 204(f) of the Older Americans Act of 1965, as amended (42 U.S.C. 3015(f)), I hereby transmit the Annual Report for 1989 of the Federal Council on the Aging. The report reflects the Council's views in its role of examining programs serving older Americans.

George Bush

The White House,
June 28, 1990.

Proclamation 6151—Modification of Import Restrictions for Certain Agricultural Products

June 28, 1990

By the President of the United States of America

A Proclamation

1. Prior to January 1, 1989, the President by various proclamations had imposed fees or quantitative limitations on the importation of certain agricultural commodities and products thereof under the authority of section 22 of the Agricultural Adjustment Act of 1933, as amended (7 U.S.C. 624) (hereinafter section 22). Section 22 requires the President to impose fees or quantitative limitations on the importation of any article if he finds, on the basis of a recommendation by the Secretary of Agriculture and an investigation and report of findings by the United States International Trade Commission, that such fees or quantitative limitations are necessary to prevent such article from being imported into the United States under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, any program or operation undertaken by the Department of Agriculture with respect to any agricultural commodity or product thereof, or to reduce substantially the amount of any product processed in the United States from any agricultural commodity or product thereof with respect to which any such program or operation is being undertaken. Such fees and quantitative limitations imposed by the President pursuant to section 22 were set forth in part 3 of the Appendix to the Tariff Schedules of the United States (TSUS) and are now provided for in subchapter IV of chapter 99 of the Harmonized Tariff Schedule of the United States (HTS).

2. In addition, by Proclamation No. 4334 of November 16, 1974 (39 Fed. Reg. 40739), the President had established an import quota for certain sugars, syrups and molasses, to become effective on January 1, 1975, as provided for in headnote 3 to subpart A, part 10, schedule 1 of the TSUS. Subsequent proclamations have modified such quota. In issuing Proclamation No. 4334 and



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I mentioned self-inflicted burdens, and of course not all our competitive burdens are self-inflicted. There are also foreign barriers to U.S. exports which must be addressed. And earlier this month Prime Minister Kaifu and I agreed on the need for action on what we call Structural Impediments Initiative to break down nontariff barriers to the Japanese market. And we are pressing hard to get the Japanese Government to address specific trade categories. We must move aggressively to open markets not just in Japan but around the world and expand our share of global trade. For those of you who follow the Japanese market, you'll agree with me that we need to have more openness there. I can tell you not only were the Kaifu talks good but the talks that we had with the former Prime Minister Takeshita when he was here just a handful of days ago. We have got to have them understand the seriousness of the problem we face.

I still believe that for far-reaching, fundamental reform our best hope is the proposals that we have made in the Uruguay round of the GATT [General Agreement on Tariffs and Trade] negotiations. We're determined to make a level playing field. Let America compete in an arena of fair trade, and we will take on anyone, anytime, anyplace.

As in Berlin, barriers are coming down all over the world. It took years of persistence, but the ideas championed by America—freedom, democracy, competition, and investment—are flourishing because they work, because they are the best. It can be the same for American goods.

In 1986, on the eve of July 4th, a single blue laser split the darkness over New York Harbor, a manmade lightning bolt that relit the torch of a reborn Statue of Liberty. The torch has been held high ever since. And today that light continues to inspire hope from Panama to Prague, from Moscow to Managua.

Somehow, a recent bit of news seems fitting: The bald eagle, the American eagle, may soon come off the endangered species list. Ladies and gentlemen, America is back, and this time we are back to stay. And I look forward to working with this organization, your member companies, to doing what we can in government to facilitate free and fair trade to help maintain and strengthen an economy that is good for the working man and the working woman of this country.

Thank you for inviting me over. And God bless you, and God bless our great country. Thank you very much.

Note: The President spoke at 10:27 a.m. in the Grand Ballroom at the Ramada Renaissance Hotel. In his remarks, he referred to Daniel Krumm, chairman of the association.

Nomination of Robert C. Larson To Be a Member of the Oversight Board of the Resolution Trust Corporation

March 15, 1990

The President today announced his intention to nominate Robert C. Larson to be a member of the Oversight Board of the Resolution Trust Corporation for a term of 3 years. This is a new position.

Since 1974 Mr. Larson has served with the Taubman Co., Inc., in Bloomfield, MI, as chief executive officer and director, since 1988; president, since 1978; and senior vice president and director of eastern development activities, since 1974. Prior to this he was vice president of Inland Steel Development Corp. and has served in various positions in Inland subsidiaries and divisions.

Mr. Larson graduated from Carleton College (B.A., 1956). He was born June 15, 1934, in Minneapolis, MN. Mr. Larson is married, has seven children, and resides in Bloomfield Hills, MI.

Remarks and a Question-and-Answer Session at a White House Briefing for Members of the Board of Directors of the National Newspaper Association

March 15, 1990

The President. Actually, I just came from a St. Patrick's Day lunch put on by Speaker

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which is openness, which we support. And it would be very inappropriate for the President of the United States to start passing judgment as that process of *perestroika*—democratization, if you will—moves forward.

And so, yes, the Soviets have created a new post of President, I hear, but that's their business. And we will work with, in this instance, President Gorbachev. As you know, I think we have a reasonably good relationship there, a respectful one; and I'm going to continue to work with him.

Q. Well, can you say, sir, whether you think that as you continue to work with him that will be affected in any way by these changes that have taken place, or is it going to be as it has been between you and Mr. Gorbachev? And would you see involving the Soviet Union in this fund for democracy?

The President. You mean, asking them to give money to——

Q. No, no, no. Including them, making them if not currently, as Gephardt has suggested, perhaps one day a beneficiary of this fund for democracy?

The President. I think the answer is to help in a technical way as best we can for helping the Soviets move towards market economies and free markets and those kinds of considerations. I think that's the next step we ought to take.

And there's discussion of an Eastern development bank. The question is out there whether the Soviets should be members of that bank or not. And as a matter of fact, we have some deliberations going on as to what the U.S. position should be right now. I'm not prepared to state it, but I've been spending some time on this question. But that's an idea that was surfaced by François Mitterrand [President of France], I believe. So, there are all kinds of ways in which, down the road, we can work with the Soviet Union. But I think what they need now from us is know-how and technical knowledge, that kind of thing.

Japan-U.S. Relations

Q. Mr. President, after your meeting in Palm Springs with Prime Minister Kaifu, he took a real beating in the Japanese Diet. And I wonder if, in retrospect, were there any misunderstandings in your conversations? He was accused in Japan by his critics of having made some concessions or reached a level of detail in your discussions that some in Japan were unhappy with. Is there any clarification needed about what came out of Palm Springs?

The President. No, those reports just highlight the sensitivity of the situation in Japan. And I think that as far as I'm concerned the talks were very good. We followed up, incidentally, with close to an hour with Mr. Takeshita [former Japanese Prime Minister] yesterday and covered the same broad agenda. I didn't go into every specific, but I'm convinced that both Mr. Kaifu left Palm Springs and Takeshita will leave Washington with a far better understanding of the problems that we face. And hopefully, I have a better understanding of theirs. So, I think I'm aware of the criticism against him at home, but I think that I would just go back to the statements he made when he left Palm Springs, which I viewed as very constructive.

Q. Just one followup: You said in a speech—the day after you got back—to the Electronics Association that you had discussed telecommunications with him, and that apparently came as a surprise to some people in Japan. Was that a brief discussion, a lengthy one?

The President. A broad discussion of several categories. And I don't know in terms of the amount of time, but we left the details of all of these categories, that were so well-known as differences between the U.S. and Japan, to the experts. In fact, I think [Secretary of Commerce] Bob Mosbacher will be going there soon, if he's not already on his way. And so, it was more broad in general, but categories mentioned.

Upcoming Meeting With Chairman Gorbachev

Q. Do you still expect the summit with Mr. Gorbachev will take place in Washington in the last 2 weeks of June?

The President. We've got to get that set soon, pin down the dates and the place. But in terms of expectation, yes.

Baseball Strike

Q. Mr. President, the announcement no one wants to hear: the delay of baseball's Opening Day is imminent. Is there any-

Statement by Press Secretary Fitzwater on the President's Meeting With Prime Minister Toshiki Kaifu of Japan in Palm Springs, California

March 2, 1990

The President and Prime Minister Kaifu met for approximately 1 hour this afternoon. Their meeting began with a brief one-on-one session, followed by a plenary. In their private session, the President and the Prime Minister took the opportunity to reaffirm the close and friendly bilateral relationship of the two countries, and the growing significance of their global partnership. The President congratulated the Prime Minister on his recent electoral victory. The President noted that the pillars of the relationship are the U.S.-Japanese security relationship, the global partnership, and the bilateral economic relationship.

The plenary session was devoted to a discussion of security issues of common concern. The President and the Prime Minister noted the mutual benefits that the security relationship brings to both countries and noted that it continues to be the best guarantee for stability and prosperity in the Pacific region. The President stated that the adjustments the United States is contemplating in its defense posture in the Pacific area will not affect either deterrence or stability, nor its commitment to its Asian allies. The two leaders discussed the issue of burden sharing, noting the need for suitable arrangements for balanced cost sharing. The President reaffirmed the United States support for the Northern Territories issue, and noted that Secretary Baker had raised the subject during his Moscow ministerial and that the U.S. would continue to raise the Territories with the Soviet Union.

The President emphasized that this summit should lay the conceptual framework through which the two countries could realize the full potential of the already close bilateral relationship. The Prime Minister stressed the importance to coordinate our policies and tackle the issues from the standpoint of mutual cooperation.

Nomination of John C. Foltz To Be Administrator of the Federal Grain Inspection Service

March 2, 1990

The President today announced his intention to nominate John C. Foltz to be Administrator of the Federal Grain Inspection Service, Department of Agriculture. He would succeed W. Kirk Miller.

Since 1979 Mr. Foltz has served as executive director of the Ohio Grain and Feed Association in Worthington, OH. Prior to this he served as chief of the division of markets at the Ohio Department of Agriculture, 1977–1978; Assistant Administrator for Market Development at the Foreign Agricultural Service, 1976; Deputy Under Secretary for Legislative Affairs at the Department of Agriculture, 1973–1975; deputy director for agriculture for the Committee to Re-elect the President, 1972; Director of Congressional Relations for the Cost of Living Council in the Executive Office of the President, 1971; legislative assistant in the Office of the Secretary at the Department of Agriculture, 1969–1971; and staff member and manager of public relations for the Future Farmers of America, 1958–1968.

Mr. Foltz graduated from Ohio State University (B.S., 1955; M.S., 1971). He was born February 23, 1933, in West Lafayette, OH. Mr. Foltz served in the U.S. Navy, 1955–1957. Mr. Foltz is married, has two children, and resides in Worthington, OH.

Remarks Following Discussions With Prime Minister Toshiki Kaifu of Japan in Palm Springs, California

March 3, 1990

The President. Well, I was very pleased to welcome my friend, the Prime Minister of Japan, here to Palm Springs for 2 days of very useful and far-reaching discussions about the critically important relationship between the United States and Japan. In the first instance, I wanted to see Prime Minister Kaifu again and extend personally my congratulations for his victory in the recent elections. I also want to express my

very high regard and admiration for the outstanding leadership he has given his country and his party since he was propelled into office just 6 months ago. We first met last September, and in the intervening months we've seen some of the most momentous changes in recent world history. It is important that the leaders of the United States and Japan come together and review the entire scope of their relationship at this time of profound change in the world.

There are three things that are very clear to me: that our relationship with Japan will become even more important to us and to the world in the coming decades; that Japan is moving rapidly to assume a leading role in the world, as was evident in Prime Minister Kaifu's recent trip to Eastern Europe and the nearly $2 billion in assistance that he pledged to the nations of Poland and Hungary; and that no matter where we look around the world—from Eastern Europe to Panama to Cambodia—the United States and Japan are working together to promote political and economic transformations that will strengthen democracies and market economies.

Our meetings these 2 days were not formal negotiations. This has been an opportunity to come together and take stock of the entire range of our dealings—from security, to economics and trade, to foreign policy—and to talk about where we're going, together, as we move toward the 21st century. We talked about how we can expand even further our global partnership. I believe that in the coming years we have a unique and challenging opportunity to expand even further our cooperation on international issues across the board; to strengthen the political "trialogue" among the United States, Japan, and our European allies; to expand our aid cooperation to embrace a larger effort aimed at promoting economic and social development in the Third World; and to think about how Japan can more fully play a leading role in the world's political and economic institutions.

We talked about developments of recent months in Europe and in U.S.-Soviet relationships. And I believe that we're agreed that our two countries must work closely together to promote the same kind of positive changes in Asia. I reaffirmed to Prime Minister Kaifu, as did Secretary of Defense Cheney during that successful visit of his to Tokyo, that the United States is, and will remain, a Pacific power; that the United States attaches great importance—the greatest importance to its security and political alliance with Japan; and that our two countries must continue to strengthen our defense cooperation. At a time of great change in the world, our treaty of mutual cooperation and security has become even more important to ensuring continued peace and prosperity as democracy and free markets spread across Asia and the Pacific.

We also discussed our economic relationship—one of the most broad-ranging and complex set of commercial and financial interactions in the entire world. There are many economic areas in which we have close cooperation. I think of the Third World debt problems, economic policy coordination—collaborated there. And we reaffirm our commitment to that process, including cooperation in exchange markets. We must also remember that Japan is the second largest market in the world for our manufacturers, and the largest market in the world for our farmers. Our exports to Japan already total $44 billion—only Canada buys more from us—and our exports to Japan are going up faster than our sales to the rest of the world. The Prime Minister and his government are very aware of the mood and concern in this country about the continuing impediments to further growth of our trade relationship. Even with that 18-percent growth in our exports to Japan last year, we still have a $49 billion bilateral trade deficit. Make no mistake about it: I want to see that deficit come down, not by restricting our markets or managing trade but by further increasing our exports to Japan. And so, in the coming months, our common task must be to further open markets and expand trade.

In addition to increasing our exports to Japan, our other key task is to ensure the success of the Structural Impediments Initiative that we launched last summer. We're facing some important deadlines, and the Prime Minister and I are calling on our officials to redouble their efforts to achieve meaningful interim and final results. We must make the SII, the Structural Impedi-

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ments Initiative, and our other trade discussions a success. We must put our economic relationship on a solid foundation if we're to achieve the full promise of our relationship. We feel that we presented some valid ideas about removing structural impediments in Japan that will improve market access and reduce our trade imbalances, and we look forward to the Japanese response. But let's face it, these talks are a two-way street. We Americans must increase our savings, reduce our budget deficit, provide more incentive for our investors, strengthen our educational system, focus on producing goods of the highest quality. So, our task is to make the American economy even stronger and even more competitive, and that is a task for America, not for Japan.

So, Mr. Prime Minister, I am delighted that we had this opportunity to discuss all these matters. I am confident that during our time here together, we have launched a process that will continue throughout 1990 and the coming years—a process that will create a breakthrough relationship and lead to an era of even greater cooperation between our two countries. Together, we must master our problems and expand our opportunities. By working together, in partnership, the United States and Japan have the chance to lead not only our two peoples but the whole world into a new era of peace, freedom, and prosperity. So, Mr. Prime Minister—Toshiki, my friend, thank you for coming. And I wish you a safe journey home. May you have great success in your efforts in the coming months. You have our full support.

The Prime Minister. George, thank you very much, first of all, for your warm remarks. I would also, first of all, like to express my appreciation for the heartwarming hospitality extended to me by you, George, and Mrs. Bush. I am particularly pleased to have had the opportunity to come together in scenic Palm Springs and to discuss issues at such length that our two countries face and that relate to peace and prosperity of the world.

My meeting with you was a meaningful opportunity to discuss coordination between Japan and the United States as we move into a new era of turbulent international situation in search of a new order based on freedom and democracy. I am fully satisfied that I was able to share fundamental thoughts with you through in-depth exchange of views. I value very highly the careful but bold initiatives taken by the President to foster desirable changes in the East-West relations and to promote arms control and disarmament negotiations. I am determined that Japan must share responsibility from the standpoint of its being one of the countries who are responsible for maintaining and strengthening international order.

During my recent visit to Europe, I have pledged in concrete terms support to the East European countries who are seeking to establish freedom and democracy and introduce market economies. On the German reunification issue, the President explained to me that he conveyed the U.S. position to the Federal Republic of Germany at the recent meeting between the President and Chancellor Kohl concerning the adherence of the unified Germany to NATO and the continued presence of U.S. forces on German soil. I expressed my appreciation for his explanation and expressed my admiration for the efforts by the President. The President and I exchanged views on the Asia-Pacific situation, and we shared the view that the diplomacy of new thinking of the Soviet Union needs to be actively applied in this region as well, and that it is important for both Japan and the U.S. to endeavor together to ensure the political stability and economic prosperity of this region.

This year marks the 30th anniversary of the conclusion of the Japan-U.S. security treaty. Recognizing the roles played by the Japan-U.S. security arrangement for peace and stability of Japan as well as the Asia-Pacific region, I, together with the President, confirmed the increasing importance of the treaty into the future. Furthermore, the President and I share the view that the Japan-U.S. security arrangements continue to be the important basis of Japan-U.S. cooperation in the search for peace through deterrence and dialog at the time of the evolution of the new international situation. I value the continued role of the United States in this vision as a Pacific power which is irreplaceable by any other country. I expressed to the President my determina-

tion to extend the cooperation required to secure the continued smooth operation of the Japan-U.S. security arrangements, including host nation support for U.S. forces in Japan.

With regard to Japan-U.S. economic relations, the President and I agreed to continuously enhance our relations with the understanding that the sound development of economic relations between our two countries is indispensable to the development of not only our economies but that of the world economy. Although negative aspects of the issues and problems in our bilateral economic relations tend to be emphasized, as the President said with profound insight, the two markets are extremely large for each of us and our economies are moving in the right directions, due to the adjustment efforts in the past several years. Both the U.S. budget deficit and Japan's current surplus are being reduced, and their ratios to GNP have been halved. However, the imbalances are still very large, and we should continue to work harder. The SII is extremely important to consolidate this positive trend. I am determined to firmly tackle structural reforms of Japan as one of the top priorities of my new Cabinet with a view to improving the quality of Japanese life with further stress on the consumer-oriented economy. I hope that the U.S., on its part, will promote structural adjustment as the President has just said. I told the President of my determination to maintain such policies as expansion of domestic demand, the improvement of market access, and deregulation.

The President and I agreed that both Japan and the U.S. will make the maximum efforts for the early solution of pending issues in the spirit of cooperation and joint efforts between our two countries. The President expressed that Japan and the U.S. have worked closely in dealing with debt problems and economic policy coordination and reaffirmed his commitment, including cooperation in exchange markets. The President's statement convinces me to make maximum efforts for Japan-U.S. cooperation in these areas, including in exchange markets. Having in mind that our solid bilateral relations are indispensable to the future stability and prosperity of the world, the President and I shared the recognition of the importance of consolidating our bilateral relations to be the constructive cooperation. In this context, we shared the recognition that it is important and necessary to further strengthen and expand the constructive relations in the 1990's, including educational and cultural exchanges, science and technology cooperation, and two-way technology transfers.

U.S.-Japan relations of today, transcending our bilateral framework, have acquired the significance of a global partnership with responsibilities for tasks facing the world. The President and I welcome that the Japan-U.S. global partnership is bearing specific fruit in such a broad range of fields as a response to regional problems, the management of world economy, economic cooperation for developing countries and debt problems, environment, drugs, and the fight against international terrorism. On the problem of drugs in particular, I highly appreciate the series of initiatives of the President and the courageous determination shown at the Cartagena drug summit. I expressed my determination to the President that Japan will actively participate in the international efforts to eradicate illicit drugs.

I conveyed my intention to the President to promptly implement concrete measures in support of the democratic government in Nicaragua and my belief that an early economic recovery is important for the stabilization of Panama. I expressed Japan's position that Japan would look into economic assistance for the reconstruction of the region as the peace process in Central America progresses. The development of the South Africa situation contains the possibility towards dismantling apartheid. The President and I agreed that Japan and the U.S. will continue to consult with each other on how to eliminate apartheid.

This year marks the final year of the Uruguay round. The President and I agreed that the successful conclusions of the negotiations is extremely important for the fight against protectionism and for the construction of the basis for the continued progress of the world economy as we move toward the 21st century. The President and I reaffirmed our convictions that we should closely cooperate for the success of the round.

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March 3, 1990

Japan-U.S. Trade

Q. Mr. President, the Prime Minister political commitmen in trade talks? And concessions?

The President. Y which I thought w can tell you is we opportunity that I'v ly frank discussion one-on-one yesterd sat next to him at portunity to contir the discussion.

Japan and the United States are faced with enormous challenges and opportunities in the strong current of history. Having in mind the significance of the Japan-U.S. partnership as a foundation for the stability of the world, I am fully determined to courageously pave the way, together with the President, toward the 21st century. Thank you.

Ladies and gentlemen, I understand that George will stay on here and have a most wonderful time answering your questions in a press conference. I, however, will have to leave this spot in order to return home in time to answer the questions that will be raised to me in the Diet, and also just in time to arrive in Tokyo before the night landing time limit arrives at 11 p.m. in Tokyo. Well, I hope that you will not call this night landing time limit another structural impediment.

The President. Thank you very much. That was a wonderful statement.

Note: The President spoke at 1:10 p.m. at the Morningside Country Club. Prime Minister Kaifu spoke in Japanese, and his remarks were translated by an interpreter.

The President's News Conference Following Discussions With Prime Minister Toshiki Kaifu of Japan in Palm Springs, California

March 3, 1990

Japan-U.S. Trade

Q. Mr. President, are you satisfied that the Prime Minister has given a sufficient political commitment to break the impasse in trade talks? And did he offer any trade concessions?

The President. You heard his statement, which I thought was very good. And all I can tell you is we had perhaps the best opportunity that I've seen to have genuinely frank discussions. I met with him in a one-on-one yesterday, and then last night sat next to him at dinner. So, I had an opportunity to continue the business part of the discussion.

Then I heard this statement—we had our other talks, too, but I heard this statement today. And I'd say that the Japanese side knows how important it is to move forward, and clearly I have a renewed feeling of how important it is for us to do some of the things that they were talking about on this structural impediment side. So, I can't tell you in terms of a specific commodity or a specific date. But we were just talking here, and all of us are very pleased with the frankness as well as the spirit of cooperation that I think was reflected by the Prime Minister's statement.

Q. Do you think he went far enough, sir?

The President. Well, nobody ever goes far enough to do everything exactly the way we want it. But I think for those who understand the complexities of this relationship at this juncture, we got everything out of this meeting that we had hoped for. Obviously, we've got things to do, and clearly the Japanese side has things to do. I want to say something on that meeting, if I could. The fact that he came here now—finished a tough campaign, just given a big speech to the Diet; indeed, he gets home at 11 p.m. and has to go to answer questions in the Diet the very next morning—should be interpreted by Americans in this manner, that the Japanese feel this relationship is very important. And to the Japanese side, the fact that I invited him when I did should send a very important signal that we have this right up in the forefront of relationships that are critical. And I was very grateful that he accepted, in such short notice and in a complicated time frame, this invitation.

Q. How confident are you that he can produce——

The President. Well, he's just won a good victory there. He's solidified his party's position. He, himself, emerges as, I would say, dynamic new leader. And so we will simply wait and see. But I wish him well.

Israeli-Palestinian Peace Talks

Q. Mr. President, there are reports out of Israel that [Prime Minister] Yitzhak Shamir is prepared to accept the U.S. formula for Israeli-Palestinian peace talks. Do you know anything about that, and if so, what shape will it take?

pleased with the forthcoming comments from Prime Minister Kaifu.

U.S. Foreign Assistance

Q. Will you work to reduce some of the foreign aid to the largest recipients, like Egypt and Israel, so that the United States can give more to Eastern Europe, Nicaragua, and the countries——

The President. Well, I am against earmarking. I am for more flexibility. We have had discussions with our Congressmen, including the Chairman of the House Foreign Affairs Committee. Some of those discussions encourage the concept of a fund that gives the President the flexibility to determine a certain amount of foreign aid money. So, I'm less interested in reducing somebody than I am getting the flexibility—so that when you see a country come forward and try to solidify their democracy or work cooperatively with us in the Caribbean as, say, Mr. Manley in Jamaica is doing, we'd like to be able to help him more.

Israeli-Palestinian Peace Talks

Q. Would it be a bad signal right now with Israel trying to move toward talks with the Palestinians?

The President. Would what be a bad signal?

Q. Would the reduction of aid to Israel?

The President. I don't know that moving towards peace need be totally equated with aid. I mean, we're talking about a quest for peace that comes not just in Israel but in Egypt and everything else. So, I'm not tying those two subjects. But Israel has some big economic problems; they've got some big problems facing them that require a very generous apportionment of aid money, and they are getting that.

Resettlement of Soviet Jews

Q. To follow on the question of aid to Israel, Secretary Baker has suggested that we might tie aid to resettle the Soviet Jews to the Israelis' willingness to not settle the West Bank and to withdraw some of its settlements from the West Bank and Gaza. Then the State Department seemed to equivocate on that. What's your position?

The President. Well, I'm not sure there was equivocation. My position is that the foreign policy of the United States says we do not believe there should be new settlements in the West Bank or in East Jerusalem. And I will conduct that policy as if it's firm, which it is, and I will be shaped in whatever decisions we make to see whether people can comply with that policy. And that's our strongly held view. We think it's constructive to peace—the peace process—if Israel will follow that view. And so, there's divisions in Israel on this question, incidentally. Parties are divided on it. But this is the position of the United States and I'm not going to change that position.

Q. So, will you link aid to resettle the Soviet Jews?

The President. I will just simply reiterate that the policy right here—that we are not going to look favorably upon new settlements.

Japan-U.S. Trade

Q. Mr. President, before coming to this meeting, the Prime Minister outlined in his speech to his own Parliament new measures to increase foreign exports to Japan. And he alluded to that in his departure statement just a few minutes ago. Did you discuss those with him, and how significant and serious do you see them to be?

The President. New measures to increase——

Q. Foreign exports—U.S. sales to Japan?

The President. Absolutely. It was discussed by me, and the Secretary of State had a good chance to discuss it with the Foreign Minister. At dinner, our various participants, including our trade people, had a chance to discuss that whole concept with the rest of the Japanese delegation, and I had every opportunity to discuss it. And so it's something they're quite clear on. We want to and we must increase exports. I covered that in my statement and I listened carefully to what he said about the deficit we have and the surplus they have.

Q. Do you feel that he has begun to make some good moves in the direction of——

The President. Well, I'm very encouraged, as I told you—or, I'm encouraged by the talks we've had, and I am encouraged with the trend that seems to be taking place. We've got to do more.

American Hostages in Lebanon

Q. Mr. President, regarding the hostages, is there any new movement to report? Is any third country, particularly the French—there are reports that perhaps French mediaries are working on behalf of the U.S. to negotiate with people in either Iran or Syria.

The President. Nice try. Let me tell you all something. You people reported that I called [French President] François Mitterrand to discuss the release of some guy that I had never heard of before, and we denied it, and you keep coming back at me. I'm not sure—I think it's good for you to do that, though, because I have said that if I find a way to get these hostages released, and the way to do it is through quiet diplomacy with the French, the British, the Iranians, or anybody else, I will do it. I want those hostages out of there. So, keep asking. But on this case, the answer to your question is no.

Japan-U.S. Trade

Q. What new ideas came out of your talks to propel the trade dispute so that you get more progress down the road? Any new ideas you put on the table or that the Prime Minister——

The President. What's that?

Q. ——new ideas that you put on the table or the Prime Minister did to propel the trade talks?

The President. I don't know that we need new ideas. We just need new energy on both sides. And I did say this: I said, you've got a new Cabinet, and some of your top Cabinet officials that will be engaged in trade negotiation are not here. And I will tell you that our Cabinet officials—and I was thinking of [U.S. Trade Representative] Carla Hills, thinking of [Secretary of Commerce] Mosbacher, as well as Secretary [of the Treasury] Brady and as well as Secretary [of State] Baker—would be on the next plane if it will help solve this problem. And he seemed to take on board that sense of urgency. We'll see where we go.

Q. Mr. President, I'm a little confused. In your statement, you said you did put forth new ideas and you were awaiting a response from the Japanese. I'm wondering if you could——

The President. That was one of them.

Q. Okay. Is that it?

The President. No, that's not entirely it. But there is some—I think we've covered the subject very well.

Q. May I ask you, sir, if you believe now, based on your discussions here, that these two countries will be able to avoid the punitive actions specified under congressionally mandated deadlines?

The President. We had a chance to review that and to review the question of Super 301. And we did discuss that. We discussed the time frames involved. We discussed product specificity—and we all know what they are—satellites and forest products and super computers and semiconductors. And so, yes, we did get a chance to go into all that.

Q. Do you think he'll be able to avoid the sanctions?

The President. Well, I'm hopeful we will, because it is going to require progress. But again, both sides understand the U.S. law on this, and I think their side understands it more clearly right now.

Q. Mr. President, 36 Senators wrote you a letter on forest products. What do you tell them and the thousands of timber workers who think they will lose their jobs if Japan takes our logs and not our finished lumber?

The President. I tell them the U.S.-Japanese relationship is important. I tell them I want to see open markets. I tell them I want to see progress made in that category, along with the other three, and many others that I have referenced here. That's what I would tell them.

Q. Mr. President, why did Mr. Kaifu not bring his Trade Minister?

The President. I'm not even sure—I don't know what their confirmation process—that they were all totally in place.

General Scowcroft. They are, but just barely.

The President. They are, but just barely. They were appointed, and they had 8 hours to pack up, and I guess that wasn't enough time. I think it was that when I sent them the invitation and when we started dealing with who was going to come, he wasn't quite sure that everything would be in place. I guess I'd prefer that the Japanese side answer that question.

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Q. Mr. President, do you think that these talks are going to be able to diffuse protectionist moods in Congress?

The President. I hope so, but I don't know. I think that depends on the results. I oppose protectionism. I'm going to continue to fight against it. I want to open markets, I want to see a successful Uruguay round. And I will do from the executive branch side what I can. But, look, I'm not unsympathetic to those that say let's have markets open further. And that's what was good out of the meeting. We had a chance to say that. But I think the proof of the pudding is in the eating.

Q. It's up to the Japanese?

The President. Yes. And us on some areas. I mean, if you're talking about structural impediments, let's get on with some of the suggestions they make about us—on the deficit and some other areas. I've told them that we're trying to be more competitive in going forward with an education program. They happen to support the idea of capital gains reductions. And I'd like to see that take place. So it's not just a one-way street.

Q. Mr. Bush, a great deal of American money flows out of the United States through American companies purchased by the Japanese. Did you discuss the question of restraint by Japanese investment in this country?

The President. No.

Q. Why? Why is that not——

The President. Because I welcome Japanese investment in this country. Do you know why? Jobs. American jobs. People working that wouldn't have a job necessarily if there wasn't that investment. And the Japanese are not number one in terms of foreign investment. And so the big thing is—and also, the other reason, Frank, is, I don't want to see barriers thrown up to U.S. investment in other countries. So, that's why. It's a free trade concept, plus jobs for the American working man and woman in this country.

But it also has to do with financing a deficit that I'd like to see Congress help me get down.

Q. Did you talk about the corollary of lowering barriers to American investment in Japan?

The President. Yes, we did.

Q. And to what effect?

The President. Well, you've heard me discussing that.

Q. According to Mr. Fitzwater's statement, you emphasize that this summit should raise a conceptual framework. What is the meaning of a conceptual framework?

The President. Well, I think I touched on that in the calling for a trialogue. We've asked the Secretary of State to meet with the Foreign Minister of Japan to discuss how we can—this is the global effort that we've been discussing—and so I think that language relates to that particular part of our discussions.

Q. Are you looking for some new structure for dialog?

The President. Well, yes, but it's going to require now more conversation between our foreign ministries. But I think as we see the world developing into the nineties, it is essential that Japan be included—U.S., Europe, and Japan—in a lot of these economic—discussion of these economic areas. And so, that's what we were talking about there. It's the global approach to some of these problems. But Japan is a key player there, and we've got to structure some of these organizations accordingly.

I think it's thoroughly understandable that Japan, with its contributions and the size of its economy, wants to have a stepped-up influence in some of the multilateral institutions. Well, that would be a discussion—that subject would be something that would come under these discussions that I've just outlined. You can't follow up on his question, you get a new one. No, you get a new one.

Q. Mr. President, when you used conceptual framework, you had in mind the SII [Structural Impediments Initiative] talks and the Super 301?

The President. Excuse me?

Q. When you used the word, conceptual framework.

The President. Well, I thought I just explained that to this gentleman here—probably not as clear as I should have been—but we believe that Japan will have more of a voice in these international matters, and we're moving accordingly to expand what traditionally or heretofore has been dialog, and the three major factors having an input into it.

is modified as set forth in Annex VII to this proclamation.

(8) Any provisions of previous proclamations and Executive orders inconsistent with the provisions of this proclamation are hereby superseded to the extent of such inconsistency.

(9)(a) The amendments made by Annexes I(a), II(a), and III(a) of this proclamation shall be effective with respect to articles both: (i) imported on or after January 1, 1976, and (ii) entered, or withdrawn from warehouse for consumption, on or after May 1, 1990.

(b) The amendments made by Annexes I(b), II(b), and III(b) of this proclamation shall be effective with respect to articles both: (i) imported on or after January 1, 1976, and (ii) entered, or withdrawn from warehouse for consumption, on or after July 1, 1990.

(c) The amendments made by Annexes IV and V of this proclamation shall be effective with respect to articles entered, or withdrawn from warehouse for consumption, on or after the dates indicated for the respective Annex columns.

(d) The amendments made by Annex VI of this proclamation shall be effective with respect to articles entered, or withdrawn from warehouse for consumption, on or after January 1, 1989.

(e) The amendments made by Annex VII of this proclamation shall be effective with respect to articles entered, or withdrawn from warehouse for consumption, on or after October 18, 1989.

In Witness Whereof, I have hereunto set my hand this twenty-sixth day of April, in the year of our Lord nineteen hundred and ninety, and of the Independence of the United States of America the two hundred and fourteenth.

George Bush

[*Filed with the Office of the Federal Register, 3:48 p.m., April 27, 1990*]

Note: The proclamation was released by the Office of the Press Secretary on April 27, and the annexes were printed in the "Federal Register" of May 1.

Executive Order 12712—Adding the Secretary of Energy to the National Space Council

April 26, 1990

By the authority vested in me as President by the Constitution and laws of the United States of America, and in order to add the Secretary of Energy to the National Space Council, it is hereby ordered that Executive Order No. 12675 shall be amended by adding a new Section 1(b)(7) that shall read "(7) The Secretary of Energy;" and by renumbering the current Sections 1(b)(7) through 1(b)(12), Sections 1(b)(8) through 1(b)(13), respectively.

George Bush

The White House,
April 26, 1990.

[*Filed with the Office of the Federal Register, 3:48 p.m., April 27, 1990*]

Note: The Executive order was released by the Office of the Press Secretary on April 27.

Statement on International Trade

April 27, 1990

After extensive discussions with Ambassador Hills, Secretary Brady, and the members of my Economic Policy Council (EPC) on the Super 301 provisions of the Omnibus Trade and Competitiveness Act of 1988, I have directed Ambassador Hills to give her highest priority to bringing the Uruguay round of multilateral trade negotiations to a timely and successful conclusion in December of this year. I believe that multilateral negotiations in GATT [General Agreement on Tariffs and Trade] are the most promising route for creating new opportunities for American industry and agriculture and strengthening the global trading system.

Promoting a vibrant, open trading relationship with Japan remains a key trade priority of the administration. I have carefully reviewed with the EPC the recent progress in negotiations with Japan. Since my meeting with Prime Minister Kaifu in March,

Japan has moved to address our concerns in the Structural Impediments Initiative (SII) and in bilateral negotiations involving supercomputers, satellites, and wood products. The interim SII report made a promising start toward reducing structural barriers that contribute to bilateral trade imbalances.

I am not under any illusion that the SII interim report will lead to an immediate improvement in the trade balance with Japan or an end to bilateral trade disputes. When two nations like the United States and Japan share dynamic economies, a commitment to excellence, and strong trading traditions, some commercial differences are inevitable. Nevertheless, I believe that Prime Minister Kaifu and the Japanese political leadership share my commitment to ensuring that trade strengthens rather than undermines the friendship between our nations.

Accordingly, I look forward to substantial progress with Japan in the final SII report in July and on a variety of other trade issues. I will work closely with the Congress to implement the U.S. side of the SII, particularly in the areas of savings, education, and budgetary reform.

I have directed our U.S. negotiators to seek agreement with their Japanese counterparts on a joint mechanism to monitor the implementation of SII in both nations and consider the need for further actions. This mechanism should include regular reports on actions and results.

Because last year's Super 301 investigations on India remain unresolved, I have continued the identification of India as a trade liberalization priority. I have decided not to identify any new priority countries or practices under Super 301.

Let there be no mistake. This administration is committed to free and fair trade. We want open markets and fair treatment for our products, services, investment, and ideas. We will move forward in the Uruguay round and, as appropriate, under section 301 to remove foreign barriers to American goods. I am also directing Ambassador Hills to expand her semiannual report on section 301 to review both the status of existing section 301 investigations and related initiatives in important markets such as Japan.

I have directed Ambassador Hills immediately to brief the Congress on the reasons for my decision today.

Remarks at a White House Briefing for the American Legislative Exchange Council

April 27, 1990

The President. Such enthusiasm for Sununu finishing—it's wonderful. [*Laughter*] Look, I'm just delighted to be back with this most distinguished group.

Let me say, having interrupted our Chief of Staff, how fortunate I am to have someone as Chief of Staff here in the White House who did—as Sam Rayburn often talked about—did run for sheriff. Remember what Rayburn said? He said: "Well, that guy's trouble. He never ran," he said, "never ran for sheriff." And what he really meant is didn't have a feel for the people. And John not only ran successfully for Governor of his great State but he understands and keeps reminding me of the philosophical underpinnings of our administration: decentralization and federalism, which I want to mention to you today about. And so, I am very, very pleased that he was over here, and I have great confidence in him and in Roger Porter, as well, who's up here, who handles so many of our—have you already unloaded on these guys?

Mr. Porter. No, I'm following.

The President. Following? [*Laughter*] And Roger has respect on the Hill that really is unparalleled in terms of the job that he fills and in previous administrations. And so, I'm very, very lucky.

I also have another person over here that ran for sheriff. She was the speaker—as many of you know—of her legislature. And that brings another dimension to this outreach that we're trying to do, because we learn from the input we get from people coming in here. The danger is isolation. And I know some think I'm a little frenetic in my activities, but when you get out, even if it's just driving as we did to a food bank a couple of days ago, you get a feel for what's on people's minds and what works and

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I can say this: that I've found my direct talks with him extraordinarily helpful in the past, and I expect this will be the same way. One of the key subjects will be security and arrangements for Europe after the unification of Germany. And that obviously will entail discussing our view for an expanded role for NATO.

His view—it doesn't exclude that but has a keen interest in a role for CSCE [Conference on Security and Cooperation in Europe]. And we see that. We've also talked about expanded participation in the EC [European Community], and I will try to elaborate on that with Mr. Mitterrand. So, I know we're not egregiously apart at all. But if there are these differences, get them out on the table and talk about them.

Quebec Independence

Q. Mr. President, you say you're concerned about what might happen in Lithuania. There is also a strong independence movement in Quebec. And recently declassified State Department documents show that during the last peak of separatist sentiment in Quebec about a dozen years ago the U.S. was indeed very concerned about the prospect of a separate Quebec. Can you tell me what your concerns are about that prospect and what it could mean for U.S.-Canada relations and Quebec-U.S. relations?

The President. My experience is to stay out of a matter that's bubbling around up there in Canada right now, courageously sit on the sidelines, and say this: that we have always enjoyed the most cordial relations with a unified Canada. And that came up at a press conference we had up in Canada the other day there at the ball park. And I took the same view: that this is not a point at which the United States ought to involve itself in the internal affairs of Canada.

British-U.S. Relations

Q. Mr. President, the British Labour Party, the opposition Labour Party, is very, very far ahead in the opinion polls in Britain at the moment. It's had an avowedly unilateralist past, and your predecessor seemed to treat it with a great deal of suspicion. I wonder if you now think that these people are people you can do business with and people you can talk to, and whether you have this sort of special relationship that you would like to have with the British Government?

The President. May I say this: that I haven't given any thought to it all because Margaret Thatcher is the head of the Government and the Prime Minister and we are in close consultation and negotiation with her.

So, I really would leave it there, because without suggesting any hostility toward opposition parties or towards—in this sense, since you asked about Labour—but I just, again, think it would be inappropriate to publicly speculate on what the U.S. might do. We do have a special relationship, and it'll continue, I'm sure. And these talks just reinforce that, these talks that I had with Prime Minister Thatcher. So, excuse me if I don't want to get into the bubbling caldron of domestic politics inside the U.K. right now.

Japanese-U.S. Relations

Q. Mr. President, you seem to have had very substantial success in your relationship with Japan in the last couple of months. The SII [Structural Impediments Initiative negotiations] seems to have been moving along quite happily. I wonder whether that's a vindication of 3 years' worth of pressure from the Hill for a tough stance on trade issues.

The President. There is no question that the Hill, and indeed a lot of America, have wanted to see action taken by the Japanese. I would like to give credit to our negotiators, who are in the administrative executive branch of the Government, and also to Prime Minister Kaifu, who has taken the position that I think some of his critics here and abroad felt he wouldn't take, a position that we view quite forthcoming on SII and on specific categories of trade.

So, the jury is still out in terms of how the Hill will look at what has happened, but I've been very pleased so far that most of the leaders on Capitol Hill seem to feel that under Kaifu's leadership Japan has really moved on these important items.

But I guess the answer is, the proof of the pudding is in the eating. Also, there are certain undertakings that we make under

SII. And Congress ought not to simply criticize Japan, even though I will readily concede there's been room for criticism there, and so stated. But I think we, the executive branch and the legislative branch, ought to work together now to fulfill our undertakings on investment, savings, education, budget deficits. It's a two-way street. But so far, I've been quite pleased. And—back to your question—I don't know whether it's Hill pressure, because for years Japanese leaders would come here, and hear the message from the Hill, go back; and we didn't have demonstrable progress. So, I think, in fairness, the Hill pressure has been relatively constant.

We ought to take a look at what's different. And what's different is the way in which Prime Minister Kaifu, and indeed some of the other leaders there, have approached this problem.

NATO

Q. Mr. President, just to go back to the NATO issue, could you envision now the French being supreme commander of NATO?

The President. We're very happy with the present arrangements. You see, I think it's true in France and I know it's true in other countries: People view the U.S. presence as stabilizing, as having played a significant role in preserving a peace that, in terms of European history, is a long one. And I don't want to have this coming out in a chauvinistic sense, but I think the American people have to feel, one, the American presence is wanted. And part of the command structure, I think, contributes to the view that we have an important role to play and the Europeans want us to have an important role to play.

So, I've given no thought to any substantive changes in all of this. But if anybody has a different view, I'd be willing to hear it. But this is why I'm happy with the existing structure.

North American Trade Agreement

Q. Mr. President, your officials and Mexican officials have said they are ready to pursue, or at least consider, the idea of a free trade agreement. When you were in Toronto last week, you did say that you thought Canada should continue to show interest in trade with Mexico. Do you think it's a good idea for Canada to pursue a separate deal with Mexico; or should Canada, Mexico, and the United States sit down together and pursue a three-way deal, just as the European Community is working together?

The President. Are you talking about a free trade agreement?

Q. A free trade agreement.

The President. I think it's premature for a three-way free trade agreement. I expect Mexico feels that way; I believe that Canada feels that way. I talked in the campaign about a North American accord and doing more together. But the sensitivities on this question in Mexico are such that we ought to let President Salinas set the pace here. And so, it is a sensitive subject there, just as some fallout from the free trade agreement with Canada and the U.S. is sensitive.

So, I think it's better to crawl before you walk, walk before you run. And the next step is to sit and talk with the President of Mexico, if this is still on his agenda, when he comes up here. And I say that because I don't want to be out saying what our meeting is going to be about. But you're right that there has been public speculation on this; indeed, different officials in our administration and Mexico have talked about it. But because of its sensitivity, I prefer to let Mexico speak for itself, and simply say I think we need to move forward in a bilateral sense, and Canada might want to move forward in a bilateral sense—that's up to them, though—before we talk about a North American accord meeting, a three-way free trade agreement.

British and French Nuclear Capabilities

Q. Mr. President, when you were in Bermuda, did you discuss with Mrs. Thatcher the status of the Trident, which as you know the Labour Party would like to include very quickly in arms control negotiations? Do you expect to discuss the French independent deterrent with Mr. Mitterrand?

The President. We touched only peripherally on that. Prime Minister Thatcher knows that she doesn't have to sell me on the French and British deterrence and the



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Remarks and an Exchange With Reporters at a Meeting on the Japan-United States Structural Impediments Initiative Negotiations

April 12, 1990

Q. Mr. President, how's your eye?

The President. I'll get to that in a minute. But before then, I would—the purpose of this meeting is that I want to congratulate everybody around this table, and especially Secretary Brady and Secretary Mosbacher and Ambassador Carla Hills, for the fantastic job that all of you did—working level and then Cabinet level—on this Structural Impediments Initiative team and on the other specific cases. It was well-done. I can't remember a 1-month period in our relations with Japan like the one between Palm Springs and now in the release of this interim report, and I congratulate all of you. I also want to thank and congratulate on our behalf Prime Minister Kaifu, who certainly has exemplified the best in cooperation and leadership. He's taken some very strong positions there.

Lest any of you feel like you can totally relax, there are some outstanding issues—and I'm thinking, Carla, of the need to conclude the forest product. And so, I would just say, we've got to finish this agenda. But on satellites and supercomputers and telecommunications, I think we'd all agree, great progress has been made; and I think we ought to salute that progress. And I would say that for Prime Minister Kaifu and the other Japanese Government and party leaders—they made success on all this—trade and economic negotiations—top priority. And had they not done it, I don't believe we would have this progress.

So, my purpose here is to thank each of you, to pay my respects to the Japanese Prime Minister and thank him, but to remind them and to remind us that we're not finished yet and we want to keep on going. And I have a feeling we can get this concluded.

What's your best bet on the time, Carla, on the ongoing negotiations of forest products?

Ambassador Hills. Well, it's difficult, too, to give a specific time. We are making progress, but as you put it, Mr. President, we have more to do.

The President. What she means is everybody keep working. But thank you.

And now, to the one question—what was it?

The President's Health

Q. Your eye. They said you've got early glaucoma in your eye.

The President. I haven't felt a thing, felt it at all. I notice they said that on a report. I take a drop now, take some kind of drop—one in the morning and one at night. But the vision is very good on this. The vision thing is working well. [*Laughter*]

Is anybody interested in structural impediments or—[*laughter*]——

Q. Will your vision remain good, sir? Sometimes glaucoma is a——

The President. Yes, I think so, because they detected very little change over the last year. And literally, I don't even wear glasses for sports anymore, and I used to. So, it hasn't deteriorated that much, they told me, but there is some technical problem where I'm sticking these in there once in the morning and once in the afternoon. But the overall physical was—like everybody, you finish one, and they give you a good report, you feel very, very good.

Japan-U.S. Trade Relations

Q. Mr. President, on SII, what do you say to the people who are complaining that this won't cause any real reduction in the trade imbalance in the short term and that, over the long term, it could actually exacerbate it?

The President. Well, we have things to do on SII, and so do the Japanese. And we're addressing ourselves to the solution to fundamental problems. In our case, it's the trade deficit, and in theirs, it's some fundamental changes in their economy. So, I can't say to the American people that this is an instant short-term formula for success. It is a long-term—if we go through with all of this, as we intend and as I hope they intend and am confident they do—I think you're just paving the way for much better trade relations between the United States and Japan and other countries, as well, that trade with Japan.



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So, I wouldn't put it on a short-term basis. I'd say this is part of the big picture. And along with this, we've made progress on certain categories of trade that you might say would have a shorter as well as longer term effect.

Q. Are you confident that all the promises made in these talks are going to be fulfilled?

The President. We have every intention of fulfilling everything we've agreed to, and I trust the Japanese do. And we will keep pushing for results. That's what this is all about.

East German Apology for World War II Atrocities

Q. What do you think of the East German Parliament's apology for World War II atrocities?

The President. To be very honest with you, I haven't been briefed on that and, therefore, probably shouldn't comment.

Weapon Shipments to Iraq

Q. How about the Iraqi gun?

Mr. Fitzwater. Lights. Thank you. [*Laughter*]

Q. Are you concerned about it?

The President. I've just got back from the hospital, so I've not been briefed on either of those two questions. I have expressed my concern about some of the statements emanating from Iraq. Clearly, we cooperated fully and, really, I'd say, took the lead in unearthing a plot to send material to Iraq that should not have been going there in the first place. We stopped that through the able work of our Attorney General's Department and others as well. And we've spoken out against that kind of thing. But, again, on this one, I just have not been briefed on this particular shipment.

The President's Health

Q. Mr. President, can we see the eye drops down here, sir?

The President. Which?

Q. Your eye drops, sir.

The President. Eye drops? [*Laughter*] I've got a pocketful of medicine here, but let me be sure to pull out the right one. There it is. You see, what you do is you set that to remind yourself—you all very interested in this detail? [*Laughter*]

Note: The President spoke at 3:40 p.m. in the Cabinet Room at the White House. In his opening remarks, he referred to Secretary of the Treasury Nicholas F. Brady, Secretary of Commerce Robert A. Mosbacher, and U.S. Trade Representative Carla A. Hills.

Points of Light Recognition Program

The President named the following individuals and institutions as exemplars of his commitment to making community service central to the life and work of every American.

April 7

Ai Yokota, of Sacramento, CA. After suffering from breast cancer and undergoing surgery, Ms. Yokota has dedicated her life to helping other cancer patients. She has been a volunteer with the American Cancer Society for 16 years. Ms. Yokota has been a Reach to Recovery volunteer, visiting mastectomy patients and discussing their expectations and their prospects for rehabilitation. She is the chairperson of the Sacramento/Amador Reach to Recovery program, where she administers the overall program and speaks on its behalf. She is also on the program's statewide resource team, assisting in training. In addition, Ms. Yokota volunteers for the American Cancer Society's Discovery Shop, where she helps with the selling of used clothing.

April 9

Dayton Power and Light Co. (DP&L), of Kettering, OH. DP&L employees donate time and skills to helping school administrators, teachers, and students enrich the science and energy curriculum. Two workshops are offered to teachers focusing on science and energy education. Workshop A offers speakers to encourage teachers to incorporate science into the classroom curriculum. Volunteers demonstrate practical and enjoyable ways to teach science in the classroom, and they offer materials to supplement texts. Workshop B, the Energy-Economics Education Workshop, is a collaborative

You all understand our system, so I'm looking around to see if I see any Members of Congress to salute. [*Laughter*] But they adjourned and have all taken off for some exotic place, I'm sure. But I am told that the Governor of the State of Michigan is here, or was to be here. But if he is, I want to pay my respects to Governor Blanchard and all the distinguished guests.

Look, my remarks will be short. After all, ours is the Information Age, so I thought I'd leave sufficient time for questions and answers. But let me just talk for a few minutes about how, as information travels from one place to another in the blink of an eye, our world has become even smaller; so that what happens in Texarkana affects Tokyo or Tbilisi. Like you, I find the Information Age fascinating. Its consequences are many, from the growing global demand for a safe and clean environment to nations uniting against the scourge of crime and drugs. The Information Age has helped liberty spread from Nicaragua to the heart of central Europe—what I call the Revolution of '89. For as people come to know more of the free world, they demand their own world of freedom: free elections, free markets, free will unhampered by the state.

As you know, I met this morning with Foreign Minister Shevardnadze, and Lithuania was the key point of discussion. I reiterated the strong United States view that the issue must be dealt with through peaceful means. And we support the right of the Lithuanian people to self-determination. We have never recognized the forcible incorporation of the Baltic States into the Soviet Union. And I told Minister Shevardnadze that this is an issue that could adversely affect the prospects for progress in these important U.S.-Soviet relations. And I urged the Soviet Union to begin a good-faith dialog with Lithuania.

We want, and we believe the Soviets want, to make further progress in U.S.-Soviet relations. And we're working toward important agreements in the area of arms control and to make progress on human rights and the solution of these regional conflicts. I asked him to convey to President Gorbachev that I am looking forward to his visit to the United States at the end of May. This is an important time for discussion and dialog.

America's newspapers, of course, will report the news of this morning's meeting, just as they have for centuries, telling the truth, informing the public as fairly and responsibly as possible, and letting the chips fall where they may. And I know that the best example of today's Information Age will continue to be a free press.

What makes the Revolution of '89 so unprecedented is that at last an increasing number of foreign journalists are also free, as well as able to write the truth without censorship or without fear—reporters, commentators, and editors abroad who have gone from instruments of the state to servants of the people.

Let me take a moment to note one journalist who is not free and who is in our thoughts. Of course, I'm talking about Terry Anderson, and we hope and pray that he will soon be free. And he, more than anyone, would be moved by the men and women who in 1989 and '90 have upheld the tradition of a courageous free press.

In Czechoslovakia, a playwright becomes President. Both his Foreign Minister and chief spokesman are former journalists persecuted by the Communist regime for years.

In Colombia, the respected editor of El Espectador is slain by assassins, but the murdered editor's brother becomes publisher and vows to fight—and does. We cannot back down, he says. A bomb last year injured over 70 employees of that same newspaper, and most of its facilities were wiped out, totally destroyed. But the next day, an edition hits the streets, printed by a competing paper's facilities. The front-page headline says, "We Will Continue"—and they do. And let me commend those U.S. papers which bought ads in that paper to show support.

And in Nicaragua, Violeta Chamorro, former editor, wife of a murdered publisher, becomes President in certifiably free elections—President of the land that they love. Freedom of the press begets freedom of people.

This week, our talks with Japan focused on another aspect of freedom: the ability of people to trade and invest as they wish. This morning I read a quote by a Japanese businessman that demonstrated this point.

He was talking about the essence of private enterprise: competition. What the Americans are saying, he said, about keeping prices low and quality high—they are talking about democracy.

Last night Japan and the United States released that interim report on our Structural Impediments Initiative designed to remove structural barriers to trade in both countries. This SII is a unique undertaking and reflects enormous amounts of hard work on each side. The Government of Japan and Prime Minister Kaifu—and I salute him—have shown true leadership. And the Prime Minister, in particular, deserves major credit. He made success on trade and economic negotiations with us his top priority, and in 1 month, we have had real success.

For the first time, Japan has committed to removing a broad array of structural barriers that constrain trade and impede imports. For its part, the United States will continue to address the structural issues identified by Japan by improving the competitiveness of our own economy—because structural problems are deeply ingrained in both economies.

Complete results will not come quickly, therefore, but they can and they must come. Neither the Japanese consumer nor the American people will be convinced that progress is at hand until they see concrete results. And this interim report shows not only substantial progress on trade issues but is an important way station leading to a strengthened U.S.-Japan relationship.

The Information Age has served as a catalyst of cooperation, a conduit of knowledge, and an advocate of freedom. As events of the past year have shown, the free press represents the very essence of that age, and you've helped write the first draft of history and breathed new life into democracy.

And for that, I thank you and congratulate you on this significant anniversary. God bless you all. Many thanks for inviting me. And now to the fun part. [*Laughter*]

Press Coverage of U.S. Troops in Combat

Mr. Ghiglione. The President has agreed to take questions. As is quite clear, members of the society only may ask questions. Please step up to one of the floor mikes, and please identify yourself by your name and your newspaper. If I may exercise the presidential prerogative, Mr. President, and ask the first question.

Given that the experience of the press pool in Panama again proved that this arrangement for covering the early stages of a military action is not working, and given that Secretary [of Defense] Cheney essentially told this society on Wednesday that the issue is closed, would you be willing to ask the Secretary to meet with ASNE and other press representatives to forge a plan that will work? And how soon? [*Laughter*]

The President. Sure. Knowing Dick Cheney, I expect he'd welcome such a meeting. But if there's any complications, I will encourage him to do it. And we ought to talk about a wide array of things on that press pool. I notified the Members of Congress at the time, or just before the operation began, and one of them told me that he'd already received a call from a great paper asking him about this. The person that called him had a compadre on the pool who had felt free to tell this person about it, and that person had notified a very important Member of Congress before the President could.

So, I think we should have some discussions. And I think, for those who were in the press pool and felt that they weren't given access, we certainly ought to go the extra mile to see that they get access when they get there. When you're involved in a combat situation, I don't need to tell people in this room there are constraints. But, yes, I'd welcome such a meeting, and I'd be very anxious to hear how it comes out. But I expect Dick will be glad to do it. And I want to commit my man, Marlin Fitzwater [Press Secretary to the President], to attend over there, too, because we are trying. And heaven knows, we can use some suggestions.

Middle East Peace Process

Q. Mr. President, this is a followup to a question I asked you in December here at a meeting of editors—[*laughter*]—in which your answer was that the United States definitely was not going to try to pressure Israel to negotiate with the PLO [Palestine Liberation Organization]. Some people seem to see signs now that this government is pressuring Israel by try
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