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Folder Title:
Toys-R-Us--[Japan] 1/7/92 [OA 7565] [2]

Stack:	Row:	Section:	Shelf:	Position:
G	26	22	2	1

THE WHITE HOUSE
WASHINGTON

Beth

Tony -

FYI - This
might help
for Toys. R. Us
stop in

Japan - Maybe our
most imp. business
stop.

Thank - S B

■ BUSINESS

Selling toys to Tokyo's tots

When it comes to the Japanese market, Toys 'R' Us isn't playing around

The presents are not piling up as high as usual under Christmas trees in economically troubled America, but across the Pacific, Toys "R" Us has something to be jolly about. After three years of tortuous negotiations, the world's top purveyor of toys opens its inaugural outlet 40 miles outside Tokyo this week—the first foray into Japan by a large U.S. discounter.

Toys "R" Us is expanding overseas faster than a toddler tearing through the house on a Big Wheel. The New Jersey-based children's specialty chain has not just set its sights on the \$6 billion Japanese toy market. In addition to its 451 outlets in the United States, the company now boasts 98 toy stores around the world, and its foreign base is expected to double over the next three years. As a result, international sales will reach about \$1 billion this year and could nearly quadruple to \$3.7 billion by 1996.

In the course of its expansion, Toys "R" Us has often encountered resistance from fearful local merchants overseas. But the process has been especially arduous in Japan. For decades, Tokyo shielded small merchants from competition. Under the notorious Large-Scale Retail Store Law, local shop owners could stall incursions by large retailers for 10 years or more. That's one reason why Japan's 1.6 million mom and pop shops account for more than half of all retail sales, compared with just three percent in America.

Quick move. Under pressure from Washington, Tokyo shortened the large-store application process to no more than 18 months in 1990. And one of the first retailers to take advantage of the change was Toys "R" Us.

With McDonald's Japan as its local partner and 20 percent share owner, Toys "R" Us soon entered into negotiations with several communities.

Gaining a toehold was hardly kid's stuff, however. The firm spent thousands of hours in meetings with local officials and residents. And it can now

probably needn't fret about other U.S. stores rushing in. That's because few American retailers have the financial resources to mount a similar operation in a nation where a square meter of prime real estate can cost \$6,000. There are many other barriers to entry, such as the exclusive relationships among re-



Setting up shop. Workers in Japan prepare for the grand opening of Toys "R" Us this week.

look forward to similar marathons for each of the 99 other outlets it plans to open in Japan over the next decade. Toys "R" Us Japan is also having trouble securing direct suppliers and low-cost contracts from toy makers. Computer-game supplier Nintendo says it will only offer prices "acceptable to other Japanese wholesalers."

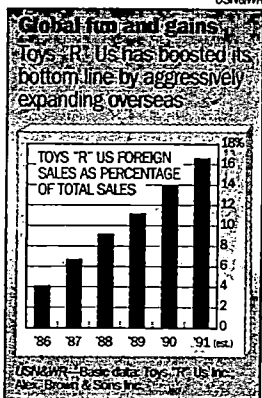
But Toys "R" Us's efforts should soon pay off. Each outlet is expected to register sales of at least \$15 million during the first year. It's easy to see why. Compared with the typical small Japanese shop, which stocks about 2,000 items, the U.S. toy retailer will offer 8,000 different products, ranging from made-in-U.S.A. Huffy bikes to Mattel's Barbie dolls.

Japan's small merchants

tailors, wholesalers and manufacturers, which tend to shut out all newcomers. Critics charge that such cartel-like arrangements are the private-sector equivalent of high tariffs.

But U.S. exporters may indirectly benefit from the changes sweeping Japan's retail industry. More than large shopping centers are scheduled open in Japan this year, and the number of malls is expected to double 3,000 by the end of the decade. As result, big Japanese merchants will be stepping up overseas purchases.

Despite this potential business, Washington will continue to push Tokyo for additional trade concessions. While the haggling continues, however, Toys "R" Us will be ringing up big sales in Japan. And that will bring the American retailer—as well as many Japanese children—extra cheer this holiday season. ■

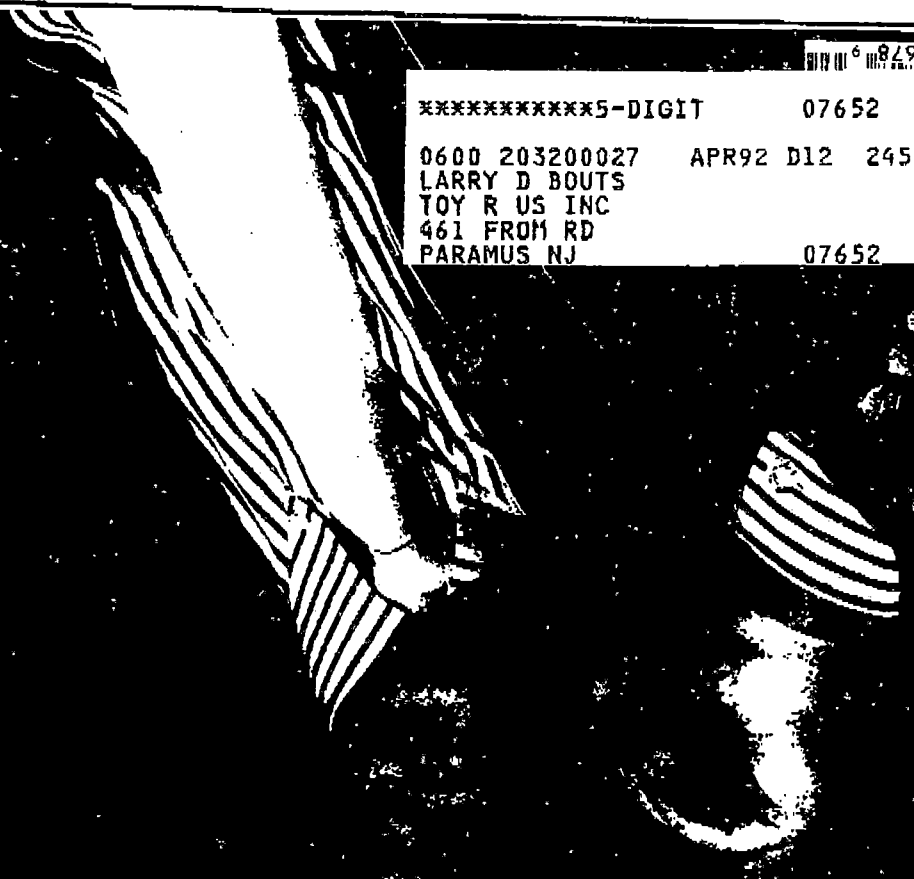


BY JIM IMPOCO IN TOKYO

723678

*****5-DIGIT 07652

0600 203200027 APR92 D12 2453
LARRY D BOUTS
TOY R US INC
461 FROM RD
PARAMUS NJ 07652



THE OFFBEAT
MANAGEMENT
IDEAS OF CYPRESS
SEMICONDUCTORS
J. RODGERS

Post-It™ brand fax transmittal memo 7671 # of pages 3

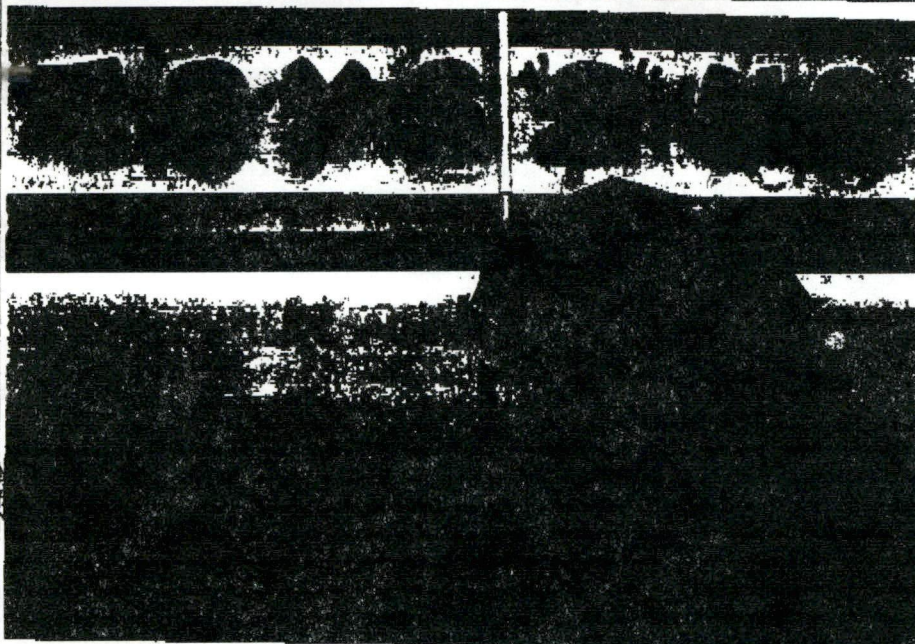
To	JENNIE BUNTON
From	LINDA HAGLE
Co.	WHITE HOUSE TOYS "R" US
Dept.	RESEARCH
Phone #	(201) 599-8781
Fax #	(202) 452-6218
	(201) 962-8343

THE BAD BOY OF SILICON VALLEY

BUSINESSWEEK
A McGRAW-HILL PUBLICATION
DECEMBER 9, 1991
\$2.50

Marketing

RETAILING



INTERNATIONAL DIVISION CHIEF BOUTS MAY REAP \$1.5 BILLION IN JAPANESE SALES BY 2000

GUESS WHO'S SELLING BARBIES IN JAPAN NOW?

It wasn't easy, but Toys 'R' Us finally cracked this tough market

Jumping out of his car in an empty parking lot 40 miles north of Tokyo, Larry R. Bouts stands back and admires the white, spanking-new building sprawling before him. "Can you believe this?" he exclaims. "Pretty amazing!"

White buildings and empty parking lots normally have little power to amaze. But Bouts is right to exult over this particular patch of real estate. Bouts, 42, is president of the international division of Toys 'R' Us Inc., and this is his first look at the company's inaugural store in Japan—and the very first large U.S.-owned discount store there.

STORES. When Bouts's new Ibaraki Prefecture store opens on Dec. 20, it will culminate three years of heavy slogging through the swamps of Japanese bureaucracy, local vested interests, labyrinthine real estate practices, and heavy, often hostile, Japanese press coverage. And it will be the most visible payoff to date of the two-year-old, U.S.-inspired Structural Impediments Initiative aimed at prying open new markets for American companies in Japan. "We hope Toys 'R' Us will be the first in a long line of stores to locate in Japan," says Commerce Secretary Robert A. Mosbacher.

Small wonder Japanese toymakers and retailers are edgy. Toys 'R' Us Japan Ltd. hopes to be opening 10 stores per year from 1993 through the end of the decade. Each is expected to generate sales of at least \$15 million its first year. That foretells minimum annual sales of \$1.5 billion by the year 2000, roughly half of which would be from toys made outside Japan. Toys 'R' Us, with global revenue of \$6.4 billion, can bring a lot of firepower to bear. The typical small Japanese toy store stocks between 1,000 and 2,000 different items, while Toys 'R' Us will start out with about 8,000 items, rising to 15,000 over time. If it can offer toys for 10% to 15% less than competitors, as it does elsewhere and as Bouts says is possible, Toys 'R' Us will have a huge impact on Japanese toy retailing. With more than \$6 billion in annual sales, Japan is the world's No. 2 toy market after the U.S.

It was the size of that

market that moved Toys 'R' Us to launch the effort in the first place. Anticipating the day when it would saturate its domestic market, America's largest toy retailer went international in 1984, first in Canada, then Europe, Hong Kong, and Singapore. Japan was always tempting, but the country's notorious Large-Store Law, aimed at protecting the country's politically powerful small shopkeepers, seemed an unbreachable barrier. Under the law, local communities and the Ministry of International Trade & Industry often managed to stall incursions by big retailers, such as Japanese supermarket operator Daiei Inc., for 10 years or more.

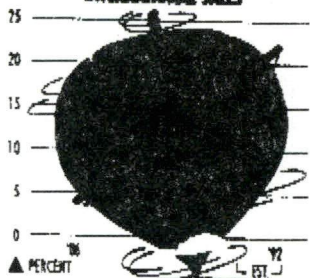
But by late 1988, recalls Toys 'R' Us Vice-Chairman Robert C. Nakasone, "there were rumblings MITI was thinking about a major change." Pressure was mounting from the U.S., big Japanese retailers, and consumers looking for the lower prices mass merchants could offer. Toys 'R' Us immediately began looking for a local partner to guide it through the ordeal it faced. In early 1989, Bouts's predecessor met Den Fujita, president of McDonald's Co. (Japan). "He was our kind of guy," says the U.S.-born Nakasone. "He was bicultural, and he had quickly grown a retail business in Japan. He really understood the impatience of a company like ours."

SIG-MAC ASSAULT. Fujita also liked what he saw. Since McDonald's serves a similar clientele—families with small kids—he figured it could profit from building restaurants on the same sites as Toys 'R' Us. And after 20 years of building McDonald's into Japan's largest fast-food operator, with \$1.8 billion in sales, Fujita had acquired an encyclopedic knowledge of Japanese real estate. "If you name a city, I can see the post office, train station, everything," boasts Fujita, who estimates Japan has at least 100 sites suitable for a Toys 'R' Us. McDonald's Japan quickly agreed to take a 20% stake in Toys 'R' Us Japan.

In the spring of 1989, MITI unveiled its new retail industry "vision," which included eventual relaxation of the Large-Store Law. And the U.S. began proposing its Structural Impediments Initiative, aimed in part at cracking open Japanese markets. Nakasone, Bouts, and Fujita began lobbying their respective governments for help. Bouts and other Toys 'R' Us executives met directly with U.S. Trade Repre-

TOYS 'R' TAKING THE WORLD BY STORM

SHARE OF TOY REVENUE FROM INTERNATIONAL SALES



DATA: COMPANY REPORTS, SANFORD C. REAGAN & CO.

Marketing

representative Carla A. Hills and her deputy, Linn Williams. Bouts says Hills's backing was critical. Back in Tokyo, Fujita made the rounds of his government contacts, many of them former classmates and fellow alumni of the University of Tokyo's elite law department.

By April, 1990, MITI had agreed to shorten the big-store application process to no more than 18 months. "That was a major, major breakthrough," says Nakasone. He and Bouts already had handshake agreements with various landlords. Within weeks, the company had submitted building applications for several locations.

COOL RECEPTION. But the work had just started. Since then, Toys 'R' Us has been slowly negotiating the local barriers still in place after the Large-Store Law's amendment. Take the fairly typical case of Sagami-hara, a Tokyo suburb of 520,000. In May, 1990, Toys 'R' Us started talks on opening a store there. The welcome was hardly a warm one. "The site Toys 'R' Us had chosen didn't fit our plans [for development]," says Goro Kakishima, senior managing direc-

'You won't see deep discounts,' says Bouts. 'Real estate and distribution costs are high here'

tor of Sagami-hara's Chamber of Commerce & Industry. "But we couldn't legally prevent it." So in July, conforming to MITI-prescribed procedures, Toys 'R' Us submitted applications to the ministry, Kanagawa Prefecture, Sagami-hara City, and the Chamber of Commerce.

In August, Toys 'R' Us had to join in an "explanation meeting" at the local public hall. Next came presentations to Sagami-hara's Commercial Activities Council, a MITI-inspired body of 18 consumers, merchants, professionals, and academics. After four meetings, the council gave the green light in June, 1991. Toys 'R' Us could open its store after Dec. 1. But like many other stores, it had to close every day by 8 p.m. and shutter itself 30 days a year. In addition, Toys 'R' Us had to consult with other bodies over possible traffic problems. By September, those consultations and construction delays forced a postponement of the Sagami-hara opening until March, 1992. Determined to open one store this year, Toys 'R' Us turned to Ibaraki.

At Ibaraki, the store and 850-car parking lot are massive by Japanese standards. The colorful, English-language

Toys 'R' Us signs jump out at passers-by. Bouts says the store will get only minimal customization—some Japanese-language signs inside and perhaps a section for items especially popular with Japanese. Although he's aiming for discounts of up to 15%, he's not making any promises. "You won't see deep discounts," he says. "Real estate and distribution costs are high here."

The early stores will feature a mix of roughly two-thirds Japanese toys and one-third imports, including Huffy bikes, Mattel's Barbie dolls, and Tonka trucks. But Bouts says imports' share will gradually rise to as much as half. Meanwhile, local opposition seems to have subsided. "An integrated store for children is a good thing," says Katsuyuki Fujii, whose small Toy's House Joy sits just a half-mile down the road from the first Toys 'R' Us store. "My wife can't wait to go shopping there for our kids." Fujii says he'll survive by finding a profitable niche—which he won't specify.

HUE AND CRY. Nobody at Toys 'R' Us is predicting clear sailing, though. Last year, for example, frightened toy shop owners in the city of Niigata generated international headlines by clamoring against the application of Toys 'R' Us to build a store there. They succeeded in delaying the opening until 1993.

Toys 'R' Us still faces obstacles in Japan. It's having a hard time winning low-cost, direct-supply contracts from local toymakers, who don't want to upset powerful wholesalers and longtime customers. Such arrangements are key to the ability of Toys 'R' Us to discount. Only one major Japanese toymaker, Nintendo Co., has publicly stated it will sell directly to Toys 'R' Us Japan. And small retailers such as Fujii say they expect lower prices from wholesalers, and possibly financial support, if the heat from Toys 'R' Us gets to be too much.

Despite their anxiety over Toys 'R' Us, Japanese retailers probably don't have to worry about an onslaught of giant U.S. retailers. True, smaller specialty stores such as Computerland and Brooks Brothers Inc. are already in Japan. But their operations are a far cry from those of a "superstore" operator intent on commanding a market. As analyst Richard Baum of researcher Sanford C. Bernstein Inc. puts it: "Only a handful of big retailers have the kind of format, supplier relationships, and expertise that let them succeed globally." So, the intricate Japanese system of retailing may, by and large, remain undisturbed by U.S. companies. That larger issue isn't the giant toy retailer's problem, though. Toys 'R' Us is just intent on expanding its tenuous foothold in the world's toughest retail market.

By Robert Neff in Tokyo, with bureau reports



December 23, 1991

MEMORANDUM FOR THE PRESIDENT

THROUGH: DAVE DEMAREST
TONY SNOW

FROM: BETH HINCHLIFFE

SUBJECT: PROPOSED REMARKS FOR RIBBON-CUTTING CEREMONY AT
TOYS-R-US, NARA, JAPAN

I. SUMMARY

On Tuesday, January 7, 1992 at 3:40 p.m. you will brief remarks to an audience of 200 members of the Kansai region American business community at the ribbon cutting ceremony for Toys-R-Us in Nara, Japan.

II. DISCUSSION

Your remarks (approximately 8 minutes / cards) focus on the success of the Structural Impediments Initiative, and recognize the arrival of Toys-R-Us in Japan as a victory in eliminating distribution barriers.

Your remarks challenge the government of Japan to continue opening markets and remove barriers to trade.

(Hinchliffe/Bunton)
December 11, 1991 11 a.m.
TOYS Draft One

**PRESIDENTIAL REMARKS: TOYS-R-US
TUESDAY, JANUARY 7, 1992
KYOTO, JAPAN**

Thank you. I must tell you that our grandchildren didn't think this trip sounded like too much fun until they heard we were stopping at Toys-"R"-Us. \\ I'll just have to tell them I couldn't buy them anything because Barbara's cut my kozu kai. ||

*an
Wives give
their husbands*

I was going to talk today about America's largest national exports to Japan -- but enough about Konishiki and Ake Bono. ||

It's really a privilege to be here, because this store is not only an impressive sight -- it's also an impressive symbol.

The arrival of Toys-"R"-Us in Japan shows the success of sheer public-private determination. This is the victory in the battle to eliminate a major barrier in the Japanese distribution system.

For years American retailers had recognized that Japan would be a prime market. After all, it has the second biggest economy in the world, and its consumers increasingly are demanding wider choices and lower prices without compromise in quality.

But American companies couldn't make any headway in opening here. Complex regulations, particularly the "Large Store Law", essentially made opening new foreign retail stores impossible.

From the beginning of this administration we had a key trade policy objective: to break down Japan's barriers to the sales of US goods and services. So we launched the Structural Impediments Initiative, taking dead aim at rules preventing our companies from competing in Japanese markets.

It was a great step for trade and our economies when our nations agreed on SII. At last a new, more level playing field could start to emerge. When it agreed to liberalize its distribution system, Japan lowered the key barrier. Finally, we cracked open Japanese markets for American companies.

Both Japanese consumers and American workers will benefit. Here, people will have stores with wider selections, competitive prices, and quality goods from across the world. At home, the overseas sales of US-made products will boost the economy.

We're here today because as soon as SII was introduced, Toys-"R"-Us was there, eager to take full advantage of the opportunity. It lived up to that old Japanese saying: "The lantern-bearer should go ahead."

This lantern-bearer is a great example of an aggressive, innovative American company. It stands ready and willing to risk its own capital in order to bring new distribution ideas to major world markets -- and has already committed over \$100 million to open 20 stores during the first phase of its Japanese operation.

We have plenty to learn from the three years of tough battle Toys-"R"-Us has had to wage to pry open the \$6 billion Japanese toy market; and the obstacles they still face daily. After all, this is the first time a large US discount store has opened here.

I hope Toys-"R"-Us is only the first in a long line of US retailers to locate in Japan -- becoming magnets, drawing US products overseas. This is an exciting idea because opening US stores here creates economic growth for America -- the Japanese

TOYS-R-US
FACT/TP
LEW COHEN

expansion of Toys-"R"-Us alone will mean new jobs for 40,000 American workers by the end of this decade. Opening US stores here also allows manufacturers, particularly small ones, with a conduit into markets they otherwise could not have touched. And opening US stores here brings to the Japanese consumer a choice of world-class goods -- here, for instance, Toys-"R"-Us will offer 8,000 different products, 1/3 of them imports.

→

←

U.S. News & World Report

Business Week

SII has produced important results for the people of both our lands. We've learned how government can change the rules of trade and investment to promote competition, benefitting workers and consumers. We've come to better understand both nations' economies -- and both nations' people. After all, we have much to learn from each other -- the Japanese essence of "gamman".

The union between the United States and Japan is the single most important bilateral economic relationship in the world. Our actions, separately and together, affect many other nations. We've worked closely together in the spirit of cooperation -- for instance, at the Economic Summit, and within the G-7 framework.

But there are still issues to be resolved. Each partner must realize that it benefits from free trade and open markets -- our economic relationship is not a zero-sum game for either side. Each player must realize the US is a Pacific power, with vital economic and political interests in this region. And each player must be vigilant about SII. We know it's an important way to head off protectionism. So we must be vigilant -- constantly re-energizing it by introducing new commitments on both sides.

←

→ And in the US, although we're pleased at the success so far, we're not satisfied with only reaching trade agreements. We're equally concerned that implementation of those agreements produces a permanent improvement in access to Japanese markets. We will closely monitor the implementation of trade agreements.

Prime Minister Miyazawa has referred to Japan's goal of becoming a "lifestyle" superpower. I believe that the arrival of Toys-"R"-Us not only heralds a new age -- but that it also will help the Prime Minister to achieve that goal. It is a forward-looking merger of two great nations, two powerful economies, and two resourceful and innovative peoples. Together, we will go far. God bless our lands, and the dreams we share.

#

✓
 sketch
 leading country
 in foreign aid

quality of life
 standard of living

(Hinchliffe/Nix)
December 3, 1991 1 p.m
DEERE Draft One

**PRESIDENTIAL REMARKS: JOHN DEERE COMPANY
December 10, 1991
Moline, Illinois**

Thank you. [ACKNOWLEDGEMENTS] It's great to be here with all you Quad Citians. But most of all, it's great to see the people behind the power of John Deere. I half-expected to be driven in on one of your products -- then we could have named it "Tractor One."

I'll be brief today, because I didn't come here to make speeches. I came to look, to listen and to learn.

And I'm proud at what you've shown me -- a successful American company (more on Deere -- branching out into financial and insurance services, too -- over 37,000 employees worldwide).

I see how you've done it. You've succeeded because of your commitment to quality -- to world-class performance. You've succeeded because of your priority of training and educational excellence. You've succeeded because of your (special project - - drug-free workplace?) You've succeeded because of your employees, who show that quality people mean quality products -- men and women like x..... (Gulf War participants --number of longterm --)

And, if I may add, you've succeeded because of a CEO like my friend Hans, here. (Quote or anecdote from CEO)

It's success like yours here at John Deere that helps American firms muscle their way into world markets -- with skill and drive. That's a victory, because cracking foreign markets

creates more American economic growth and more American jobs.

(can add more here, Peavy p. 5)

In this new global marketplace, America has built a solid foundation. Inflation is down. Interest rates have fallen to the lowest level in years. American exports have skyrocketed 80 percent in the last five years alone.

But that doesn't mean we don't face problems. We do. Tough ones, and I know it. As President, I've traveled to 48 states. I've met with all sorts of people -- men and women and kids who are the real heart of America. I've talked with them. I've listened to them. Most of all, I've learned from them.

I want to say something to everyone of them -- to every one of you. I hear you. I understand. I care. I want to help. I know that for a person out of a job, the unemployment rate is 100 percent. (letter)

I will continue to fight to create opportunities in foreign markets for American workers. I will make sure that our agencies do everything they can to help people, from getting unemployment checks out to easing the credit crunch. And I will insist that we get immediately the money our great new transportation bill provides. Then we can get going -- building roads, fixing bridges and -- most importantly -- creating jobs.

We've got more to do to get this economy moving the way we want it to -- the way we know it will. I ask Congress to pass an important series of initiatives: proposals to put more Americans back to work. I ask Congress to approve this package containing:

tax incentives to unleash investment; reforms to help our banks do their job; ideas to strengthen our educational system; and initiatives to keep health care costs down. Together, these measures will help our economy grow -- will create jobs -- and will help every American reach for his or her dream.

I've appreciated the chance to see what you're doing -- and to hear what you're feeling. I'm proud of your hard work and your dedication. You know, every time I talk with Americans, I see our strength and I feel all the more determined to do what you elected me to do -- foster growth; keep the peace; and maintain our stature as the world's greatest nation -- the standard by which all other countries measure themselves.

Thank you for welcoming me today with the warmth you surely showed my predecessors -- Abe Lincoln when he was here fighting for the railroad bridge; and Ronald Reagan, announcer on WOC, the first station west of the Mississippi. Thank you for letting me share some time here in the Quad Cities -- a place with "pride in its past, purpose in its present, and hope in its future." Here we can feel the truth of what FDR said a half-century ago: "The only limit to our realization of tomorrow will be our doubts of today." We must -- we will -- dispel our doubts and believe once again in tomorrow. God bless you all.

- 1-Pre-SII
- 2-SII negot-
- 3-TRU hats, adv. - commitment
- 4-Benefits of SII ("gunman")
- 5-Conclusion
- 6-General draft
- 3a-TRU *provision*

(Hinchliffe/Simon)
 December 11, 1991 11 a.m.
 TOYS Draft One

**PRESIDENTIAL REMARKS: TOYS-R-US
 TUESDAY, JANUARY 7, 1992
 KYOTO, JAPAN**

Barbara and I thank you for your welcome (Japanese anecdote or joke). I must tell you that our grandchildren didn't think this trip sounded like too much fun until they heard we were stopping at Toys-"R"-Us. I'll just have to tell them I couldn't buy them any toys because Barbara's cut my kozo kai.

It's really a privilege for us to be here, because this store is not only a tremendously impressive sight -- but it's also a tremendously impressive symbol. (A)

--pre SII

For years American ^{retailers} companies had recognized that Japan would be a prime market. After all, it has the second biggest economy in the world, and its consumers increasingly are demanding wider choices and lower prices without compromise in quality.

(D) But companies could make no headway in opening here. The regulations -- particularly the " " -- were complex and essentially made opening new foreign retail stores all but impossible. *Japan was required on this for Large Store Law*
 --SII negotiations *for best retail model in market.*

Structural Impediments

Well, from the beginning of this administration we had a key trade policy objective -- to break down barriers in Japan's market to the sales of US goods and services. And so we launched the Structural Impediments Initiative, aimed at clearing away the structural features of our economies which obstruct trade and investment.

We had three goals for SII. (B) *(3) (Japan)* First, to promote the elimination of barriers in Japan's distribution system. Second, to put a brake on exclusionary business practices. And third, to attack other policies and practices holding back American companies seeking to enter the Japanese market. *2 a specific*

We were first accessible to crack open Jap. market for Am. companies

It was a great step for trade and our economies when our nations agreed on SII. (C) Japan lowered the key barrier blocking access to its market, agreeing to liberalize its distribution system. Japanese consumers and American workers benefit. Here, people will have stores with wider selections, competitive prices, and quality goods from across the world. At home, the overseas sales of US-made toys will generate new jobs. *2 a specific initiative*

We're here today because as soon as SII was introduced, Toys-"R"-Us was there, eager to take full advantage of the opportunity. This is a great example of an aggressive, innovative American company. It stands ready and willing to risk its own capital in order to bring new distribution ideas to major world markets -- and has already committed over \$100 million to opening 20 stores during the first phase of its Japanese operation. It's on the very frontline of innovative US companies, and sets the right example for others to follow.



2 -- "many barriers are private-section equivalent of high tariffs"
6 -- need additional trade concessions

3 (and) -- cracking foreign markets creates more American economic growth and more American jobs

JBMEMEMO

--Osaka area is important business environment

3a --emphasis on distribution of American goods - *→ Bhdhcha network*
--success of structured import initiative
--pep talk to Am. business -- distribution networks
--first large US discount store

3 last 4
2 --hope ?TYR first in long line of us stores to locate in Japan
2 --work of Carla Hills, US Trade Rep

BUSINESS WEEK:

--"most visible payoff of the SII aimed at prying open new mrkets for American companies in Japan."

3a --slowly negotiating local barriers still in place after Large-Store Law's amendment

3a --1/3 of toys will be imports (Huffy, Barbie, Tonka)

3a --still faces obstacles in Japan
--world's toughest retail market

11/22 letter:

(A) --TRU arrival in Japan symbolizes our determination to eliminate a major trade barrier in the Japanese distribution system.

(B) --SII negotiations took dead aim at entrenched structural barriers preventing Am. companies from competing in Japanese markets

(C) --new, more level playing field now emerging in Japan
--pave way for increased sales by US toy manufacturers -- TRU presence in japan allow them to aggressively export in this very difficult market -- means new jobs in America -- 40,000 by end of decade just by TRU expansion overseas

(D) --Am. retailers are most innovative and advanced in the world -- workers produce world-class products

HASBRO:

3 (late) --strong message underlining importance of US exports to Japan -
--this is great expample of American entrepreneurship seeking to break down barriers in foreign markets

HUFFY:

(B) --importance to balance of trade of opening Japan to US exports
--stores showcase availability of US products -- symbol of initiatl breaking down of Japanese trade barriers

TREASURY

6 --US/Japan single more important bilateral economic relationship in the orld -- witht he world's two lrgest economies, teh actions impact many other nationas. Have cooperated closely, for instane in Economic Summit and G-7 framework, but a number of contentious economic issues plague the relationship --

*Carla (Hatch)
Moshauer*

(Hinchliffe/Simon)
December 11, 1991 11 a.m.
TOYS Draft One

**PRESIDENTIAL REMARKS: TOYS-R-US
TUESDAY, JANUARY 7, 1992
KYOTO, JAPAN**

--brief remarks (2 pages)

--Sec. Mosbacher

--general: Kyoto

6 { --both US and Japan benefit from free trade and open markets --
our economic relationship is not a zero-sum game for either
partner

6 { --the US is a Pacific power, with vital economic, as well as
political, interests in the region

--Japan is important market for US exports and a source of US job
creation; Japan #2 market for US exports -- US is Japan's #1

--more than 1/3 of our total trade is with Asia

6 { --US-Japan relationship helps reinforce global cooperation for
benefit of citizen of all nations

6 { --US-Japan single most important bilateral economic
relationship in the world

--global neighborhood

--interdependence in communication/technology new world

--the opportunities and responsibilities of interdependence

4 { --have much to learn from each other -- "gamman"

--global neighborhood

--largest exports Konishiki and Ake Bono

--I wanted to buy some souvenirs, but Barbara cut my kozo kai.

--have much to learn from each other -- "gamman"

--"the lantern-bearer should go ahead" -- everyone point of
light, nationally and internationally

--"I do the very best I know how -- the very best I can; and I
mean to keep on doing so until the end." -- Abraham Lincoln

--"Destiny is not a matter of chance; it is a matter of choice.

It is not something to be waited for; but, rather something to be
achieved." -- William Jennings Bryan

USNEWS:

3a { --after three years of tortuous negotiations, world's top purveyor
of toys opens --

--first foray into Japan by large US Discounter

--\$6b Japanese toy market

--arduous process

2a { --for decades, shielded small merchants from competition

2a { --under pressure from DC, Tokyo shortened large-store application
process to no more than 18 months, one of first to the advantage
TRU

2a { --8,000 diff. products

4
--SII -- an important initiative to reduce impediments to competition and adjustment of external imbalances -- SII success can help to head off protectionism. For example, US 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. Essential we re-energize the SII process by introducing new commitments on both sides.

Other companies should follow the example of Toys-"R"-Us, and become magnets drawing US products into foreign markets. First of all, this allows manufacturers, particularly small ones, with a conduit into markets they otherwise could not have touched. Secondly, this creates new jobs and profits in America.

SII has produced important results for the people of both our lands. We have come to understand each others economies -- and each other -- better. We have learned how government can help change the rules of trade and investment to promote competition, benefitting workers and consumers alike. Japan is changing -- and there is opportunity here for our firms and for our workers. ~~I hope other US companies will follow the lead of TRU and learn about the exciting opportunity this market offers.~~

But we are not satisfied with only reaching trade agreements. We are equally concerned that implementation of those agreements produces a permanent improvement in access to Japanese markets. The United States is committed to closely monitoring the implementation of US-Japanese trade agreements.

Prime Minister Miyazawa has referred to Japan's goal of becoming a "lifestyle" superpower. The arrival of TRU not only heralds a new age -- it also will help the Prime Minister to achieve that goal. It will do that by making available American goods among a worldwide selection of products, at prices better than those now available.

exporters and for Japanese consumers.

--brief remarks (2 pages)

--Sec. Mosbacher

--general: Kyoto

--both US and Japan benefit from free trade and open markets -- our economic relationship is not a zero-sum game for either partner

--the US is a Pacific power, with vital economic, as well as political, interests in the region

--Japan is important market for US exports and a source of US job creation; Japan #2 market for US exports -- US is Japan's #1

--more than 1/3 of our total trade is with Asia

--US-Japan relationship helps reinforce global cooperation for benefit of citizen of all nations

--US-Japan single most important bilateral economic relationship in the world

--global neighborhood

--interdependence in communication/technology new world

--the opportunities and responsibilities of interdependence

--have much to learn from each other -- "gamman"

--global neighborhood

--largest exports Konishiki and Ake Bono

--I wanted to buy some souvenirs, but Barbara cut my kozo kai.

--have much to learn from each other -- "gamman"

--"the lantern-bearer should go ahead" -- everyone point of light, nationally and internationally

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--8,000 diff. products

--"many barriers are private-section equivalent of high tariffs"

--need additional trade concessions

--cracking foreign markets creates more American economic growth and more American jobs

JBMEMEMO

--Osaka area is important business environment

--emphasis on distribution of American goods

--success of structured import initiative

--pep talk to Am. business -- distribution networks

--first large US discount store

--hope ?TYR first in long line of us stores to locate in Japan

--work of Carla Hills, US Trade Rep

BUSINESS WEEK:

--"most visible payoff of the SII aimed at prying open new mrkets for American companies in Japan."

--slowly negotiating local barriers still in place after Large-Store Law's amendment

--1/3 of toys will be imports (Huffy, Barbie, Tonka)

--still faces obstacles in Japan

--world's toughest retail market

11/22 letter:

--TRU arrival in Japan symbolizes our determination to eliminate a major trade barrier in the Japanese distribution system.

--SII negotiations took dead aim at entrenched structural barriers preventing Am. companies from competing in Japanese markets

--new, more level playing field now emerging in Japan

--pave way for increased sales by US toy manufacturers -- TRU presence in japan allow them toa ggressively export in this very

difficult market -- means new jobs in America -- 40,000 by end of decade just by TRU expansion overseas
--Am. retailers are most innovative and advanced in the world -- workers produce world-class products

HASBRO:

--strong message underlining importance of US exports to Japan -
-this is great example of American entrepreneurship seeking to break down barriers in foreign markets

HUFFY:

--importance to balance of trade of opening Japan to US exports
--stores showcase availability of US products -- symbol of initial breaking down of Japanese trade barriers

TREASURY

--US/Japan single more important bilateral economic relationship in the world -- with the world's two largest economies, their actions impact many other nations. Have cooperated closely, for instance in Economic Summit and G-7 framework, but a number of contentious economic issues plague the relationship --
--SII -- an important initiative to reduce impediments to competition and adjustment of external imbalances -- SII success can help to head off protectionism. For example, US 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. Essential we re-energize the SII process by introducing new commitments on both sides.

Selling toys to Tokyo's tots

When it comes to the Japanese market, Toys 'R' Us isn't playing around

The presents are not piling up as high as usual under Christmas trees in economically troubled America, but across the Pacific, Toys "R" Us has something to be jolly about. After three years of tortuous negotiations, the world's top purveyor of toys opens its inaugural outlet 40 miles outside Tokyo this week—the first foray into Japan by a large U.S. discounter.

Toys "R" Us is expanding overseas faster than a toddler tearing through the house on a Big Wheel. The New Jersey-based children's specialty chain has not just set its sights on the \$6 billion Japanese toy market. In addition to its 451 outlets in the United States, the company now boasts 98 toy stores around the world, and its foreign base is expected to double over the next three years. As a result, international sales will reach about \$1 billion this year and could nearly quadruple to \$3.7 billion by 1996.

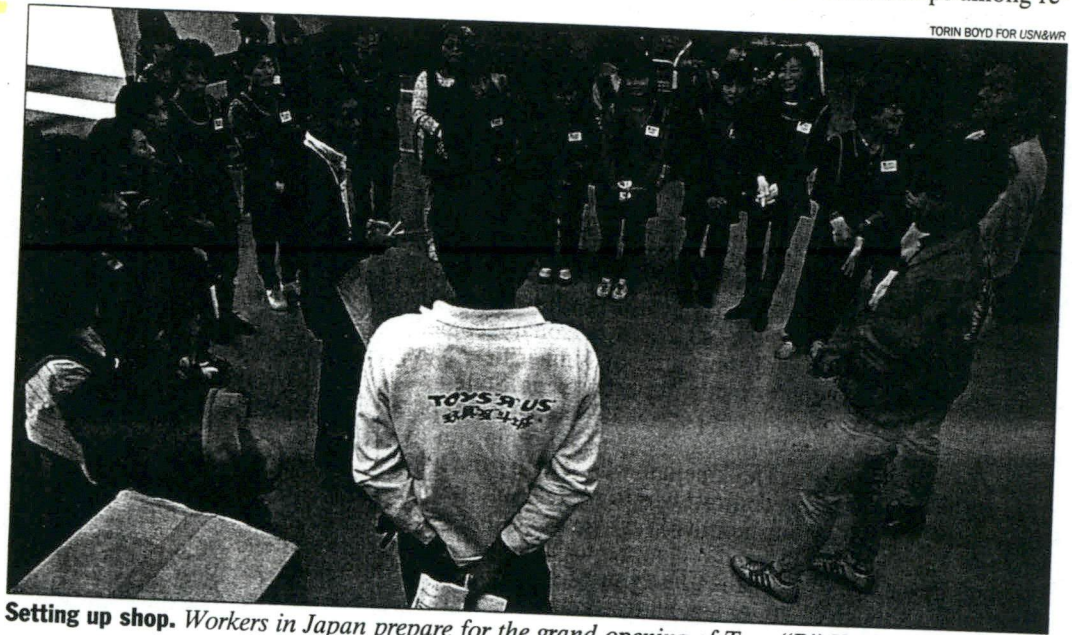
In the course of its expansion, Toys "R" Us has often encountered resistance from fearful local merchants overseas. But the process has been especially arduous in Japan. For decades, Tokyo shielded small merchants from competition. Under the notorious Large-Scale Retail Store Law, local shop owners could stall incursions by large retailers for 10 years or more. That's one reason why Japan's 1.6 million mom and pop shops account for more than half of all retail sales, compared with just three percent in America.

Quick move. Under pressure from Washington, Tokyo shortened the large-store application process to no more than 18 months in 1990. And one of the first retailers to take advantage of the change was Toys "R" Us.

With McDonald's Japan as its local partner and 20 percent share owner, Toys "R" Us soon entered into negotiations with several communities.

Gaining a toehold was hardly kid's stuff, however. The firm spent thousands of hours in meetings with local officials and residents. And it can now

probably needn't fret about other U.S. stores rushing in. That's because few American retailers have the financial resources to mount a similar operation in a nation where a square meter of prime real estate can cost \$6,000. There are many other barriers to entry, such as the exclusive relationships among re-



Setting up shop. Workers in Japan prepare for the grand opening of Toys "R" Us this week.

look forward to similar marathons for each of the 99 other outlets it plans to open in Japan over the next decade. Toys "R" Us Japan is also having trouble securing direct suppliers and low-cost contracts from toy makers. Computer-game supplier Nintendo says it will only offer prices "acceptable to other Japanese wholesalers."

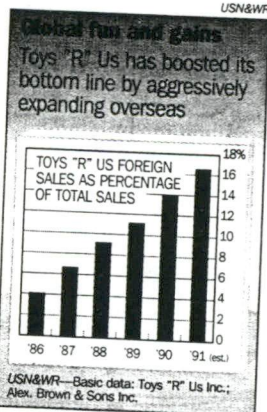
But Toys "R" Us's efforts should soon pay off. Each outlet is expected to register sales of at least \$15 million during the first year. It's easy to see why. Compared with the typical small Japanese shop, which stocks about 2,000 items, the U.S. toy retailer will offer 8,000 different products, ranging from made-in-U.S.A. Huffy bikes to Mattel's Barbie dolls.

Japan's small merchants

tailers, wholesalers and manufacturers, which tend to shut out all newcomers. Critics charge that such cartel-like arrangements are the private-sector equivalent of high tariffs.

But U.S. exporters may indirectly benefit from the changes sweeping Japan's retail industry. More than 90 large shopping centers are scheduled to open in Japan this year, and the number of malls is expected to double to 3,000 by the end of the decade. As a result, big Japanese merchants will be stepping up overseas purchases.

Despite this potential business, Washington will continue to push Tokyo for additional trade concessions. While the haggling continues, however, Toys "R" Us will be ringing up big sales in Japan. And that will bring the American retailer—as well as many Japanese children—extra cheer this holiday season.



BY JIM IMPOCO IN TOKYO

SI-WEL INTERNATIONAL

COLUMBIA SQUARE
555 THIRTEENTH STREET NW
WASHINGTON DC 20004-1109
(202) 637-5800

LEWIS I. COHEN
PRESIDENT
DIRECT DIAL (202) 637-6634

FAX (202) 637-5910
TELEX: 248370 (RCA)

TO:	<u>Jeannie Bunton</u>	DATE:	<u>December 13, 1991</u>
FROM:	<u>Lewis Cohen</u>	TIME:	<u>2:30 PM</u>
TOTAL NUMBER OF PAGES INCLUDING COVER:			<u>3</u>

MESSAGE: Jeannie, in the light of our conversation yesterday,

Toys "R" Us asked me to put these themes together for

your use. Let me know if you need anything else.

Lew Cohen

FOR OPERATOR ASSISTANCE (202) 637-5900
 456-6218

FAX NUMBER (202) 637-5910

PLEASE CALL THE ABOVE ASSISTANCE NUMBER IF TRANSMISSION IS GARBLED OR INCOMPLETE.

1266

CLIENT/MATTER #

BETH: THIS SET OF TPS FROM
TOYS R US

Suggested Themes For Inclusion in the President's Remarks

- A. President Bush created the **critical opening** which allowed Toy "R" US to enter the Japanese market.
- o A key Bush Administration trade policy objective was to **break down barriers** in Japan's market to the sales of U.S. goods and services.
 - o The President launched the **Structural Impediments Initiative (SII)** to promote the elimination of barriers in Japan's distribution system, put a brake on exclusionary business practices and attack other policies and practices holding back American companies seeking to enter the Japanese market.
 - o SII produced a **major breakthrough in the distribution system** as Japan agreed to adopt liberalized rules governing the opening of large retail stores.
 - o **Toys "R" Us is taking full advantage of the President's SII success** and is committing over \$100 million to opening of 20 stores during the first phase of its Japanese operation.
- B. The President is not satisfied with reaching trade agreements alone, he is equally concerned that implementation of those agreements produces a **permanent improvement in access** to Japanese markets.
- o While the SII breakthrough was a remarkable achievement, Toys "R" Us and other **American companies continue to depend on the support of the US Government** to ensure that the Japanese market remains open.
 - o The President's visit will clearly demonstrate his **commitment closely to monitor the implementation** of U.S. Japanese trade agreements.
- C. Toys "R" Us as an aggressive, **innovative** American company ready and willing to risk its own capital to bring new and unique marketing techniques to Japan and other major world markets, sets the right example for other U.S. companies to follow.
- o Innovation is a key American characteristic and **Toys "R" Us is on the very frontline of innovative U.S. companies** bringing the benefit of new ideas in distribution to consumers around the world.

- o Toys "R" Us entered the international marketplace in 1984 and has seen its international sales grow from zero to a billion dollars in 1991.
 - o Toys "R" Us is a primary example of an American company heeding the President's message to demonstrate the effectiveness and energy of U.S. enterprise to the world.
 - o When the President succeeded in lowering the key barrier blocking access to the Japanese market, Toys "R" Us was there, ready to take full advantage of the opportunity.
- D. Toys "R" Us is a magnet drawing U.S. manufactured products into foreign markets creating new jobs and profits in America.
- o Toys "R" US sells over \$200 million a year in U.S. manufactured products in its stores around the world, a figure which is growing rapidly.
 - o U.S. toy manufacturers have come to depend on Toys "R" US to help them to penetrate foreign markets by providing a ready made and familiar outlet for their products.
 - o Toys "R" Us acts both as importer and as distributor (receiving, warehousing, labeling, pricing, transporting and merchandising) for many American companies in markets where they had little or no access.
 - o Toys "R" Us provides smaller American companies with the scale that they need but otherwise cannot achieve to sell in Japan.
- E. Prime Minister Miyazawa has referred to Japan's goal of becoming a "lifestyle" superpower.
- o Toys "R" Us' arrival in Japan will help the Prime Minister to achieve that goal by making available American goods among a worldwide selection of products and prices better those now available in Japan.

POINTS TO BE MADE AT TOYS R US

- o Toys R Us is a familiar name to anyone with children in the United States and now to families in more than ten other countries as well.
- o Toys R Us has the global orientation that is essential to succeed in today's global marketplace.
- o Toys R Us now has 126 stores in ten countries, compared to 497 stores in the US. Its overseas sales went from zero in 1984 to over one billion dollars this year.
- o Toys R Us years ago recognized that Japan, the second biggest economy in the world with consumers who increasingly are demanding wider choices and lower prices, without any compromise in their quality standards, would be a prime market.
- o Toys R Us made no headway in opening here, though, because of complicated government regulations that made opening new stores -- especially by foreign retailers -- all but impossible.
- o Through the Structural Impediments Initiative, SII, Japan undertook to liberalize its distribution system. The goal was to increase imports by cutting the costs of bringing them to market, and by increasing the number of outlets them.
- o Japanese consumers and American workers benefit. Japanese consumers, because Toys R Us will bring wider selections, competitive prices, and quality toys from all over the world. American workers, because Toys R Us estimates that its overseas sales of US-made toys will generate new jobs for 40,000 American toymakers by the year 2000.
- o SII has produced important results for US exporters and Japanese consumers. It aims to clear away the structural features of our economies which obstruct trade and investment. We have come to understand each others' economies better through SII. We must continue the effort.
- o Government can help change the rules of trade and investment to promote competition, benefitting workers and consumers alike. The US Government worked closely with companies like Toys R Us to learn what the problems were, and together we devised solutions.
- o Toys R Us is on a path that I hope many others will follow. Japan is changing -- the American companies here know that -- and there is opportunity for our workers and firms.

12 DECEMBER 1991

MEMO FOR QOG

FROM: JB 

SUBJECT: TOYS-R-US

PER TORKELL/NSC

EVENT IS RIBBON CUTTING FOR NEW STORE IN CITY OF NARA

EVENT ATTENDED BY AMERICAN BUSINESS PEOPLE (MEMBERS OF THE AMERICAN BUSINESS COMMUNITY) FROM THE KANSAI REGION
AUDIENCE LOW 100-200S

SEC. MOSBACHER AND THE CORE AMERICAN BIS GROUP WILL BE THERE.

TALKING POINTS:

OSAKA AREA IS AN IMPORTANT BUSINESS ENVIRONMENT

AMERICAN BUSINESS COMMITMENT TO JAPANESE MARKET

EMPHASIS ON DISTRIBUTION OF AMERICAN GOODS

SECOND STORE IN JAPAN

SUCCESS OF STRUCTURED IMPORT INITIATIVE

PEP TALK TO AMERICAN BUSINESS - NOT TOYS BUT DISTRIBUTION NETWORKS



United States Department of State

Washington, D.C. 20520

OFFICE OF JAPANESE AFFAIRS

FAX COVER SHEET

DATE: 12/13/91

TO: White House - Ms. Bunton

FAX NUMBER: 456-~~7565~~ 6218

ADDRESSEE'S PHONE: _____

FROM: EAP/ J Jason P. Hyland

FAX NUMBER: 202-647- 4402

SENDER'S PHONE NUMBER: 202-647- 2914

NUMBER OF PAGES INCLUDING COVER SHEET: 2

REMARKS: As discussed. Best regards.

THE MEDIA BUSINESS

Advertising | Stuart Elliott

Hard Times
Call for the
Hard Sell

RETAILERS are changing the face they present to shoppers during the holiday season, shifting from the warm and fuzzy image-building long popular at this time of year to hard-selling product promotions.

The changes are particularly noticeable in network television and magazines. They are beginning to seem more like radio and newspapers, filled with ads emphasizing prices, sales, limited-time offers and contests.

"Every bit of economic news is negative," said Pete Vetowich, executive vice president and director of retail at Ross Roy Group, which creates campaigns for K Mart and the K Mart Corporation's chains of office supply, sporting goods and home-improvement stores.

"You put that on top of the short selling season," Mr. Vetowich added in a telephone interview from his office in Bloomfield Hills, Mich., "and there's reason to be very promotional."

The changes are apparent in campaigns for K Mart, by Ross Roy; Sears, Roebuck & Company, by Ogilvy & Mather Chicago, and Toys "R" Us Inc., by J. Walter Thompson New York, and they echo what has been occurring in brand-name consumer products from cereal to soap. There, too, long-term image advertising has become subordinate to short-term promotional programs.

"In this tough economy, to keep the stores open, you've got to sell product," said Susan Marber, vice president and group management supervisor at Grey Advertising Inc. in New York, which creates broadcast spots for Bloomingdale's. Today and tomorrow, she added, the agency will shoot two holiday television spots for the retailer; one, called "Give Hope,"



A commercial for Toys "R" Us promotes the stores' selection of lower-priced video games.

J. Walter Thompson

will be altruistic, listing charities to which donations can be made, while the other, called "Best of Gifts," will be packed with products and prices.

When the spots start running on Dec. 13, "we'd love to do them 50-50," she continued, but in all likelihood the sales pitch will predominate.

For Toys "R" Us, Thompson New York has produced a television commercial touting the toy stores' selection of lower-priced video games, at \$14.98 to \$19.98, in addition to another spot, sans prices, devoted to the new Nintendo Entertainment System.

Toys "R" Us executives "wanted to make sure they were viewed as having reasonably priced video games as well as the higher-priced ones," said Marty Rose, a senior vice

president and management director at Thompson New York, adding, "They know people are not as generous in spending money as in the past."

Among similar measures that Toys "R" Us is pursuing, Mr. Rose listed radio commercials centering on a guaranteed-low-price program and booklets of coupons good for discounts on purchases of Mattel Inc. toys.

At K Mart, shoppers will find they can enter a sweepstakes, called "Celebrate a Magical Disneyland Christmas," that offers more than 100,000 prizes like a \$500,000 annuity and 3,000 trips to Disneyland.

While in previous, more economically robust years, it would have been unusual for retailers to sponsor such consumer-enticing contests, "when economic conditions are not really strong, anything we can do to enhance sales is our job," said Jerry Habeck, K Mart's vice president of advertising in Troy, Mich.

For all the popularity of promotional advertising, retailers and their agencies say they recognize the problems it can generate, like weakening a brand name's value and conditioning consumers to buy only when prices are marked down.

"It is inevitable that if you take the price message to its logical conclusion, you go out of business," said Tom Hall, president and chief executive at Ogilvy Chicago. That is why, he added, the agency, in creating Sears's holiday campaign, "gave consumers both kinds of messages, the price-product message and reasons why to feel smart or good about shopping at the store."

Footc, Cone Direct has 50 employees at offices in Toronto and Chicago and billings of \$45 million.

Photocopy-Preservation



TOYS "R" US®

461 FROM ROAD
PARAMUS, NJ 07652

(201) 899-6960

ROBERT C. NAKASONE
VICE CHAIRMAN
PRESIDENT
WORLD-WIDE TOY STORES

TP-FY1

November 22, 1991

Mr. Sig Rogich
Assistant to the President
The White House
Washington, DC 20500

Dear Sig:

We welcome the news of President Bush's visit to Japan at the beginning of January and want to extend an invitation for him to visit one of our new stores during his trip.

Toys "R" Us arrival in Japan symbolizes President Bush's determination to eliminate a major trade barrier in the Japanese distribution system. We owe our very presence in Japan to the President's vision and toughness as he launched the Structural Impediments Initiative (SII) negotiations which took dead aim at entrenched structural barriers preventing us and other American companies from competing in Japanese markets. The President deserves full credit for this untold success story.

Toys "R" Us is now a \$6 billion company which has rapidly grown at over 23% a year for over a decade. We currently have 497 toy stores in the United States and 126 stores overseas. In less than 7 years, we have opened these 126 international toy stores in 10 countries and have seen our international sales skyrocket from nothing in 1984 to over \$1 billion in 1991! Japan's huge market is crucial to maintaining our momentum overseas. Until SII succeeded in producing changes in the Large Scale Retail Store Law, we were continually stymied in our efforts to begin operation in Japan.

In the last year, we've responded vigorously to the new, more level playing field now emerging in Japan. Our first 2 stores will open on December 20th and January 4th respectively. By the end of '92, our investment in Japan will exceed \$100 million (in 7 stores, a distribution center, and office) and underscores our

page 2

company's commitment to succeeding in the Japanese market. We currently have another 20 stores in various stages of planning and approval process. We anticipate that Japan will eventually be our largest market outside the U.S. with at least 100 stores.

In Japan, as we have done in European and other foreign markets, we will pave the way for increased sales by U.S. toy manufacturers. Companies like Fisher-Price, Huffy Bikes, Little Tikes, Hasbro/Milton Bradley/Parker Brothers/Playskool, with manufacturing plants across America, are taking advantage of the unmatched range of products available in our stores to create new markets for themselves overseas. They tell us that our presence in Japan will finally allow them to aggressively export in this very difficult market. Both for them and for us this means new jobs in America and more weight on the export side of the trade balance. In fact, by the end of the decade, our expansion overseas will allow another 40,000* American workers to earn their livelihoods in manufacturing toys for export to our stores around the world.

Toys "R" Us knows that American industry produces world class products. American retailers are the most innovative and advanced in the world. We have every intention of applying our American know-how to the challenge of getting made-in-the-U.S.A. products into foreign markets.

Toys "R" Us has spent more than 3 years in an excruciatingly difficult effort to reach the point of opening our first 2 stores in Japan. The road ahead will not be any easier. As we expand we will be spurred to even greater efforts secure in the knowledge that we can count on the full support of President Bush and his Administration. A visit by President Bush to one of our Japanese stores will put the Japanese government and the Japanese business establishment on notice that he intends to hold them to their SII commitments and that there are aggressive American companies eager to take on and beat the best Japan has to offer on their home turf.

Sincerely,



Robert C. Nakasone
Vice Chairman
President World-Wide Toy Stores

*We estimate that approximately 20% of our overseas sales are generated by products manufactured in the United States.



HASBRO, INC.

1027 NEWPORT AVENUE
 P.O. BOX 1059
 PAWTUCKET, RHODE ISLAND 02862-1059 U.S.A.
 TELEPHONE (401) 431-TOYS
 FAX: (401) 727-5544

November 21, 1991

Mr. Sig Rogich
 Assistant to the President
 The White House
 Washington, D.C. 20500

Dear Mr. Rogich:

I was delighted to learn that President Bush will visit Japan in January.

When he visits Japan, we would sincerely hope and implore that the President should deliver a strong message underlining the importance he attaches to U.S. exports to Japan. In that context, we strongly urge that he give substance to that message by paying a visit to one of the new Toys R Us stores in Japan. I can think of no better example of American entrepreneurship seeking to break down the barriers in foreign markets than Toys R Us, and for that matter, ourselves.

Let me digress for a minute and explain who we are. Hasbro, Inc., was founded in 1923. Today we are made up of six different companies; those being: Hasbro Toy, Playskool Baby, Playskool, Kenner Toys, Milton Bradley and Parker Brothers. Worldwide we employ approximately 10,000 people but I am more than proud to say that in America, we employ approximately 5,000 - a good many of them in manufacturing jobs. If you are unsure of the names of the companies that I refer to, I would only ask you and the President to reflect upon some of the toys that we make, such as Tinker Toys, Lincoln Logs, Mr. Potato Head, Monopoly, Scrabble, Spirograph, Candyland, Tonka Trucks, and G.I. Joe, and these are but to name a few.

In many countries around the world, we have found definitive trade barriers - probably none more than in Japan. Many of these import barriers are subtle, but nevertheless, they have precluded us from exporting product from America. It's our firm belief that with the entree of Toys R Us into Japan, that we can expand our export business to Japan. In 1988, our business was zero, and today we do about one million dollars, but I believe the immediate affect would be to grow our business to at least five million dollars within two years, and probably 25 million dollars in Japan alone over five years. I know this will sound infinitesimal, but this could relate to about 120-180 more manufacturing jobs here in America.

Mr. Sig Rogich

-2-

November 21, 1991

In all of the countries that we have seen Toys R Us go into, we have been able to increase our export business. I cannot quantify here but they have been dynamic openers of the toy field everywhere they have touched. Not only will they help our country, but so too Japanese consumers.

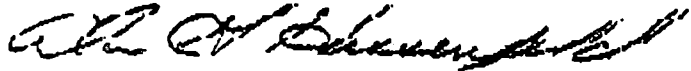
We are excited by the arrival of Toys R Us in Japan. The Japanese market is huge and holds enormous potential for the sale of our product lines. Without Toys R Us, we will continue to flounder.

I believe the trip so important that if it's of any meaning at all, I would be more than happy to make myself available in Japan at the time that the President is there. ..

With warmest regards.

Sincerely yours,

HASBRO, INC.



Alan G. Hassenfeld
Chairman and
Chief Executive Officer

AGH/sm

HUFFY CORPORATION



Harry A. Shaw III
Chairman and Chief Executive Officer

November 21, 1991

Mr. Sig Rogich
Assistant to the President
The White House
Washington, D.C. 20500

Dear Mr. Rogich:

Huffy Corporation is a leading producer of bicycles and juvenile products in the United States. Our products are sold by mass retailers throughout the United States and, in recent years, in Canada, Europe and the Far East. Our export sales are growing and, when coupled with strong domestic sales, have resulted in record sales for our shareholders and full employment for our employees in this recession year.

Our efforts to increase export sales have been aided by the expansion of our good customer, Toys 'R Us, into European and Asian markets. Toys 'R Us has used its know-how and retailing techniques to open these markets and offer U. S. made products, like Huffy bikes and Gerry baby products, to consumers in other nations, to the benefit of Huffy and its employees in Ohio, Wisconsin, and Colorado where these products are made.

The establishment of Toys 'R Us stores in Japan is especially interesting to us. The Japanese market is huge and our previous studies indicate that, properly marketed, there is a substantial opportunity to sell Huffy bikes and Gerry baby products there. We know from experience that Toys 'R Us will bring the needed marketing techniques to Japan.

We understand that the President will be visiting Japan in January. We hope he continues to stress the importance to the balance of trade of opening Japan to U. S. exports. He could emphasize that message by visiting one of the new

P.O. Box 1204, Dayton, OH 45401, Telephone (513) 868-8251

Mr. Sig Rogich
November 21, 1991
Page 2

Toys 'R Us stores in Japan which showcase the availability of United States products (including those manufactured by Huffy), and using it as a symbol of the initial breaking down of Japanese trade barriers. We urge him to support the efforts of our good customer, Toys 'R Us, on his visit to Japan.

Sincerely,



Harry A. Shaw III
Chairman and Chief Executive Officer
wsd

CC: Mr. Robert Nakasone
Mr. Derrick Crandall

Fisher-Price

November 22, 1991

Mr. Sig Rogich
Assistant to the President
The White House
Washington, D. C. 20500

Dear Mr. Rogich:

I was delighted to learn that President Bush will visit Japan in January. Fisher-Price, Inc. manufactures infant and preschool toys and juvenile products. We have taken the President's advice to heart and have aggressively sought foreign markets for our products. We have enjoyed considerable success but progress in the Japanese market has been difficult. These new foreign markets have cushioned some softness in our U.S. sales.

Our ability to expand in other export markets owes much to the arrival of TOYS "R" US in European and Asian markets. By bringing advanced U.S. retailing techniques to markets which had been closed to U.S. manufacturers, TOYS "R" US was able to pry open these markets for us. Since most of our products are manufactured in the U.S. at our plants in Kentucky and New York, the result is increased sales, profits and jobs in America.

We are excited by the arrival of TOYS "R" US in Japan. The Japanese market is huge and holds enormous potential for the sale of Fisher-Price's high quality products. Without TOYS "R" US, it would continue to be very difficult for us to be successful in that market.

When he visits Japan, we believe that the President should deliver a strong message underlining the importance he attaches to U.S. exports to Japan. In that context, we strongly urge that he give substance to that message by paying a visit to one of the new TOYS "R" US stores in Japan. I can think of no better example of aggressive American entrepreneurship seeking to break down the barriers in foreign markets than TOYS "R" US.

Sincerely,

FISHER-PRICE, INC.


James T. Boosales
President - International

JTB/mu

Fisher-Price, Inc., 636 Girard Ave., East Aurora, NY 14052 (716) 687-3000



KRANSCO*

180 PACIFIC AVENUE, P.O. BOX 884888
 SAN FRANCISCO, CALIFORNIA 94188-4888 • 415/433-9330 • TELEX 339-939

FAX 415/888-7180

Mr. Sig Rogich
 Assistant to the President
 The White House
 Washington D.C. 20500

Dear Mr. Rogich,


I was delighted to learn that President Bush will visit Japan in January. The Kransco Group Companies manufacture battery powered ride on vehicles. We have taken the President's advise to heart and have aggressively sought foreign markets for our products. We have enjoyed considerable success. Since 1988 our export sales have increased by 300 percent, to twenty five million dollars. These new foreign markets have cushioned some softness in our U.S. sales.

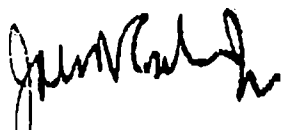
Our ability to enter the export market owes much to the arrival of TOYS "R" US in European and Asian markets. By bringing advanced U.S. retailing techniques to markets which had been closed to U.S. manufacturers, TOYS "R" US was able to pry open these markets for us. Since literally all of our products are manufactured in the U.S. at our plants in Indiana, California and Virginia, the result is: increased sales, profits and jobs in America.

We are excited by the arrival of TOYS "R" US in Japan. The Japanese market is huge and holds enormous potential for the sale of Power Wheels. Without TOYS "R" US, it would be very difficult for us even to contemplate entering that market.

When he visits Japan, we believe that the President should deliver a strong message underlining the importance he attaches to U.S. exports to Japan. In that context, we strongly urge that he give substance to that message by paying a visit to one of the new TOYS "R" US stores in Japan. I can think of no better example of aggressive American entrepreneurship seeking to break down the barriers in foreign markets than TOYS "R" US.

Sincerely,


 JOHN G. BOWES
 Chairman


 JOHN N. ROSEKRANS JR.
 President

c.c. GOVERNOR PETE WILSON



Gary S. Baughman
President

November 21, 1991

Mr. Sig Rogich
Assistant to the President
The White House
Washington, DC. 20500

Dear Mr. Rogich:

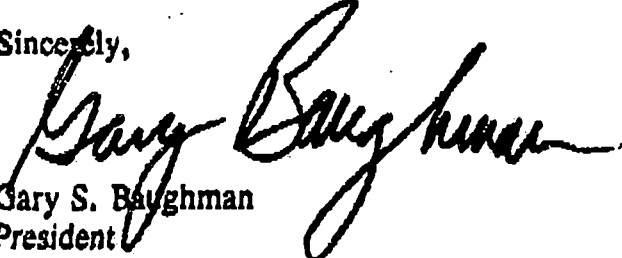
I was delighted to learn that President Bush will visit Japan in January. Little Tikes is the second largest and fastest growing preschool toy company in America, famous for our lines of safe, highly durable children's products. We have taken the President's advice to heart and have aggressively sought foreign markets for our products. We have enjoyed considerable success. Since 1988 our foreign sales have more than doubled, and by 1993 we expect to sell over \$100 million in toys outside the U.S. These new foreign markets have helped keep our factories running at full speed even during the current economic downturn.

Our ability to enter the export market owes much to the arrival of Toys 'R Us in European and Asian markets. By bringing advanced U.S. retailing techniques to markets which had been closed to U.S. manufacturers, Toys 'R Us was able to pry open these markets for us. Since literally all of our products are manufactured in the U.S. at plants in Ohio, Pennsylvania, Missouri, and California, the result is increased sales, profits and jobs in America.

We are excited by the arrival of Toys 'R Us in Japan. The Japanese market is huge and holds enormous potential for the sale of Little Tikes entire product line. Without Toys 'R Us, it would be very difficult for us even to contemplate making serious headway in that market for many years.

When he visits Japan, we believe that the President should deliver a strong message underlining the importance he attaches to U.S. exports to Japan. In that context, we strongly urge that he give substance to that message by paying a visit to one of the new Toys 'R Us stores in Japan. I can think of no better example of aggressive American entrepreneurship seeking to break down the barriers in foreign markets than Toys 'R Us.

Sincerely,


Gary S. Baughman
President

GSB/dh
The Little Tikes Company
2180 Barlow Rd
PO Box 2277
Hudson, OH 44238-0877
216 680-3000

Telephone 319-875-2000
Facsimile 319-875-8283

George B. Volanakis
President and COO

THE ERTL COMPANY, INC.
Highways 136 and 20
Dyersville, Iowa 52040 U.S.A.

November 21, 1991

Mr. Sig Rogich
Assistant to the President
The White House
Washington D.C. 20500

Dear Mr. Rogich:

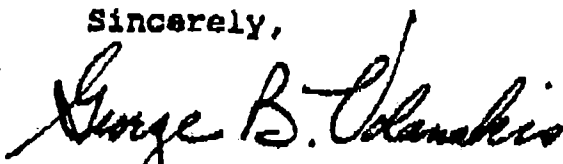
I have recently been informed that President Bush will be visiting Japan, and I want to inform you of the importance that foreign market expansion has meant to The Ertl Company prior to his visit. Since 1988, our export sales have increased 47% to over 25 million dollars. As a result, during these trying economic times, export sales have allowed us to maintain a steady work-force here in Dyersville, Iowa -- a very small town whose existence is dependent on our company's financial stability.

A significant part of our export growth has been due to the arrival of Toys "R" Us in both the European and Asian markets. Their advanced retailing techniques have opened up these markets to U.S. toy manufacturers that were either closed to us or very restricted channels of distribution.

Toys "R" Us is now entering the Japan market. Their arrival in Japan holds enormous potential for us in the sale of our model kit and die-cast vehicle lines (70% of which are manufactured in our plant in Dyersville). Currently, our toy and model kit sales are minimal in Japan, limited by domestic Japanese wholesalers who protect Japanese suppliers of similar product.

I encourage the President to reinforce the importance that he personally attaches to U.S. exports to Japan on his upcoming visit. He might even visit a new Toys "R" Us store while in Japan as an example of a U.S. company breaking down the barriers in foreign markets.

Sincerely,



George B. Volanakis

kg

TOYS "Я" US, INC.
461 FROM ROAD
PARAMUS, NEW JERSEY 07652 USA

November 21, 1991

TEL.(201) 599-7855
FAX.(201) 262-8443
TLX.710-9905165 TRU RCLL

INTERNATIONAL DIVISION

Mr. Lewis I. Cohen
Si-Wel International
555 13th Street NW
Washington, DC 20004

Re: Toys "R" Us - Kashihara - Japan
Rt. 24
208 Kuzumoto-cho
Kashihara-shi
Nara, Japan

Dear Mr. Cohen:

Our TRU-Kashihara site is located just off Route 24 as it heads south out of the Nara-Basin area.

This is a two story building of which TRU occupies approximately 4290M2. Including roof top parking there is room for some 332 cars. The site is located 50 KM ± (straight line) from the Osaka International Airport.


There are some 842,000 residents living within a 15 KM radius.

Attached please find the following:

- TRU site plan
- TRU floor plan
- Nara area map
- Detail map
- Site photograph

If you need any further information, please do not hesitate to contact me.

Sincerely,


Carl Shoemaker
Director - Operations

CS/jp
Enclosures

cc: (w/copy of encls.)
Larry D. Bouts

TOYS "R" US, INC.
461 FROM ROAD
PARAMUS, NEW JERSEY 07652 USA

TEL. (201) 599-7855
FAX. (201) 282-8443
TLX. 710-9905165 TRU RCLL

INTERNATIONAL DIVISION

September 13th, 1991

Mr. Lewis I. Cohen
Si-Wel International
555 13th Street NW
Washington, DC 20004

Re: Arakawaoki - Japan
Aza-Uzurano, Arakawaoki
Ami-machi, Inashiki-gun
Ibaraki Prefecture

Dear Mr. Cohen:

Our TRU-Arakawaoki site is about 60 KM from central Tokyo and 40+ KM from the Narita airport. The site is currently under construction and includes Kasumi (department store) plus a space for some 10 smaller retail stores. The site would be considered a typical retail park with approximately 870 parking spaces. There are an estimated 432,000 residents within a 15 KM radius of the store.

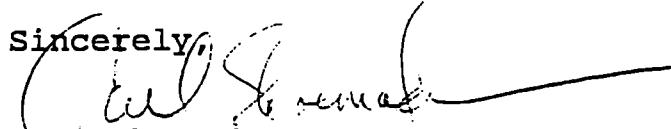
Our portion of the site includes approximately 44,000 sq. ft. total with 29,800 sq. ft. for the sales floor and 14,250 sq. ft. for pre-sales or storage space.

Attached please find:

- Map of Japan (specifically the Tokyo area)
- Site plan
- TRU floor plan

If you need any further information, please do not hesitate to contact me.

Sincerely,


Carl Shoemaker
Director - Operations

CS/lch
Encls.
cc: (w/ copy of encls.)
Larry D. Bouts

October 30, 1991

MEMORANDUM FOR SPEECHWRITERS
RESEARCHERS

FROM: JENNIFER GROSSMAN
SUBJECT: ASIA PRE-ADVANCE RESEARCH

JAPAN

SCHEDULE

FRIDAY: --arrival ceremony with Emperor (open press, troop review), then courtesy call on Emperor at Imperial Palace
--meeting with Prime Minister Miyazawa at Akasaka Palace
--Imperial Banquet, Imperial Palace, after dinner toast

SATURDAY: --tennis and breakfast with the Emperor
--visit Mita Senior High School (visit geography lab, then nationally televised 5 min. remarks followed by Q&A with students from around the world).
--major speech at Japanese Diet, lower house. 15-20 minutes, focusing on the responsibilities of interdependence, and maybe Japan's role in NWO.
--brief remarks at Kodak R&D plant in Yokohama. First, lunch with U.S. business leaders, Visit Kodak Laboratory, then address to U.S. business leaders and Kodak staff.
--one on one meeting with PM, then expanded bilaterals, then joint press statement
--welcoming reception at Hotel New Otani with brief remarks to 2000 -- a kind of welcoming committee of business leaders, politicoes, etc. Tone should be real upbeat.
--Dinner with PM at PM's residence, after dinner toast

SUNDAY: --private breakfast
--Emperor makes goodbye call to POTUS
--attend church (maybe)
--Embassy greetings
--AF1 to Kyoto, accompanied by PM
--walking tour of Imperial Palace
--lunch with PM at Omiya Palace, (Secretary Alexander may simultaneously lunch with Stanford students and JET, Japan English Teaching Program, teachers).
Walking tour of Omiya gardens. Brief remarks to American and Japanese students.
--may visit Nijo Castle

JAPAN

POLICY THEMES

Torkel Patterson of the NSC has advised me that while the main focus of the President's trip here will obviously be on trade issues, there will be a strong effort to tie in American domestic concerns wherever possible. The context: the global neighborhood; interdependence in communication/technology revolutionized, politically post-modern (Pinkerton) new world order.

Two challenges. One: selling a responsible trade policy toward Japan back home, when the protectionist/isolationist harangues from the right and left offer such politically hysterical appeal. Two: eliciting concessions and continued progress from the Japanese at a time when tolerance for continued American Japan-bashing is reaching its limits.

A couple of notes on first challenge. Japanese buy more per capita from America than Americans buy per capita from Japan (the "trade deficit" as commonly heralded fails to account for population ration, i.e. far greater U.S. pop than Japan pop). The Japanese buy more from the United States than they buy from the U.K., France, and Italy combined.

When addressing trade issues with the Japanese we might stress "the opportunities and responsibilities of interdependence." We want to challenge Japan to have the most open market by the year 2000. (Incidentally, in technical terms, tariff barriers for instance, Japan's market is more open than ours. Impenetrability more often comes from hidden barriers -- like regulation size paper or car manufacturing standards -- and on Japanese consumer preferences for the familiar.) Anecdote: Japan used to exclude American baseball bats because they didn't carry the right seal, a seal only available to Japanese firms.

Encouraging continued Japanese progress on rectifying environmental abuses: While industrializing, Japan was one of the worst environmental offenders internationally. Since then, they have made great strides in cleaning up their act. For instance, all their taxicabs run on natural gas. While the Japanese are generally willing to move forward on environmental issues, intransigence stems from anxiety over "keeping your rice bowl filled," i.e. concern over loss of jobs in professions with incidental abuse (e.g. fishermen, tortoise shell craftsmen). The Japanese usually ask for "transition time" to retrain, relocate those put out of work by conservation measures, while we want change "now."

TOKYO SITES

- 1) Imperial Palace: I was unable to go on this walk-through but here's what I gather from other sources. The imperial banquet will be held in a room called Homei-Den Hall. From

postcards, it looks kind of like a hotel ballroom, with some kind of abstract Japanese painting of clouds on the wall. This, apparently, is the way much of the palace looks. The palace is actually only about 20 years old. The initial greeting will take place in the Asahi-no-ma, or "Room of the Rising Sun."

We had bombed the original Imperial Palace in World War II; it was rebuilt in '69. The palace surrounds a huge courtyard. The overriding characteristic of the place is a vast emptiness -- large rectangular rooms with little or no furniture, walls with sliding panels. The dining room table will be a big U-shaped deal.

- 2) Mita Senior High School: President will tour a couple of classrooms, go to larger room with Mita students where he will deliver brief remarks nationally televised. Then he will field questions from students around the country via a satellite hook-up. FYI: There's a concern that Japanese students, generally not encouraged to participate or ask questions in class, will be so awed by presidential presence that they'll simply clam up. Perhaps there's some way (joke? comparison to American students?) that we can sensitively circumvent such a scenario.

School itself not much different looking from American high schools. 1,100 students. Was founded as a public girls' school in 1923. Became coed in 1950, renamed Tokyo Public Mita Senior High School. In 1977, Mita opened a class for students returning from abroad. On a couple of bulletin boards I saw improvised scrawled student demands manifestos, requesting more interesting classes, more understanding teachers, etc. These were the work of such returning students, who are generally more outspoken and participatory than their colleagues.

While part of our purpose is to show admiration for Japanese academic excellence, it's ironic that the Japanese themselves are quite critical of their own system. They in turn look to our institutions for inspiration. The Japanese criticize their schools for their emphasis on rote memorization, aversion to innovation, and lack of encouragement for independent, critical analysis by their students. Recently they even passed legislation to stop Saturday schooling.

I suggest we deal with this by stressing a theme of "we have so much to learn from each other," rather than, "we have so much to learn from you." Moreover, we can touch on several non-school factors that account for Japanese academic excellence -- strong family support, recognition of the link between learning and success, early engendered work ethic, etc.

- 3) Japanese Diet, lower house: parliamentary amphitheater style hall with large balcony. Rich wood detailing and

carving. POTUS to address reps from podium. 500 Diet members. See pictures. In the entrance hall/lobby, there are four pedestals in each corner. Three support statues of great Japanese statesmen/historical figures, the fourth is left empty as a symbol of hope, i.e. looking forward to the great statesmen to come.

- 4) Kodak, Yokahama: POTUS will see several gee-whiz high tech developments in progress, like a super high definition TV. Brief remarks to Kodak staff. Kudos; America can compete; appreciation for their hard work and investment; POTUS is taking steps to improve America's competitiveness.
- 5) Prime Minister's residence: unable to go on walkthrough.

CONTACTS: --Blair Hall of AmEmbTokyo, (03)3224-5336
--Hiroshi Furusana, MOFA 3581-3802

KYOTO SITES

- 1) Kyoto Imperial Palace (FYI, I don't think there are any remarks): Originally built as the Emperor's second palace, Kyoto Imperial Palace was used as the Imperial Palace from 1331-1867 after the original main palace burnt down. The Imperial Throne and the August Seat of the Empress, still used for coronations, are located here. Each rests on a platform, and is covered with an octagonal canopy, decorated with a large phoenix and eight small phoenixes.
The last "Ceremony of the Enthronement of His Majesty the Emperor at the Seiden" took place in the Imperial Palace on November 12, 1990
- 2) Omiya Palace: remarks to students should focus on building bridges between our two countries through education, facing the future together. See proverbs.
Some of the students are with the Stanford Japan Center, established by Stanford University, "for the purpose of educating future generations of Americans about Japan. The Center also will provide an institutional link between American and Japanese research in science, technology, and social science with the aim of opening up crucial channels of information and by embarking on new cooperative initiatives in research between the two nations."
- 2) Nijo Castle (again, no remarks): The castle was originally built in 1603 to be the official Kyoto residence of the first Tokugawa Shogun Ieyasu, and it was completed in 1626 by the third Shogun Iemitsu. The lavishly decorated castle stands as a symbol of the power of the Tokugawa military government. It contains the famous "Nightingale Corridor," whose floors are designed to creak with birdlike noises when tread upon, thus foreboding an enemy approach.

JAPANESE COLOR:

- 1) Finding humor is difficult. Most people I've spoken to say that the Japanese aren't big on jokes, humor. Moreover, they will not know to laugh if POTUS tells a joke.
- 2) The "Japan Series" (similar to our 'world series') in baseball has just started. This years favorites are the Hiroshima Carp and the Seibu Lions.
- 3) Sumo wrestling is Japan's national sport. Recently an exhibition tournament was held in London. Two very popular wrestlers are a pair of American brothers from Hawaii -- Konishiki, who's the biggest Sumo wrestler (600 lbs), and Ake Bono, who's the tallest. Who knows, maybe we could make a joke about "gross national products" to an American audience -- large American exports.
- 4) American movies, rock, and rap music are very popular. Disneyland opened in Japan 6 years ago; Japanese love Mickey Mouse.
- 5) Karaoke is a popular Japanese social activity. Literally meaning "empty orchestra," karaoke bars play music without lyrics so that the patrons can star on vocals. Maybe there's a joke about Barbara wanting to go Karaoke.
- 6) Women control the finances in Japanese families -- when to buy the car, when to invest, etc. The husband often asks his wife for money for his expenses; this allowance is called "Kozu Kai." Maybe POTUS can say, "I wanted to buy some souvenirs, but Barbara cut my kozu kai."
- 7) Of all their qualities, Japanese are proudest of their perseverance, endurance, called "gamman." They rate harmony as highest on their scale of social values.
- 8) Relevant to Omiya in Kyoto: a handbook called A Look into Japan tells us "The Japanese garden is designed to be a faithful representation of nature and to impart a sense of simple, unspoiled beauty."
- 9) December 23 is the Emperor's birthday.
- 10) The speechwriting god (Curt, sit **down**): Benten, one of the seven deities of good fortune, is the goddess of eloquence, music and wisdom.
- 11) "Banzai," literally meaning 'ten thousand years,' is the Japanese equivalent of 'three cheers.' It's usually expressed at the high point or end of a celebration.

12) Japanese proverbs:

"The past is not to be blamed." (Ki-o wa togamezu) English parallel would be: "let bygones be bygones."

"The lantern-bearer should go ahead." (Chochin-mochi wa saki ni tate) Meaning, he who bears the light, whether material, intellectual, or spiritual, should lead the way.

"A treasure decaying in one's hands." (Takara no mochi-kusare) Meaning, those with talent or money should put them to good use, or else they will rot away.

"To the upper hand there is an upper hand." (Uwate ni wa uwate ari). In other words, everyone has to answer to someone. Maybe there's a first lady joke in here.

"Seven falls and eight rises." (Nana-korobi-ya-oki) Perseverance will win in the end.

"There are no national frontiers to learning." (Gakumon ni kokkyo nashi) i.e. scholarship knows no boundaries.

"To study penmanship at eighty." (Hachiju no te-narai) Meaning, it's never too late to learn. Could apply to lifelong learning, or joke on POTUS computer lessons.

"Books are preserved minds." (Shomotsu wa hozon-sareta kokoro nari) Reminiscent of Highet quote, 'Books aren't lifeless lumps of paper, but minds alive on a shelf.'

KOREA

POLICY THEMES

Korea wants to have its cake and eat it too. On one hand, it wants to have a close relationship with U.S., play the big league with the big boys. On the other hand, it claims the fragility of a developing economy to justify protectionist policies. We think they're strong enough to forgo such a handicap, which ultimately hampers true growth on both sides. (Note: GB visited Korea after he went to Hirohito's funeral)

Politics: Korea only recently became democratized. We want to encourage democracy, praise them for ongoing efforts and progress in that direction.

(War)Heads up: North Korea is developing a nuclear weapon. There are fears of his becoming the region's Saddam Hussein. This issue requires some delicacy because a) we support reunification and b) South Koreans regard their northern neighbors as brethren. Kim Il Sung, the 82 year old "Great Leader" of North Korea, will pass the reigns to his son, Kim Jung Il, widely regarded as less than competent. Fears of a military coup against the latter complicate the situation.

POTUS SCHEDULE

- SUNDAY: --AF1 to Korea for 3:30 arrival
--wreath laying ceremony at National Cemetery, no remarks
--American community greetings at Collier Field House
--private dinner with President Roh at the Blue House
- MONDAY: --breakfast with US and Korean business community at Hotel Shilla, 5-10 min. remarks (themes similar to Kodak speech: U.S. can compete, we're working together to expand trade, importance of GATT
--Arrival ceremony at Blue House
--one on one with President Roh, expanded bilaterals, joint press statement at Blue House
--State Luncheon at Blue House hosted by Korean President, after lunch toast
--Address to the National Assembly, 15 minutes
--travel to Camp Casey, press the flesh with American soldiers, 5 min. remarks. Jovial, what a great job you're doing, last of the front lines type speech. Acknowledge difficulty of 1 year unaccompanied tour

SITES

- 1) Blue House: not on walkthrough, but the scoop as far as I know is that the Blue House is the official residence of the President of ROK. The Blue House was constructed in 1927 as the Japanese government's residence for its Governor-General. It occupies the grounds of the Yi-Koong palace of the Koryo Dynasty.
In '48, when ROK was established, the building was designated the Presidential Residence. After the student revolution of 1960, it was renamed Chong Wa Dae (Blue Tile House), a name derived from its unique blue roof tiles.
- 2) National Assembly: not on walkthrough, but apparently it's your usual, rococo, elaborate parliamentary style. I'm told there's a large symbol behind where POTUS will be standing: the Flower of Eternal Life framing a Korean character.
The Assembly building is located on Yoido, a large island on the Han River. Completed in 1975, it houses offices, meeting rooms, and the Assembly's library. The current National Assembly is composed of 299 members from two political parties. It is the thirteenth National Assembly since the founding of the Republic in 1948. The Assembly Speaker is Park, Jyun Kyu.
- 3) Camp Casey: not on walkthrough, but this base houses U.S. servicemen on a one-year unaccompanied tour. Their duty is an uneasy vigil at one of the world's last front lines. Part of their work is to patrol the DMZ (demilitarized zone) often camping out in no man's land.

While we honor the returning heroes of Desert Storm, we should remember also courage and commitment of our men in Korea -- whose courage and commitment often go unacknowledged. POTUS should recognize the difficulty of a one year unaccompanied tour; Camp Casey is what is commonly referred to as a "hardship post."

CONTACTS: --AmEmbSeoul, 82-2-732-2106

COLOR

- 1) Koreans, I'm told, like the Japanese, would have trouble knowing how to respond to a joke by POTUS. One way, however, to break the ice and establish rapport, would be to mention family -- his family, the American family, family values, whatever.
- 2) POTUS was here in '89, and also in '82 as vice president.

SINGAPORE

POLICY THEMES

Singapore is the only ASEAN country we'll visit -- therefore we'll want to touch on issues common to those countries. (ASEAN is made up of Singapore, Malaysia, Indonesia, Brunei, and the Philippines.) Singapore is our strongest ally in the region. Singaporeans welcome us as a balance to Japanese investment. They have a longstanding fear that Japan eyes them with military interest.

We'll want to talk about South East Asia and Cambodia, setting the stage for future dealings with Viet Nam. Instability in the region: Thailand just had a coup, Burma has a dictatorship. Cambodia, however, is soon to have UN sanctioned elections. Ultimately, we'll want to resolve the POW/MIA question -- an issue some unscrupulous people in the area have exploited for profit. Resolution will require that Viet Nam be completely open so we can scrutinize all the records. Until we get to the bottom of POW/MIA, we can't really say that Viet Nam is truly over.

I believe there are also some human rights concerns in Singapore itself.

POTUS SCHEDULE

MONDAY: --AF1 to Singapore

TUESDAY: --Breakfast meeting at Raffles with U.S. ambassadors to ASEAN countries, no formal remarks
--Arrival ceremony at Istana Palace

--POTUS makes courtesy call on President and Mrs. Wee Kim Wee at the Istana Palace
--meeting with Prime Minister Goh Chok Tong, then expanded bilaterals
--15 min. speech at lecture series to the Singapore/American Business community, held in Westin Hotel (Security and Trade: U.S. engagement in the region; importance of working together towards the future)
--Business Roundtable meeting at Hewlett-Packard, no formal remarks .
--groundbreaking ceremony for new American Chancery, embassy greetings type remarks
--courtesy call on Senior Minister Lee Kuan Yew.
--State Dinner at Istana Palace hosted by President Wee Kim Wee, after dinner toast

WEDNESDAY:--view static display at Changi airport
--AF1 to Australia

SITES

- 1) Raffles Hotel (just FYI, no formal remarks planned at this point). Wrote Rudyard Kipling, "Feed at Raffles when visiting Singapore." Established in 1887, the hotel symbolizes the exotic charm and colonial nostalgia often associated with the area. The hotel was named after Sir Stamford Raffles, founder of modern Singapore in 1819.
Celebs who added their aura to Raffles': Joseph Conrad, Charlie Chaplin, Douglas Fairbanks, Somerset Maugham, Nowel Coward, and sundry sultans, kings, and politicians. Raffles embodied colonial high life: tea-dances, Charleston, jazz bands, and billiards. Raffles is the birthplace of the Singapore Sling. In 1902, the last tiger to be shot in Singapore was pursued in Raffles, and finally dispatched under the Bar & Billiard Room.
The hotel was declared a protected monument in 1987.
- 2) Westin Hotel: the hotel is supposedly the tallest hotel in the world. The lecture series in which the President takes part is designed to give political, academic, and financial eminentoes the opportunity to visit Singapore and mouth off. Singapore gets to bask in their wisdom.
The series, inaugurated in 1980, is organized by the Institute of Southeast Asian Studies. Previous speakers include Henry Kissinger, Milton Friedman, Brian Mulroney, Raymond Barre, and Giscard D'Estang. 1,500-2,000 will attend speech.
- 3) Groundbreaking ceremony for new American Chancery: this event will basically take the place of Embassy Greetings/American community remarks. Projected completion for new embassy is 1995-6. 150-200 embassy staff, loads of

Singaporean schoolchildren. 2,000 guests in all. Site is basically just a hill. Use your imagination. Building metaphors applied to broader scope of U.S.-Singapore relations might be appropriate.

The U.S. Ambassador in Singapore is Robert Orr. DCM is Arthur Kobler.

- 4) Istana Palace: previously called Government House, the Istana was built in 1869 to house the British Governor of Singapore. The grounds had been the nutmeg estate of Charles Robert Princep. A statue of Queen Victoria was installed in the drawing room to mark her jubilee in 1889. Queen Elizabeth and the Duke of Edinburgh stayed there in February 1972. The edifice itself looks like a cross between a mini-Versailles and a southern plantation. Adorning the entry foyer are a matching set of tusks presented by the Sultan of Singapore to the British government.

The staff of the President, the Cabinet Office, and a section of the Prime Minister's office work at the Istana.

CONTACTS: --DCM, AmEmbSingapore, Arthur Kobler, 338-0251, ext. 217
--USIS, Dennis Donahue, 244-5233

COLOR

- 1) Singapore is a country of many races, languages and cultures. The population is made up of Chinese, Malays, Indians and Eurasians. Harmonious multiculturalism. One often hears the phrase, "many races, one people." Maybe we can make some "E Pluribus Unum" connection.
- 2) The first American consul in Singapore, Joseph Balestier, came to the area in 1834 and took up his post in 1837 -- inaugurating 154 years of diplomatic relations. His wife, Maria Revere Balestier, was the daughter of Paul Revere. Balestier's memory lives on in a bell, now in Singapore's National Museum, cast in Boston's Revere Works. Mrs. Balestier, presented the bell to the original Church of St. Andrew.
- 3) American Embassy Singapore suggests a Pearl Harbor footnote to our Singapore stop: POTUS will be at Pearl Harbor on Saturday, commemorating the 50th anniversary of the Japanese attack, and honoring the resultant 2,400 Americans dead or missing. We might also remember that on the same day, but on Singapore's side of the international dateline, the war began for the Philippines, for Thailand, for Malaysia, and for Singapore. Bombers appeared over Clark Field and over Singapore. Ground troops landed at Songkhla and Pattani (Thailand) and at Kota Baharu (Malaya). Singapore did not then have an army (British and Australian forces were

there); Singaporeans who were either killed or injured were civilians.

- 4) Singaporean suffrage is universal and **compulsory**.
- 5) Orchids are a major Singaporean product (and they're beautiful).
- 6) While there is no compulsory education in Singapore, attendance is 94% and the literacy rate is over 87%.
- 7) POTUS and FLOTUS visited Singapore when Bush was Vice President.
- 8) When the President called Orr to offer him the ambassadorship, one of his selling points was to tell the future ambassador how comfy the Residence is. (Orr was previously Governor of Indiana).
- 9) Quayle was here on May 22.
- 10) The origin of the name "Singapore" comes from the 13th century's appellation of "Singapura," meaning "Lion City."

AUSTRALIA

POLICY THEMES

The last President to go down under was LBJ, 21 years ago. Australia feels left out. They've been a strong ally -- there in WWII, there in Nam, there in the Gulf. The Australians have been very grateful to us for saving them from the Japanese in WWII. But those warm feelings are now being tried by their anger over trade policies (agricultural subsidies).

Oops on EEPS: Our Economic Enhancement Programs (an American domestic subsidy so that we can export our products abroad at a lower price) and the EC's strict protectionist policies have left Aussies demonstrably furious -- riots, strikes. Need some stroking action. POTUS needs to show himself as a champion of free trade, "that's why the Uruguay round is so important," blah, blah. Hopefully we'll have GATT progress we can highlight by that time.

Generally, stress "harmony/kinship with the Australians."

CANBERRA

POTUS SCHEDULE

WED., DEC 4: --arrival ceremony
THUR., DEC 5: --Embassy greetings, hosted at Ambassador Sembler's residence
--luncheon hosted by Prime Minister in Australian Parliament Building's Great Hall. Toasts after lunch; PM's toast/speech will be 5-10 mins., intro

POTUS for 3-5 mins. (may have to stretch if PM's speech is longer).

--15-20 min. remarks to Australian Parliament
--meeting with Australian academic community;
talking points (don't know if we're responsible)
--Australian War Memorial
--Governor General Hayden's State Dinner at the Government House
--RON Canberra

SITES

- 1) Embassy Greetings: The Ambassador's Residence is 50 years old, as are formal Australian-American diplomatic relations. The ground lease for the mansion was signed while the Japanese were bombing Australia. The house was built during the war, and completed in 1943. Mrs. Roosevelt had a personal interest here, and came out after the building's completion to plant a tree.

The current Ambassador to Australia is Mr. Mel Sembler. Ambassador and Mrs. Sembler are from Treasure Island, Florida. In addition to the Embassy in Canberra, the U.S. has three Consulates General in Australia -- one in Sydney, Melbourne and Perth -- and a Consulate in Brisbane. There is also a Consular Agent in Adelaide.

- 2) Address to Australian Parliament:

The building itself is a striking postmodern palace, designed by Roman Giurgola, and completed for the Australian Bicentennial in 1988. The structure incorporates many symbolic features which strive to reflect certain Australian values, and resonate with Australian history, geography, and culture.

For instance, on one side the earth, rather than meeting the building at a right angle, runs gradually from a distance and at an angle right up to the buildings peak flagpole. This design twist represents the accessibility and accountability of Australian government -- that the government are subservient to those they serve.

Another example: in the forecourt of the Parliament, along the walkway POTUS will follow, is a mandelic mosaic design called "Meeting Place" which represents a meeting place for all races and cultures. The work also celebrates Australia's earliest settlers, so it is appropriate that an Aboriginal artist, Michael Nelson Tjakamara, was asked to create the centerpiece. It's pointillist strokes are reminiscent of his tribes sand paintings.

Also neat: one of the original copies of the Magna Carta is housed in the Parliament building.

POTUS will be greeted by the PM, walk up to the mosaic in the middle, walk over and shake some Australian hands. He then goes to lunch (check) in the Great Hall with the ugly tapestry.

Parliament speech: POTUS starts out, "Thank you, Mr. Speaker." (Speaker is Leo McLeay. Speech is not teleprompted. House of Representatives: amphitheater-like, modern, bathroom-tile-green. NOTE: this will be the first time a foreign head of state has addressed a joint session of parliament -- ever (POTUS should stress what a great honor it is).

VERY IMPORTANT: We were going to do an event with the Australia/USA Parliamentary Group which has now been cut -- so a specific reference should be included as to who they are, what they do, kudos. The group is not a standing committee or anything like that, just an association of upper and lower house parliamentarians working to promote US-Australian friendship ties. The group was formed under the auspices of the Inter-Parliamentary Union, Australian National Group in May '88. The bipartisan group is the most active of all Parliamentary Friendship groups. For more info, contact: Nonda on MP Eamon Lindsay's staff at 077-724844.

- 3) Australian War Memorial: (No remarks, just FYI) Built roughly in the shape of a Byzantine church, the memorial is the most popular tourist attraction in the nation's capital.

Event will take place in the rectangular, central courtyard, which includes a commemorative stone, a pool of reflection, the Eternal Flame, a commemorative area, and then, enclosed, the Hall of Memory. The dome inside the Hall bears a radial pattern which represents the spirits of the war dead rising towards the central circle (heaven).

The memorial also contains a museum, whose galleries evoke and explain the Australian experience of war. Australians in combat: New Zealand (1860), Sudan (1885), South Africa (1899-1902), China (1900-01), WW1 (1914-18), WWII (1939-45), Korea (1950-53), Malaya (1950-60), Malaysia (1963-66), Vietnam (1962-72), Persian Gulf (1991) -- we might remember that the Aussies responded immediately in the Gulf, needing no prompting.

Plaque in memorial reads: "The Australian War Memorial commemorates those 100,000 Australians who have died in war and recalls the service and sacrifice of all Australians in wartime." Also, museum holds a mini-copy of Eugeni Vouchetich's famous statue, "Beat the swords into ploughshares." NOTE: Australian repatriation hospitals are still treating men wounded in WWI. 496 Australians died in Viet Nam; 2,398 were wounded.

- 4) (no remarks, just FYI) After dinner, when POTUS toasts, the only thing he says is: "Ladies and Gentlemen, Her Majesty the Queen of Australia," in response to the Governor General's "Ladies and Gentlemen, the President of the United

States of America." Hayden is Queen Elizabeth's representative; there is a such a representative in each of the 6 Australian states (Australia is a commonwealth). Governor Generals are Australian citizens; their posts are purely ceremonial. Hayden is Australia's former Foreign Minister.

The Government House is an old cattle "station," or property. It is a simple, classical mansion on the rim of Lake Burley Griffin.

CONTACTS: --Lew Luchs, Media Counsellor, AmEmbCanberra, 270-5872
--Ray Burson, USIS, (062)705966
--Marilyn Meyers, DCM, 270-5000
--AmEmbCanberra, after hours, 270-5900

SYDNEY

POTUS SCHEDULE

FRIDAY (DEC. 6th):

- noon arrival at Sydney airport (QANTAS Jet Base)
- Sydney Convention and Exhibition Centre: 12:30-12:45 pre-lunch reception with South Wales Premier Grenier's 50 guests, 1:00 p.m. State Luncheon with remarks after remarks and intro by Premier, 15-20 mins., 1,000 guests
- post-lunch reception with Australian American Coral Sea Commemorative Council
- visit Australian National Maritime Museum, visit American Gallery, brief remarks in dedication of museum.
- harbor cruise on John Cadman III to Sydney Opera House
- press conference at Sydney Opera House
- over to Kirribilli House for dinner?
- RON Sydney

SITES

- 1) State Luncheon at Convention Centre: Both anthems played, grace said, lunch served. After lunch, Premier Grenier speaks then intros POTUS. Audience will be a cross-section of the New South Wales Community. Centre is beautiful, yet modern and antiseptic. Themes focus on our trade, joint longterm commitments, the global marketplace, the coming century, thread of education, etc.
If we touch on Asian topics, we might note that, for more than a year, Australia has taken a leading role in seeking a comprehensive solution to the Cambodian conflict under UN auspices.
- 2) Australian National Maritime Museum: Present are Prime Minister and Mrs. Hawke, Chairman and Mrs. Doyle, Premier and Mrs. Grenier, Ambassador and Mrs. Sembler. The event serves as the official opening and USA Gallery Dedication.

2-3 min. remarks required, after brief remarks by Prime Minister.

The building occupies a waterfront site on an arm of Sydney Harbor, described by Mark Twain as "the darling of Sydney and the wonder of the world." The sweeping curves of the museum's white painted roof are reminiscent of waves, clouds, and sails. It's interior is kind of split-level, post-modern white. Almost warehouse looking, with hanging mobiles and high ceilings. Out front, next to the museum's sign, is a large mobile with fluctuating signal flags, the kind used for intership communication. In one section is a model of the Endeavor, presented as a gift by Queen Elizabeth. The Endeavor was the ship commanded by Captain Cooke when he discovered Australia. Also, there's a section with surfboards (joke material?)

The American Gallery was our 1988 bicentennial gift to Australia. Here, POTUS will unveil a plaque and then briefly tour the gallery. The opening exhibit is called: "Linked by the Sea," and that name is carved into the wall. It explores the similar origins of our two countries. We might use that as a theme, touching upon how our two maritime traditions, among many other bonds, help contribute to our mutual sense of kinship. One of the most powerful links: The Australian and US navies fought side by side to turn back the Japanese military advance in WWII. Five months after the outbreak of war in the Pacific, the Battle of the Coral Sea in May 1942 was a crucial strategic victory for the allies, and the first reverse for the Imperial Japanese Army.

FUN FACTS:

- *Australia has a long maritime heritage, going back at least 50,000 years to the probable arrival of the first humans from Asia.
- *There were three Americans on board Endeavor when Cook discovered the east coast of Australia in 1770 (but they were British loyalists).
- *The first foreign merchant vessel to arrive in New South Wales was a US ship with a welcome cargo of rum and other supplies.
- *The first person to ride a surfboard in Australia was a Hawaiian -- Duke Kahanamoku.

*****Note:** The exhibit houses two periscopes, one of which is from the same class of submarine as the one which collected the President after he was shot down in WWII. More information is on the way via fax.

CONTACTS: --Margaret Eubank, Public Affairs Officer (USIS) 261-9244
--Consulate General (after hours) 963-1209
--Ian Wilcock, Asst. Sec. Americas Branch, Australian Dept. of Foreign Affairs and Trade, (06)261-2711

--John Wade, Sr. Curator, Australian National Maritime Museum, (02)552-7728

AUSTRALIA COLOR

(among other materials, files include extensive info on above sites, speech excerpts from American Ambassador Sembler

GENERAL

- 1) Australians in film: Errol Flynn, Mel Gibson, Paul Hogan (one of screenwriters and main actor in "Crocodile Dundee), Dean Semler (cinematographer of "Dances with Wolves.")
- 2) Australians in music: Olivia Newton John, Men At Work, Bee Gees.
- 3) Washington Post cartoonist Patrick Oliphant is from Australia.
- 4) James Tuckey, a lieutenant aboard the ship which took the first unwilling settlers into Port Phillip Bay (the future Melbourne) in 1803 wrote:

"I beheld a second Rome rising from a coalition of banditti. I beheld it giving laws to the world, and superlative in arms and in arts, looking down with proud superiority upon the barbarous nations of the northern hemisphere."
- 5) Maybe POTUS could do a joke about vegemite, or vegemite sandwiches. There's potential for humor in the fact that Australians love the stuff while we think it's yucho. Maybe at a luncheon, "Despite our many similarities, Americans have never really developed a taste for your vegemite. In fact, when I asked about today's menu, I was assured -- no vegemite. \ Actually, I was worried about the broccoli."
- 6) On Australian TV there's a very famous show called, "Skippy the Bush Kangaroo." Everyone knows about Skippy, he's kind of equivalent to our Lassie. Maybe a joke about, "I hear that here in Australia, you have 'Skippy the Bush Kangaroo.' Well, back home we have 'Millie the Bush Canine.' (Tony Mauro: Millie the Bush Scoobydoo). Or, "I was a little nervous about playing golf here, what with all the kangaroos running around. \ Fortunately, I've got Skippy on my side."
- 7) In May 1836, President Jackson appointed J.H. Williams as the first American Consul in Australia. The "Colonist," a newspaper of the day, welcomed his arrival, praising America thus: "Scarcely is there a sea which their ships do not plough, or a port in which they do not ride..." (maybe for Maritime Museum?)

- 8) "The Australians did not seem to me to differ noticeably from Americans, either in dress, carriage, ways...or general appearance."
--Mark Twain, 1895.
- 9) Another link between Australia and the United States during the 19th century: from 1897-1898, Herbert Hoover, later to become the 31st U.S. President, worked in Western Australia as a young mining engineer.
- 10) "Next to our own nation we place our kindred in America."
--Alfred Deakin, 1905 (Australian statesman?)
- 11) In September 1918, Australian and American troops fought alongside each other in the main attack on the Hindenburg Line which ended World War I, a battle experience to be shared again in WWII, Korea and Vietnam.
- 12) In 1969, an Australian radio telescope and an American antenna brought us the historic television pictures of the first manned landing on the moon. The picture everyone remembers -- Neil Armstrong's leg searching for the surface -- was first seen in a tracking station briefing room near Canberra. As a compliment to Australia, NASA in 1971 named Apollo 15 "Endeavor after Captain Cook's Endeavor.
- 13) Australia's coat of arms consist of a shield containing the badges of the 6 states. The supporters are native Australian fauna -- a kangaroo and an emu. A yellow-flowered native plant, wattle, also appears in the design.
- 14) Note: Australia taxes capital gains. (Individuals and companies pay at different rates)
- 15) Bush has called the Australian-American relationship "an intimate partnership between two peoples."
- 16) In the Persian Gulf, the first combined boarding to enforce UN resolutions was by the USS Brewton and the HMAS Darwin.
- 17) 300,000 US tourists visit Australia annually.
- 18) "It will be a very poor day when little Australia won't be able to summon up its traditional impudence by looking at the U.S. and saying, 'What do you mean, you big stiff?'"
--Sir Robert Menzies in the Sydney Morning Herald, 27 June 1964. (Possible rejoinder: "Well, Australia is not all that little, and I hope that America is not all that stiff." Could be relevant re. trade disputes)
- 19) "You must be the most beautiful people in the world."
--Duke Ellington, in the Sydney Morning Herald, 7 Feb. 1970.

- 20) Every year, America sends a high level delegation to participate in the Coral Sea Commemoration. Dan Quayle was here in '89 and Bush was here in '82.
- 21) Rugby and Cricket are Australian national pastimes. Rugby's World Cup will be over by the end of October. It will be the first time an American team has participated.
- 22) One of the most popular Australian television shows is called "The Flying Doctor." Joke potential? LA Law is the most popular American TV show here. The Civil War series was also very popular.

CANBERRA

- 1) American architect Walter Burley Griffin designed Australia's capital. Griffin was from Chicago; studied under Frank Lloyd Wright.
- 2) Canberra is known as "The Bush Capital." I think there is joke potential here, e.g. 'I know Australians and Americans are close, but you didn't have to name your capital after me.')
- 3) Canberra's detractors often refer to the capital as "Monumentsville," "a city without a mind," "the city of the gray flannel mind," and "a great waste of sheep country." Canberra's fans call her "the garden city of the Commonwealth" or "the front window of the nation." They also say that "to know Canberra is to love it."
- 4) The name "Canberra" comes from "Canberry," an Aboriginal word meaning "meeting place."
- 5) In Canberra, the kangaroos have a habit of falling people's swimming pools (don't worry, they don't drown) joke potential?
- 6) Australia has the 10 most popular snakes in the world, starting with the Death Adder.
- 7) POTUS visit coincides with the annual advent of fly season. Aussies are constantly waving off the insects, a gesture so common it's nicknamed the "Australian Wave." Maybe POTUS can joke: "Australians have a reputation for warmth and hospitality. In fact when I got off the plane, I told Barbara how flattered I was that they were all waving to me. She said, 'Sorry to burst your bubble, George, but it's fly season.'"

- 8) Kangaroos abound on tennis courts, golfing greens. Maybe there's a joke about POTUS asking PM what kind of penalty you get for hitting a roo.

SYDNEY

- 1) In the bay cradled by Darling Harbor stands a little rook named Fort Denison. It was built in the 1840's to keep Americans away at a time when the colonists in Sydney were concerned about possible American aggression springing from Anglo-American contention. It's a cute, little-known fact, which reflects the loyalty of the early Australian colony.
- 2) During World War II, Japanese submarines actually made it in to Sydney Harbor. This illustrates what a mortal threat Japan posed at the time, and provides a sharp contrast with present relations.
- 3) Looking out upon Sydney Harbor, the eye is drawn to the Pacific horizon. Given our policy themes, we might want to talk about Australia's "window on the Pacific," geographically as well as politically and economically.
- 3) Aside from the Sydney Opera House, the Sydney Harbor Bridge is also considered a famous symbol of the City.
- 4) On the state crest of South Wales appear a latin motto that translated means: "Newly Risen, How Brightly We Shine."

HONOLULU

THEMES: The stop centers around the 50th Commemoration of Pearl Harbor. We want to recognize the sacrifice of those who lost their lives and those who lost their loved ones on December 7, 1941. Lt. Gen. Fields talked of creating a realization for the American people that the attack changed America forever. We went from being an isolationist nation to an international superpower.

POTUS SCHEDULE

FRI, 12/6: --evening AF1 to Honolulu

SAT, 12/7: --7:30 helo to naval base, barge to USS Arizona for memorial ceremony. Presidential honors, brief remarks by Admiral Larson, Rear Admiral White, Moment of Silence, ship whistle, missing man flyover, national anthem, flag raising, 5 min. remarks.
--8:20 depart for K-8 (Kilo 8, it's like a pier), honors arrival, Joo intros POTUS, remarks 15-20 mins.

--9:00 depart for Hickam AFB, proceed to Kenney Conference room for brief remarks to Asian Ambassadors (in Honolulu attending annual meeting of Chiefs of Missions Conference).

--depart Honolulu

SITES

- 1) **USS Arizona:** The memorial itself is a bier-like structure, white, with open windows on the sky. Supported above the water, it straddles the midsection of the sunken Arizona, whose bow and stern are marked by buoys. Toward the back of the memorial is a chapel-like enclosure housing a wall with all the names of Arizona's drowned. POTUS's back will be to this wall, in front of him is a cutaway section in the memorial's floor, where one can peer down on the submerged starboard.

Remarks here are brief, as they are part of a larger, hour-long ceremony. Here, as in the longer speech, **acknowledgments are key:** both sites are far too small to accommodate the vast number of veterans, families, and guests. POTUS will be introduced by a survivor. Acknowledgements should be handled with care to make sure that no group (particular ship vets, vet organizations, etc.) are slighted.

In particular, while the memorial is for the Arizona, mentions should be made of USS Utah. The two downed ships are the only that have people entombed in them (1,177 went down with the Arizona, 58 went down with the Utah). Also, while the longer speech contains a more general Pearl Harbor focus, the memorial speech should be more specific to those who went down with the Arizona and other ships, more of a naval aspect.

Notes on the Arizona:

*One-third of all those who died at Pearl Harbor went down with the Arizona.

*USS Arizona is still commissioned.

*USS Nevada, there during the attack, will be in port to take part in the ceremony.

*Over 34 sets of brothers were killed on the Arizona.

*While I was there, I saw old women throwing leis in the water; they were crying. I'm told Japanese visitors also make their own pilgrimage to give leis.

*There is still oil leaking from the wreck; its viscous iridescence coats the water under and around the memorial.

*In the same harbor as the memorial is the Bowfin -- the sister submarine to the one that picked up POTUS when shot down.

*It's possible that commemoration will include the same vintage plane that POTUS flew in WWII.

*Sec. Cheney might take part in the day's events.

To come: I'm having faxed extensive detail on the memorial, a history of the attack, letters sent by those aboard Arizona shortly before it was bombed, letters written by family members of the fallen, letters written by contrite Japanese, survivor quotes on reconciliation, and more.

Research: get book, The Day of Infamy. Also, look for recent Approach magazine with Bush on cover; it has a detailed description of his involvement in WWII.

- 2) Major speech at K-8: Kilo 8 is a fairly nondescript pier, though apparently they'll fix it up for the commemoration. These longer remarks will be teleprompted. POTUS will be speaking with his back to the water, historical battleship row, and then Ford Island. Behind his right shoulder is the Arizona, behind his left, the Missouri. Note: look at above, Arizona info for color, etc.
- 3) Remarks to Asian Ambassadors: Conference room within AFB administrative building. Building exterior retains strafed pocks of Japanese attack. Remarks are kind of wrap up of themes and policy objectives of whole Asia swing. Asst. Secretary for East Asia Solomon is the host of the ambassadors, but he probably won't be in on meeting. Remarks are brief; wouldn't be surprised if talking points get substituted.

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 (Egypt, 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

- o The Korean financial system is antiquated, over-regulated, and ill-suited to the needs of Korea's dynamic economy.
- o U.S. banks and securities firms face numerous barriers to entering and operating in the Korean market.
- o 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.
- o 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.
- o 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.
- o 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

DECLASSIFIED
Department of State Guidelines
E.O. 12958, SEC 3.4 (B), July 21, 1997
By _____ NARA, Date _____

JAPAN

ECONOMIC THEMES

- o 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.
- o 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.
- o 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:

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

Japan's External Surpluses:

- o 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.
- o 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.
- o This highlights need for Japanese to maintain economic growth and open markets.

Export Dependency and Bilateral Trade:

- o 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 progress 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

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

- o Singapore is an important offshore financial center, and maintains a relatively open market for foreign firms.
- o However, U.S. firms face discrimination in the significantly smaller domestic market.
- o 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.
- o 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

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)