

Originally Processed With FOIA(s):
S; 1999-0582-F; 1999-0586-F; 2004-2265-S

FOIA Number:
S

FOIA MARKER

This is not a textual record. This is used as an administrative marker by the George Bush Presidential Library Staff.

Record Group/Collection: George H.W. Bush Presidential Records
Collection/Office of Origin: Speechwriting, White House Office of
Series: Speech File Backup Files
Subseries: Chron File, 1989-1993

OA/ID Number: 13791
Folder ID Number: 13791-002

Folder Title:
Kodak in Japan 1/9/92 [OA 7565] [2]

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

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

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

Parliament Address on U.S.-Australia Bilateral Relations

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

Continuing Importance of the Alliance:

- o Our long-standing strategic alliance has served us well. Next year we celebrate the 50th anniversary of the Battle of the Coral Sea. It will be a special commemoration of the close and special defense partnership that had origins in the Second World War. (The President's personal involvement in the Pacific theater during that war can lend special significance to this testimonial.)
- o However, looking ahead over the next fifty years, the post-Cold War Era presents new challenges for our alliance. While East-West tensions have diminished, other problems such as ethnic rivalries, nationalist aspirations and territorial or political disputes -- suppressed during the Cold War period -- are now arising.

- o In these endeavors, Australia has and continues to play an important role:
 - Note contributions to the Gulf War, refugee assistance and the ongoing naval interdiction effort in the region. Express appreciation for Australian public support during the Gulf War for the Coalition and its policies.
 - Note Australia's active role in developing a framework for the current peace process which is taking place in Cambodia, as well as Australia's contribution to the peace keeping force.
 - Note strong efforts on proliferation issues, particularly regarding nuclear and chemical weapons proliferation.
- o Our partnership on these and other issues has become increasingly important, especially in the wake of the tremendous changes that have occurred in the world over the last two years.

Stress Cooperation on Multilateral Trade Issues:

- o The New Order that is being shaped encompasses not just the political realm but the economic. Both our countries have been at the forefront, pushing hard for free and open markets in the world. We must avoid the creation of trading blocs. And we must continue our joint efforts to shape an international trading system which will foster rather than obstruct free trade, particularly through a successful conclusion of the GATT Uruguay Round.
 - Acknowledge Australia's leadership in establishing APEC and in shaping its development as an important international economic entity.
 - Note Australia's bipartisan efforts to press the EC to end agricultural subsidies and for a successful conclusion to the Uruguay Round.
 - Note that what we are pursuing in the NAFTA is not a bloc. We intend to lower internal barriers, not create external barriers. NAFTA will be GATT consistent.

Reassurance on U.S. Engagement in the Region:

- o Our reasons for remaining engaged and active in Asia and the Pacific are obvious. The Asia-Pacific region is now America's largest trading partner, with trans-Pacific commerce totalling more than \$300 billion in annual two-way trade. This is nearly one-third larger than that across the Atlantic.
- o We will remain committed to our allies and to fulfilling our security obligations. The U.S. will remain engaged in Asia and the Pacific.
- o Our bilateral and multilateral arrangements in this region have worked well. These arrangements will continue to be key to our mutual security in the decades ahead.
- o The regional partnerships which the U.S. enjoys with Australia and other countries have provided the foundation for economic and political stability in the region.

Future Relations Between Australia and the U.S.

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

In culture and education:

- Australian culture increasingly influences American music, cinema and sports.
- There is also a solid basis of bilateral academic interchange, including the 40-year-old Fulbright program in Australia and numerous private exchanges involving younger Australians at the secondary level.
- The U.S. 4-H organization, Future Farmers of America, and Rotary are among the groups with active exchange programs with Australian counterparts.

In bilateral economic relations:

- The importance of bilateral trade: after Japan, the U.S. is Australia's largest trade partner. Annual bilateral trade exceeds US\$ 13 billion.
- U.S. firms have over US\$ 15 billion invested in Australia, the second highest in Asia after Japan, much of it in leading edge technology in telecommunications, aviation, and informatics, as well as manufacturing, mining, agriculture, and energy.
- Tourism remains very big business for both countries. Nearly one-half million people travel each way each year. United Airlines and Northwest both inaugurated new routes to Australia in 1991.
- We are broadening economic dialogue, this year initiating bilateral consultations on agricultural issues and continuing our consultations and joint efforts in important international economic fora such as APEC and the GATT.

In environmental and resource management:

- Cooperation in conservation and environmental protection is expanding; we have many shared interests and similarities in resource endowments (i.e., coal, oil, gas, hard rock minerals) and topography. There are many recent examples of cooperation:
- Our two governments have established a High Level Group on Energy to exchange information on energy policy, programs, demand; to review ongoing research and development; and to engage in joint research efforts.
- US Interior Department (DOI) Minerals Management Service has recently signed a bilateral MOU with Australia's Department of Primary Industries and Energy (DPIE) for sharing data on offshore minerals development, including environmental protection aspects.

- DOI Bureau of Land Management has initiated a dialogue with DPIE that is focused on the need to balance the extraction of minerals, oil, gas, and timber with the growing demands for recreation, and management of cultural resources, and wildlife and fisheries habitats. Plans include an exchange of technical personnel between our countries.
- USDOC/NOAA officials have recently met with their Australian counterparts to discuss ways in which our two nations can strengthen efforts regarding the important environmental problems of driftnet fishing, endangered species, and the monitoring/assessment of the global warming threat.
- In APEC, where Australia leads the Energy Working Group, our two governments are cooperating closely to establish a regional clean coal technology utilization center.
- The U.S. and Australia recently co-sponsored the creation of an International Forestry Research Institute to focus on issues related to the conservation of tropical forests and the arrest of deforestation and environmental degradation.

In fighting illicit narcotics:

- Australia has done much to assist regional countries in their counternarcotics efforts and is an active member of the "Dublin Group" of donor nations that coordinates counternarcotics aid to producer nations.
- Our countries are united in the worldwide fight against drug abuse and trafficking, which is becoming a security threat of the 1990s.

Other issues:

- o There are some issues on which we do not meet eye-to-eye but which should also be mentioned.
 - Encourage continued Australian support for an ambitious Uruguay Round package including disciplines on Trade Related Investment Measures (which Australia continues to oppose) and services, where Australia has been more forthcoming recently.
 - Australia remains on the Special 301 Priority Watch list for local content requirements on television broadcasting. This is barrier to cultural interchange. We hope to see a phase-out, not a phase-in, of local content requirements.
 - IPR: On parallel import of books, there have been slight improvements in this area, but we urge the GOA to adopt provisions that would completely exempt foreign textbooks from parallel imports.
 - IPR: We also are concerned by the Australian Attorney-General's rejection of a proposed amendment to the copyright law to provide an exclusive rental right for sound recordings. While Australia works for stronger standards for IPR in the Round, its actions at home are not consistent with this.
- o One particularly difficult issue is Australian continuing concern over the impact on Australian farmers of the U.S. Export Enhancement Program for agriculture. This issue should be confronted sympathetically but directly:
 - Note the plight of American as well as Australian farmers, our legitimate stake in world grain markets, our intention to continue EEP as leverage on the EC, and our hope that export subsidies will be sharply reduced in the Uruguay Round.

- Recognize and regret that EEP is a factor affecting Australian farmers, but note other factors -- especially EC dumping, higher global production, Australia's transport/port inefficiencies affecting competitiveness, the drought, the high cost of agricultural inputs, and the simultaneous collapse of the wool market.
- Stress that we take Australian interests into account in implementing EEP, including setting up a bilateral consultative mechanism that met in August for the first time, and will continue.

Melbourne Luncheon Speech on Global/Regional Issues

*Also emphasize
business*

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

Recognize Australia's Growing International Role:

- o Express appreciation for the leadership role Australia has assumed in the world.
 - Australia's contribution to the Gulf War
 - Active role in working toward a settlement in Cambodia
 - Leadership in forming APEC
 - Strong efforts on proliferation issues, particularly regarding nuclear and chemical weapons
- o Our partnership has become increasingly important, especially in the wake of the tremendous changes that have occurred in the world over the last two years.

U.S. Regional Role to Remain Strong:

- o The regional partnership which the U.S. has enjoyed with Australia and other countries has been the foundation for economic and political stability in the region.
- o Despite the changes elsewhere in the world, the U.S. will remain engaged, concerned and active in Asia and the Pacific, both in strategic and economic terms.

Facing Challenges Ahead:

- o This is not to say that there are no challenges ahead:
 - The proliferation of chemical, nuclear and biological weapons of mass destruction remains a problem; Australia's role in achieving international safeguards to reverse the proliferation trend has been critical to this effort.
 - We share a common view that the formation of protective trading blocs must be avoided, and support for cooperative frameworks such as APEC must be vigorously continued.
 - We should do all we can to open markets and foster free trade in order to strengthen international economic cooperation, confidence and recovery.

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

INTRODUCTORY REMARKS

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

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

THE ALLIANCE

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

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

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

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

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

RECOGNIZING AUSTRALIA'S INDEPENDENT INTERNATIONAL ROLE

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

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

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

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

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

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

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

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

ASSURING CONTINUED U.S. ENGAGEMENT IN THE REGION

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

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

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

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

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

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

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

REMARKS ON THE EXPORT ENHANCEMENT PROGRAM

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

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

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

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

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

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

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

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

THE NEXT FIFTY YEARS

The Environment

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

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

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

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

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

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

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

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

Cultural and Educational Interchange

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

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

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

6/6/6

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

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

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

Easing Travel Access

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

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

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

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

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

POSSIBLE THEMES FOR SPEECH IN SINGAPORE

Security/New World Order

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Economic Cooperation

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

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

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

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

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

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

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

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

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

The Spread of Democracy

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

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

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

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

(NEEDS CONCLUSION)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

More to Singapore than to Italy or Spain

More to Thailand than to India

More to Malaysia than the Soviet Union

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

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

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

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

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

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

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

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

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

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

There are more Filipinos in California than in Cebu.

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

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

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

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

and

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

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

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

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

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

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

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

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

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

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

Korea

National Assembly-Speech themes (DRAFT)

- o Thank you for providing me with this opportunity to speak to you again. Since I last spoke here in February 1989 the world has changed immensely. We have in fact entered a new era in world history.
- o We are very pleased with the triumph of freedom and free enterprise economics throughout most of the world, and with the continued progress, economically and politically, of the Republic of Korea. However, we remain saddened by the persistent conflicts in many parts of the world, and by the continued division of the Korean peninsula, a situation that is anachronistic in the post-Cold War world.
- o As we have stated on numerous occasions, the United States supports the peaceful unification of Korea on terms agreeable to all Koreans. We believe that North/South dialogue offers the best path toward eventual discussion of unification and related issues. Consequently, we support strongly the Prime Ministerial dialogue that has been in progress for more than a year, and stand ready to facilitate in any appropriate way.
- o Our support for the process of peace does not, however, blind us to reality and to the threat from the North that still remains. Therefore, our commitment to the security of South Korea remains as strong as ever, and we will continue to consult on matters that affect our mutual interest. To further strengthen security in the region, both of us should also consult and cooperate with our friends the Japanese, who have the economic power to play a vital role in promoting regional stability.
- o We continue to regard the unsafeguarded nuclear program of North Korea as the greatest threat to security in region, and call upon the leaders of that country to meet the international obligations it accepted when it acceded to the Non-Proliferation Treaty in 1985.
- o North Korea should know that neither the United States nor the Republic of Korea poses a threat to its society or way of government. However, we cannot ignore the situation as North Korea builds nuclear weapons, and will use all diplomatic means to assure that it meets its international obligations under the International Atomic Energy Agency (IAEA).
- o As we begin this new era in international relations, U.S.-Republic of Korea relations are growing in many areas. With the Cold War behind us, we are transforming our relations from a security relationship to a broader-based security, economic, and political partnership.

- o Of crucial importance in this transformation is your own progress toward democracy, well illustrated by the enhanced prestige and power of this body. The ROK's movement to a democratic government, with the military clearly subordinate to civilian government, has been crucial in winning for you the respect of the international community and the stability and credibility necessary for an influential world role.
- o The challenge now is to continue down the road toward full democratization. You have won the political contest with the North and should consider amending your National Security Law, which provides a propaganda advantage to the North, to take account of your strength and confidence.
- o Further steps in democratic development might include greater accountability for public officials and greater transparency in both your political and economic systems. Initiatives in these areas would be consistent with your overall economic and political modernization, and would further strengthen your position vis-a-vis the North.
- o The ROK's democratization is but one of the features that distinguishes it from North Korea, but it is one of the most important, and it is an achievement which should make all Koreans proud.
- o Another of the ROK's greatest accomplishments has been membership in the United Nations. Your entry in the United Nations was long overdue, and your ultimate success is due in large part to wise leadership and persistent effort. However, South Korea's emergence as a full member of international political and economic institutions, carries with it added responsibilities.
- o Over the years, the Korean people have gained tremendously from the open international trading system. Indeed open markets for exports have been a major contributor to your new prosperity. Korea has now become an economic power in the region and the world.
- o Now it is time for the ROK to lend its support to the open international trading system from which it has prospered by actively supporting the Uruguay Round of negotiations, opening its own domestic market to foreign products, and liberalizing its financial system. Your support is vital to assure that the international trade system remains open and that countries like Korea can continue to prosper.
- o The U.S.-ROK friendship has now endured more than four decades of dramatic world events. Yet in the beginning, our close relationship was not one that either of us sought, but rather one into which we were both thrust as a result of World War II.

- o In those years the U.S. entered into its relations with Korea with a keen sense of responsibility, and with determination to preserve the benefits of freedom for the Korean people. It demonstrated its commitment during the Korean War, when more than 33,000 American soldiers and thousands more Koreans, both military and civilian, died to keep freedom alive.
- o Clearly, over the past forty years the American role in Korea has not always been a easy one, and the political environment in East Asia has frequently been one of crisis. Consequently, in carrying out what we perceived to be our responsibilities we have made mistakes.
- o Yet we entered the relationship with the Republic of Korea with the highest ideals, and we have, I believe, pursued the correct path in the long run. Therefore, we too are enourmously proud when we see the great nation you have built from the ruins of war.
- o Today, we again approach the future in the aftermath of a war--a Cold War, and together we have the opportunity to shape and influence a new era as much as we did nearly 50 years ago. We can also define for the next generation a new relationship, a partnership that encompasses much more than merely security cooperation.
- o Our new partnership should be political, economic, nad cultural, as well as security. I urge the people of both countries to look toward the future rather than the past, and to seize the moment to build on our excellent relations, to expand cooperation so we all benefit, and to march into the future as friends and neighbors working together to build a safer and more prosperous world community.

Sensitive issues which the Embassy thinks should be addressed explicitly:

1. Make clear our willingness to continue consulting with the ROK on security issues.
2. Describe how we see the Japanese role in the region complementing ours and that of the ROK.
3. Make it clear that transparency and accountability are important to Korea's economic relations with the rest of the world.
4. State clearly what the DPRK must do for improved relations with the U.S.
5. Make it clear that the National Security Law plays into Pyongyang's hands and can be counterproductive to the ROK's North-South goals.

Remarks to American Chamber of Commerce

Themes could include:

- Strong support for the work of the U.S Chamber of Commerce, which has been vital to U.S. business interests in the ROK.
- Korean economic maturity and U.S./Korean economic/trade interdependence have brought the two nations to a new era of partnership.
- Mutual interest in further development of open, liberal international trade and financial regimes, in particular, successful conclusion of UR.
- Responsibility on both countries to ensure that their domestic trade and financial markets are open and liberal for the other; that domestic markets are fully integrated into international trade and financial regimes; and that their producers and consumers understand the benefits of two-way open, liberal markets.

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

- The long history of U.S. support for Korean science and technology; nuclear energy is a good example.
- Our admiration for the great strides Korea has made in developing its technological base;
- Recognition that scientific and technological development can only flourish where the economic value of the intellectual property associated with discovery is protected for the benefit of the discoverer.
- Our willingness to continue and enhance cooperation with Korea, symbolized by the U.S.-ROK Science and Technology Agreement;
- Our confidence that Korea will be able to make significant contributions to world scientific research and technological development.
- Recognition that Korea can now assume rights and responsibilities shared by other industrialized countries in world scientific research and technological development through;
 - a. Greater contributions to the world scientific knowledge by increased basic research funding and
 - b. Cooperation with U.S. and other countries through participation in basic megaprojects such as the Superconducting Super Collider (SSC)

Themes/Phrases for Presidential Speeches

Camp Casey

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Key Elements for the Presidential Speech in Japan

Historical Setting

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

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

The enduring importance of cooperation

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

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

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

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

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

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

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

America as a Pacific player

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

America's View of Japan

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

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

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

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

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

Managing US-Japan Relations for the Future

Global Partnership

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

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

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

Addressing Economic Issues

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

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

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

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

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

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

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

The US Domestic Agenda

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

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

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

The Human Connection

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

Concluding Flourish

FACSIMILE TRANSMISSION

Eastman Kodak Company
343 State Street
Rochester, New York 14650-0519

DATE: 12/16/91

TO:	<u>Bob Simon</u>	Ext. Fax No.:	<u>202. 456. 6218</u>
Location:	<u>The White House</u>	KNet fax:	_____
	_____	Phone No.:	_____

FROM:	<u>Kristine Kappel</u>		
Name:	<u>Int'l News</u>	Ext. Fax No.:	<u>716-724-9829</u>
Location:	<u>C&PA</u>	KNet fax:	_____
	_____	Phone No.:	<u>716-724-1004</u>

Total number of pages including Cover Sheet: 24

Mr. Simon:

Here's the information you requested on
Kodak's R&D facility in Japan. Please
let me know if you need additional
information or assistance.

Thank you.

Regards-
Keis Kappel

1700 H 123 41



**KODAK ANNOUNCES COMPLETION OF JAPAN
RESEARCH AND DEVELOPMENT CENTER**

ROCHESTER, N.Y., Oct. 4 -- Eastman Kodak Company today announced the completion of its Research and Development Center in Yokohama, Japan.

The four story complex, under construction since June of last year, has nearly 195,000 square feet of floor space, and is situated on 4.37 acres of land in the Kohoku Newton section of Yokohama.

The center will conduct research in optoelectronics, systems hardware, and Japanese software in support of Kodak's information systems products. Activities will include design and fabrication of semiconductors, development of electronic and mechanical systems and writing software for Japanese language products.

Kodak President Kay R. Whitmore, in Japan for the introduction of Kodak Ektar color negative films, said, "This facility will allow us to gain access to Japan's large technology base in electronics and will support our efforts to develop innovative products for worldwide markets."

The center is Kodak's newest research laboratory and the biggest single Kodak research investment outside of the U.S. Total cost of construction, including property acquisition, is in excess of \$74 million.

The center becomes operational on Oct. 17 when approximately 100 engineers, scientists and support staff begin their work. Staff is expected to grow to 250 people.

MORE

-2-

Kodak's announcement of Ektar 25 and Ektar 1000 films pose a challenge to competitive films in Japan. Ektar 25 provides the sharpest image structure of any color negative film.

"The performance of these films is very likely to give Kodak gains in market share among photographers who are determined to be the best," Whitmore said.

Ektar films will go on the market in Japan in early November.

Kodak Japan also announced today that it will change its name to Eastman Kodak (Japan) Ltd., effective Jan. 1, 1989. This new name reflects the current role of the company, namely that of Eastman Kodak Company's Japanese Region headquarters.

Kodak Japan, formed in 1977 as a wholly-owned subsidiary of Eastman Kodak Company, was initially engaged in marketing and procurement activities. Since 1984, however, it has assumed the role of Kodak's Japanese Region headquarters, and today its 200 employees coordinate regional business activities, as well as research and development, in Japan.

Among Kodak's holdings in Japan are: Eastman Japan Ltd., which exports, imports and sells chemical and plastic materials; Kodak Far East Purchasing Company Incorporated - Japan Branch, which procures products and materials in the Far East area; and K.K. Kodak Information Systems, which imports, sells and services information system products.

Kodak holds 51 percent share in both Kodak Nagase K.K. and Kodak Imagica K.K. The former imports and sells photographic and imaging products with Nagase & Co.; the latter has photofinishing operations in conjunction with Imagica of Japan.

Name of Publication: ASAHI SHIMBUN

Date of Issue: September 3, 1987

TRANSFORMATION OF "KODAK OF PHOTOGRAPHY"

STRENGTHENS SECTOR OF INFORMATION-RELATED BUSINESS

R & D CENTER IN YOKOHAMA

DOES NOT HANDLE FILM

Kodak Japan revealed on Sept. 2 that its R & D Center which is under construction in Yokohama will function as the development base for making business-information systems a pivotal product line in addition to the traditional photographic film in the strategy for the Japanese market.

Its parent company, Eastman Kodak Company, is currently strengthening information-related business worldwide, and has been conducting a New Kodak campaign since March this year at a cost of about ¥7.5billion. Kodak Japan's policy is that at the R & D Center, whose construction will be completed in August next year, the research and development of data processing systems, semiconductor technology, etc. will be done, but the study of photographic film will not be done on purpose, thus it leads the operation of the strategy for transformation of "Kodak of photography."

The R & D Center will have a 4-storied building with a basement, with a total floor space of about 17,500m², whose construction was started in June this year at a site of about 17,000m². The investment amount is expected to be about ¥10billion and the number of research staff about 150. This center is Eastman Kodak Company's sixth laboratory, following those in the U.S., France, England, West Germany, and Australia.

What Kodak Japan plans to hastily develop at this center for the time being is the Japanese version of KIMS system which Eastman Kodak Company put on sale this year. The system, using optical disk and microfilm connected to a computer, stores data in the forms of letters, pictures, and graphs, which can be retrieved freely. It has become the main product among Kodak's business information equipments.

For this purpose the company scouted young researchers from other enterprises, and recently decided on the introduction of a super computer VP-50 from Fujitsu, Ltd. for development simulation and other uses.

Kodak Japan does not disclose business results. According to the consolidated statement of earnings by Eastman Kodak Company, its total sales in 1986 was about US\$11.5billion, of which sales of photographic products including film accounts for 40%, products for industry use such as information systems and medical equipments 30%, chemical business 20%, and others 10%. Also Kodak Japan's pivotal product line is the photographic products.

For this reason there is a strong image that "Kodak is a photographic company." However, Eastman Kodak Company has been conducting a "New Vision of Kodak" campaign since March this year in order to make the sector of information systems for industry use one of the two main product lines side by side with photographic products in the future. Kodak Japan places the construction of the R & D Center among one of the measures for strengthening the sector of products for business use with a focus on information systems, and make it a strategic base in Japan, the world's second largest market.

「写真のコダック」変身へ

情報関連事業部門を強化

横浜の研究開発センター

フィルムは扱わず

日本コダックは、横浜市中区に建設中の研究開発センターを、従来の写真フィルムに加え、デジタル用情報システムを、日本市場での展開を促すための拠点とすることを明らかにした。

同社在のハイスタマン・コダックは現在、デジタル情報関連事業の強化を進めており、今年三月から約七十五億円を投じてニュー・コダックのキャンペーンを展開中。日本コダックでは、昨年八月に開始する研究開発センタープロジェクトを推進シ

テム、半導体技術などの研究開発を進め、写真フィルムの研究はあえて扱わない方針で、「写真のコダック」変身戦略の先駆けとなる。

研究開発センターは、約二万七千平方メートルの敷地に、地上四階、地下二階を併用し、面積約二万七千五百平方メートルを確保するもので、今年六月着工を予定。投資額は約百億円、研究センターは約百五十人となる見込み。コダックとしては、米国、フランス、西ドイツ、オーストラリア、イタリアなどの研究拠点を

日本コダックがセンターで最先端技術を開発していき、ハイスタマン・コダック社が今年から発売しているデジタルシステムの日本版を開発。同システムは、コンピュータに光ディスクやマイクロフィルムを接続し、文字データのほか画像やグラフィックも記録し、自由に取り出せるもの。コダックのデジタル用情報機器の主力商品となっている。

このため、同社では、他企業から有望な研究者をスカウトしたほか、このほど、富士通からスーパーコンピュータ「スーパー・エッセンス」の導入を決め、開発が本格化する。ハイスタマン・コダックは、日本コダックの事業を推進して

ついでに、ハイスタマン・コダック社の生産設備投資は、六十二年度までの約百十五億円のうち、フィルムなどの写真事業は四割で、情報システムや医療機器などの産業用が三割、化学事業が二割、その他一割となっている。日本コダックでも、写真製品が中心だ。

このため「コダックは写真の会社」というイメージが強いが、今後産業用の情報システム部門を写真と並ぶ成長の両輪とするよう、ハイスタマン・コダックは今年三月から「ニュー・ビジネス・オープン・コダック」キャンペーンを展開している。日本コダックも、研究開発センター建設を進めた情報システム中心のデジタル用機器

強化の一環を位置づけ、世界第二位の市場日本での戦略的進出とみる考えだ。

9/3 朝日

RECEIVED BY
SEP - 3 1987
KUMAMOTO

Ground broken for Kodak Japan's new Research & Development Center

A recent Shinto ceremony in Yokohama heralded the beginning of construction of the new Kodak Japan Research and Development Center.

The ground-breaking was held in Kohoku New Town in Yokohama.

The project, announced in the fall of 1985, calls for construction of a five-story laboratory building with a total floor space of about 190,000 square feet (17,550 square meters).

The center, designed by Takenaka Komuten Co., Ltd., and scheduled to open next August (1988), will be staffed by about 150 scientists and engineers, who will work on research and development activities in electronics and information-processing systems.

The land was acquired in 1986.

At the Shinto ceremony, Al Sieg, EK vice-president, general manager of the Japanese Region and president of Kodak Japan K.K., wielded the symbolic spade, and was joined by Mr. T. Takenaka, president of Takenaka Komuten.

At a reception following the ceremony, Sieg said, "This is indeed a momentous occasion for us. This is the beginning of a new phase of Kodak activities in Japan. Our initial development efforts (in Yokohama) will concentrate on business products and advanced integrated systems for the Japanese market. Our research activities are expected to focus on selected areas of semi-conductors — both materials and devices."

The ceremony was attended by about 70 persons, including Ed Przybylowicz, EK senior vice-president and director of Research; Takuya Sawada, president,

Kodak Nagase K.K.; Howell Hammond, vice-president and director, Research and Development, Japanese Region; Tsutomu Kimura, president, K.K. Kodak Information Systems; Mr. S. Eguchi, Yokohama's director, Urban Development Planning; Mr. M. Watari,

the city's manager, Kohoku New Town construction; Mr. S. Nonomura, of the Kohoku Housing and Urban Development Public Corp., and representatives of a number of companies which have facilities in Kohoku New Town.



Al Sieg uses symbolic spade ...



... and gestures in the Shinto ceremony



Features of the new Kodak Japan Research and Development Center, portrayed on a model provided by Takenaka Komuten, the



Kodak

Chief
Executive

By

Correspondence to:
International
Kodak Company
Street
New York 14850

Printed at Rochester, N.Y.
USA

NEW YORK TIMES

When the Corporate Lab Goes to Japan

By DAVID E. SANGER

TOKYO
SADAOKI NANAI says it took him a while to realize that research and development work in Rochester, N.Y., where Eastman Kodak Company has its headquarters, is very different from research and development in Yokohama, the Japanese industrial center where he opened Kodak's new research laboratory two years ago.

In Rochester, Kodak's top researchers rely heavily on technicians to perform much of the laboratory work, freeing scientists and engineers to think about the results. When the basic research is done, the work is turned over to a development team responsible for translating it into new Kodak products. Except in rare cases, Kodak's American researchers do not visit customers. "Rochester is discovery-driven," said Mr. Nanai, a veteran of the Clusen Watch Company and several other Japanese enterprises, of Kodak's American ways. "Visiting customers doesn't help you make discoveries."

So the first thing Mr. Nanai and Tom Kelly, a veteran Kodak executive who is head of research for the company's Japan operation, do when Japanese researchers come back from orientation trips to Rochester is to sit them down, ask them how they liked America and tell them to forget much of what they saw.

"They all come back wanting technicians, and we tell them, 'Absolutely not.' The essence of research in Japan is to put your best people in the laboratory, where they can see the unexpected firsthand. We want them visiting customers all the time, so they can see what the market needs."

A Singular Experiment

Mr. Nanai is trying an experiment in Yokohama that is still rare among American companies: to conduct serious research in Japan, Japanese-style, and then transfer the method back to the United States.

Among others trying the same experiment are large companies like International Business Machines, Hewlett-Packard and Texas Instruments, and smaller ones like the Dow Corning Corporation and Applied Materials Inc. It is a path fraught with friction — mostly between the established laboratories in the United States and the upstarts here — and frustration over high expenses and competition for talent, which often is gobbled up by Japanese competitors.

But the converts contend that in many technologies the center of gravity has moved across the Pacific, that not being here is a near-certain formula for being

blindsided by new technologies and, soon after, the products that contain them.

Until just a few years ago, what most American companies called "research" in Japan was often the tailoring of existing products to fit the Japanese market — replacing a 120-volt transformer with a 100-volt one, moving a steering wheel or packaging products with instructions in Japanese. That is still the approach of most American companies, although it is one that increasingly looks shortsighted. "It presumes that the best technology is in the United States," says Nobuo Mii, a senior executive of I.B.M. Japan. "Often-times, that is not the case."

This year, Mr. Mii must prove his point. I.B.M. is moving much of its research and development for smaller systems, especially laptop computers and their components, to Japan. The move has provoked resentment in the company's laboratories in the United States, where the laptop machines, including a series of models introduced a month ago, were developed. But so many of the components come from Japan that I.B.M. decided the research should be based here as well. The first product, a notebook computer that weighs five and a half pounds, came out last month. It is now available in Japan, but not yet in the United States.

I.B.M.'s new approach is not widespread. For years, advances in automobile technology, everything from efficient, low-emission engines to automotive electronics, have come from Japan. Yet neither the Big Three auto makers nor the major American steelmakers have a major research and development effort underway here. The list goes on.

"The people who make decisions about where to locate R.&D. centers grew up in an era when the Japanese were knocking off cameras," said John P. Stern, who runs the Tokyo office of the United States Electronics Association, a trade group. "But given both the importance of the Japanese customer and Japan's increasing dominance in so many technologies, the astonishing thing is that more American companies do not see the necessity of doing R.&D. in Japan."

A Controversial Option

Without question, companies say, establishing research and development centers in Japan is politically controversial. Research and development involves some of the most expensive and sophisticated work that goes into any company's products.

American officials who seek greater access to the Japanese market are thus reluctant to urge companies to move those jobs to Japan — where they will be performed by Japanese.

When Commerce Secretary Robert A. Mosbacher came here with a delegation of American companies trying to break into the Japanese market, he said it was far too early to think about research and development. "First you have to come to the market, then maybe manufacture here," he said. "After that, you turn to the question of research."

To the Japanese, Mr. Mosbacher's formula is backward. The most successful Japanese companies operating in America, they contend, long ago sent researchers and designers there, near the market where they would be competing. That process is accelerating: Honda and Toyota now design an increasing number of their cars in the United States; Sony, Hitachi and Fujitsu are moving more and more electronics research to North America and Europe.

Conducting research and development in Japan is not easy. Japanese researchers are not cheap; land for a center can be expensive. The language barrier is a problem, though a large number of Japanese researchers read English well and often studied in the United States. The biggest challenge is breaking into the university networks, where top companies compete for young engineers. When Dow Chemical opened its new center in rural Kanagawa Prefecture, it solved the problem by hiring Iiaru Mita, a prominent and recently retired professor at the University of Tokyo, as its first research director.

Finding researchers outside the university networks is less difficult. "What you discover is that there are a lot of very creative Japanese scientists, men and women, who are not really interested in working for a Japanese company," said Don Shaw, who arrived recently to direct Texas Instruments' new research center in Tsukuba, Japan's science city. T.I. has a research and development project for the 16-megabit computer memory chip underway with Hitachi. The company also expects to conduct basic research in several areas.

1/7
 COPY
 AVAILABLE

PAGE 2 of 14

19

Kodak executives said their lab reflects a desire to keep up with Japanese innovations. "We spent a lot of time focused on other things," said Albert L. Sieg, who recently returned to the United States after long service

as president of Eastman Kodak Japan, "and we let competitors get ahead in some critical areas."

One of those was electronic photography. In the mid-1980's, Kodak became concerned about Japanese-led competition in electronic-imaging technology; indeed, with the enormous popularity the hand-held video camera, the technology has made serious inroads against film. Researchers at Sony, Toshiba, Hitachi and other Japanese companies believe the opportunities to replace film in other areas will also expand as electronic images become as crisp as those on film.

Aggressive Research

Mr. Nansi has hired 100 researchers and is moving the laboratory into electronic-imaging technology. The research includes work on gallium arsenide semiconductors, a promising but expensive technology that could prove superior to silicon chips for converting light images into digital computer code. Kodak's work in this area — on a chip known as a charged-couple device, or C.C.D. — is still centered in Rochester, a sore point with the Yokohama researchers, since most of the world's C.C.D.'s are developed and produced in Japan. "Since our lab is so small and Rochester is so large, they always have bigger power than we do," said Mr. Nansi. "Naturally, there is always conflict about what they should do and what we should do."

It is not just large companies like Kodak that are setting up laboratories. Applied Materials of Santa Clara, Calif., which supplies equipment to process the silicon wafers that become chips, decided years ago it needed a Japanese lab. Through the 80's, Japanese companies had slowly grown to dominate the industry. Applied Materials decided that the way to cultivate Japan's best electronic companies was to situate some of its plants in Japan, where engineers from NEC and Fujitsu could join in new-product development. It was a big commitment for a relatively small company.

When he first rented a small office in Japan, James Morgan, the company's chairman, said he stayed awake at night wondering where he would come up with the money. Later, taking advantage of the then-low interest rates that American concerns have

long said are the secret weapon of Japanese competitors, Applied acquired land in Narita, near Tokyo's international airport. Just a few months ago, the company invited Japanese clients to a dedication of an expanded technology center, complete with a Shinto ritual to break open vats of sake.

"Without success in the Japanese market," Tetsuo Iwasaki, the head of the company's Japanese subsidiary, told the visitors, "we cannot hope to be successful globally."

What makes the Applied Materials' Narita lab stand out is that it conducts research and development Japanese-style: short on basic research and long on development. Rather than search for breakthroughs, company engineers spend most of their days tweaking the equipment, making incremental progress to solve specific problems.

"You can't be a Lone Ranger type here," said Mr. Morgan. "You can't come here to talk instead of listen. The Japanese don't take well to that. Oh, they will listen to you politely and take notes, but they won't pay attention. They have to realize that in some areas, like this technology, they are the innovators."

For as many years, Japan is far from innovative. One of the tricks of the trans-Pacific high-tech game is to determine exactly what to move here and what to keep in the United States. The Intel Corporation is one of the most successful American companies in Japan, yet it has steadfastly refused to build a manufacturing facility here. Research in microprocessors, an area where Japan has hardly excelled, is still done at Intel headquarters in California.

Penetrating Networks

"We are giving thought to more research here, but the big question is how do you get inside the best universities," said William Howe, who heads Intel Japan. "Like everything else here, it is all a matter of relationships."

But it will take more than one or two dozen foreign laboratories here to create critical mass for American companies in Japan. Hardly a month goes by without a Japanese company announcing a new design center or laboratory in North America or Europe. Even in a new age of technological arrogance in Japan, most companies believe they must look abroad for solutions to some problems. It seems only a matter of time before American industry reaches the same conclusion and sends more researchers to live and work in Japan.

20

2/7

3814

Kodak Hedges With a Hybrid

KODAK'S Japanese research laboratory reflects the company's hedged bet on the future of electronic photography, and particularly on its Photo CD system, a hybrid technology of film and electronic imaging the company will begin to market next year. The idea is to capture a picture on film, digitize it with a scanner and store it on a compact disk. With a disk drive, the user can display the picture on a television screen, manipulate it on a computer, merge it with documents or print it out on a digital color printer.

Digital images lack the sharpness and richness of a conventional color print. But Kodak and Japanese companies believe the gap is narrowing. "We think the crossover will come around 1995," said a Sony researcher. "From then on, it may be impossible to tell if a picture was gathered electronically or on film."

The Photo CD was developed in Rochester, but much of the most innovative work is in Tokyo. Building on their success with video cameras, which convert images into electronic

data via a light-sensitive chip known as a charged-couple device, or C.C.D., Japan's electronics makers are pouring billions of dollars into the technology. They are unfazed, it seems, by the mild response to Sony's Mavica and other electronic cameras. The companies have an extra incentive to make it work: High-quality electronic imaging is critical to Japan's strategy for making high-definition television a success. Kodak, protecting its franchise, maintains film is still the best way to collect images.

This fall Kodak will bring out a high-performance scanner that can read paper documents into computers and store them electronically — faithfully reproducing color images. The scanner is being designed and built entirely in Japan. "It was a question of time to market," said Tom Kelly, head of R. & D. for Kodak Japan. "There is an enormous technological infrastructure here, mostly in the electronics companies, that will enable us to move this into production much faster than we could in the United States."

3/7

21

4/14

A Poor Rate Of Exchange

ONE of the least discussed trade imbalances between Japan and the United States... eventually prove to be the most damaging: America's deficit of young researchers going to Tokyo.

In 1988, the last year for which data were collected, Japan sent more than 32,000 scientists to study and work in the United States. In return, the United States sent only 4,000.

American researchers seem reluctant to go to Japan in part because of the legendary difficulties of learning Japanese and the cost of living. But researchers who have worked in Japan and returned often say there are deeper forces at play: American scientists worry that time in Japan could derail them from the fast track.

"Every time I come here, I find it is a bit painful when I return home," said Monica M. Strauss, a cognitive scientist who is finishing up a research stint at the Japanese Government's Electrotechnical Laboratory. Ms. Strauss argues that American corporations don't make real use of Americans with broad contacts in Japan: "If the U.S. wants a long-term industrial relationship with Japan, it needs to develop a corps of people who can work here, but who have acceptance at home."

That may be beginning to happen. M.I.T.'s program of training engineers in Japanese and dispatching them to Japan for year-long stints in academic and corporate laboratories is expanding, as are similar programs at a handful of other universities. "What we learned is that we have to spend as much time teaching American companies how to make use of these people when they get back home as we do preparing the students to go to Japan," Richard Samuels, the head of M.I.T.'s Japan program, said recently. "Sometimes, companies don't have a clue."

4/7

22

5414



Sadaaki Nasaki and Tom Kelly, who guide research and development for Eastman Kodak in Japan.

5/7

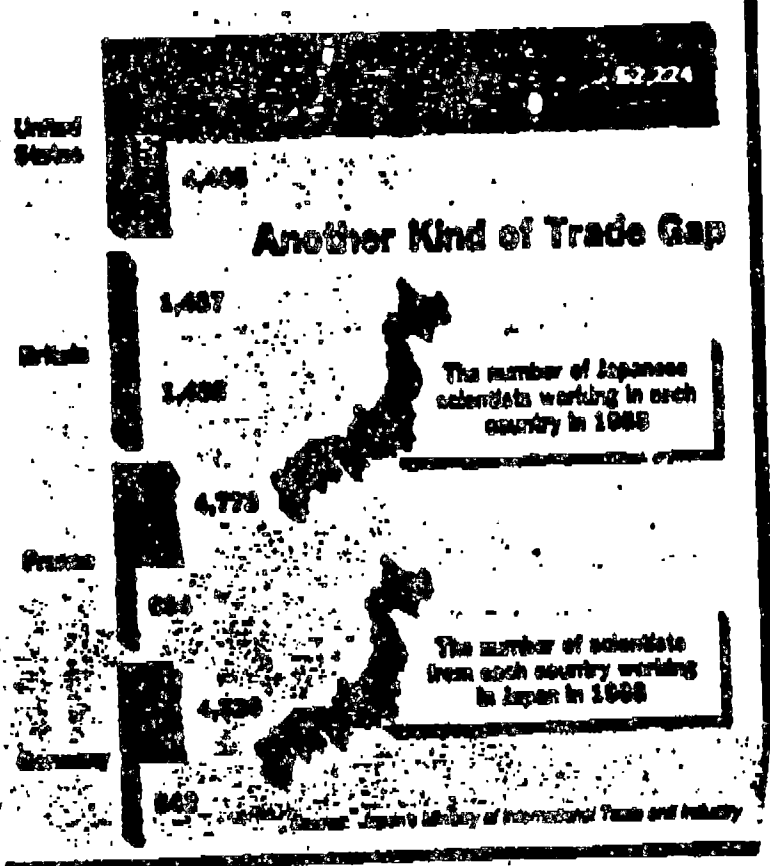
23

6814



Agence France-Press

U.S. Commerce Secretary Robert A. Mosbacher meeting in Japan with Prime Minister Toshiki Kaifu.



647

24

7-814



Kodak's Photo CD system uses film and electronic imaging.

7/7

25

8 of 14

KODAK BORN AGAIN IN JAPAN

A \$1 billion success story

By
Patrick J. Killen

The press reception was held on the top floor of Tokyo's Kasumigaseki Building, Japan's first skyscraper.

"We had all the drapes shut," recalls one of the sponsors. "We were connected by walkie-talkie. We had some speeches, then we heard it was right outside."

That was in August 1986, and officials said the airship with the yellow emblem was designed to let people know that Kodak, the world's largest film maker, was back in Japan, face-to-face with customers and distributors after an absence of more than 40 years.

Later the Kodak blimp flew past the Fuji Film headquarters, causing great consternation and sucking of wind at the board meeting. Since Kodak had the only airship licensed to fly in Japan, the Fuji directors hurriedly ordered their own airship in Europe deflated and flown to Tokyo. A few weeks later it was airborne with a German crew.

For nearly three years, the yellow Kodak airship and the green Fuji blimp contested the skies over Japan. Kodak officials figured Fuji's response doubled the interest in their high-flying advertising scheme.

A Kodak official acknowledged Fuji may have evened the

score in 1986 when another Fuji blimp, en route from Los Angeles to New York City for a celebration, detoured and buzzed the Kodak headquarters building in Rochester, N.Y.

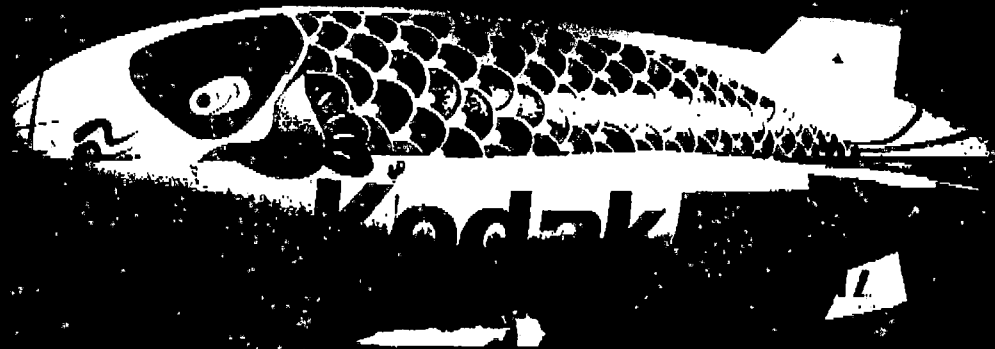
The Kodak airship was an important symbol of Kodak's presence and rising fortunes in Japan, a country the company had all but written off after World War II as a distant land with high tariffs and strange customs.

Though its products were first sold in Japan in 1889, Kodak chose not to restore its wholly owned company after the war. Instead, it decided to sell through a series of Japanese distributors. Unknown to Kodak, at least one of the distributors also represented a Japanese competitor — not the best way to do business.

Part of Kodak's reluctance to participate directly in the Japanese market was the protection afforded domestic film makers by the postwar government. A series of protective duties on foreign imports were invoked, with some as high as 40 percent lasting into the 1970s.

By 1980, the situation was becoming disastrous with some Kodak products all but disappearing in what had become the world's second largest film market. "We were dealing through

"We opened the curtains and there it was,
the Kodak blimp. It was a very impressive
sight, and it was a secret up until that time."



a distributor into a customer base so diverse we were losing touch with the marketplace," one Kodak official said.

In Rochester, corporate officials decided to ignore the horror stories about what the Japanese do to foreign businessmen and ordered a study.

Albert L. Sieg, the director of corporate strategic planning, was put to work drawing up the strategy for Kodak's re-entry into the Japanese market.

Once the study was done, the board offered the job to Sieg, who was shocked and surprised. "I thought it was a heck of a challenge," Sieg said. "There's not many times in corporate life that you get to build a whole brand new business."

Years later, Sieg was to add with a smile, "Parenthetically, if I knew when I was developing the Japan strategy that I also was going to be the one to implement it, I would have been more careful."

At Sieg, 53 at the time, seemed an unlikely choice. A native of Chicago, Sieg graduated from the University of Illinois with a degree in chemistry and went to work in Rochester at Kodak as an analytical chemist. After years of laboratory work and a Ph.D. at the University of Rochester, he moved into management, holding such in-house jobs as supervisor of paper sensitizing emulsion product control before moving into strategic planning in 1981.

"I had never lived outside the U.S. before and I was not an 'international' person," recalls Sieg. After convincing his stunned family it was a good idea, the Sieges came to Japan and, he said, "We were astounded by the cost of living here."

Administratively Kodak took Japan out of its Triple-A (Asia, Africa and Australia) division and set up a separate Japan region.

Sieg brought out a small management team in 1984 and set to work.

There were a few problems.

"It took us almost two years to negotiate with our distributors to convince them it was in their best interest to sell their business back to us. That took an enormous amount of time and effort," Sieg said.

Kodak set up a series of companies and joint ventures. By 1986, it had 2,000 employees and had developed a recruiting program with close ties to Japanese universities. A modern research and development centre, Kodak's largest outside the United States, was opened in Yokohama in 1988 at a cost of 10 billion yen.

In May 1990, Kodak pulled together its nine companies and moved into the plush, new Gotenyama Hills Mori Building in Tokyo's Shinagawa district, taking over the fifth through the 12th floors.

One of the early problems was that most young Japanese didn't know Kodak from a kayak.

So Kodak launched a massive recognition campaign. Huge neon Kodak signs went up on the Ginza and in Shinjuku in Tokyo, and in other major cities—Osaka, Sapporo and Fukuoka. The yellow airship took off. Kodak sponsored an all-star soccer tournament and junior tennis, and was cities. There were massive advertising layouts and store promotions. Kodak was listed on the Tokyo Stock Exchange.

One problem later turned out to be a big plus.

"The products we were bringing over here were world class, but they were not really meeting the express needs of the Japanese customers," Sieg said. "So one of the first things we did was to modify and rebuild products to meet that need, which we did."



Robert L. Smith is Eastman Kodak Japan's new president and general manager, taking over April 1. A Kansan, Smith has had extensive service in Latin America.

"So we developed a product, and the original intention was that it was only for the Japanese market. But everybody liked it and it ended up as our universal product, which is now Kodacolor Gold."

saturation that this market likes," said Sieg.

In plainer language, pictures of many Japanese were coming out with an unnatural yellow hue.

A new sharper film, Ektar 100, is currently produced just for Japan, and is aimed at what Sieg calls "the high burners," the advanced amateur cameramen who know about film and cameras. "Probably one-third of the Japanese fall into that category," said Sieg.

All this effort and money has re-established Kodak in Japan. Film makers are notoriously tight-lipped about their share of the amateur film market, but there is general agreement that Fuji Film is the big leader with Konica, another Japanese company, and Kodak far behind. Toshihide Yoda, an analyst with UBS Phillips & Drew, who follows the market, said Fuji, with a superior sales and laboratory network has a solid 70 percent market share, followed by Konica, with about 17 percent, and Kodak with 10 percent.

Competition, said Sieg, is fierce and intense, and there is a lot more to Kodak than just small rolls of film.

Those percentage figures, said Sieg, "have nothing to do with things like motion pictures or X-ray film, or professional

we did.

"In most cases, they (the new products) ended up being (Kodak's) world product because the Japanese market is one of the most demanding in the world."

One prime example was Kodak's color film. "We discovered that the film we were making didn't have the intense color

things like motion picture photography because in some of those markets we're clearly dominant."

Kodak also makes disposable cameras for Japan, both wide-angle and underwater. It markets chemicals and plastics.

It is in the pharmaceutical business through its ownership of Sterling Drug, Inc. Kodak is heavily involved in the commercial and industrial use of imaging.

It makes information systems including the huge KIMS — the Kodak Information Management System, which integrates data from magnetic tape, microfilm and optical disks. Meiji Life Insurance has a KIMS and so does Japan Telecom. It makes high speed copiers and has an agreement with professional film for Japanese weddings where Sieg said it is most important that "dresses come out white-white and hair is black-black."

One measure of success is that in 1989, Kodak's 100th anniversary of doing business in Japan, company sales amounted to about \$1 billion, the only figure it boasts about publicly. Keiichi Murai, Eastman Kodak Japan deputy public relations chief, can be prodded into saying it is more than that now, but he will give no figures.

Kodak officials argue that money is not the only reason Kodak decided to establish a presence in Japan. There was a need to compete head-to-head with Fuji Film, it's No. 1 global challenger, on its home turf just as Fuji and Konica were doing in the United States. And the cutting edge of technical

advancement in the photographic industry was clearly in Japan. In every sense, said economist James Abegglen, Japan is where Kodak's strategic future will be played out.

Abegglen said Kodak has "changed from a bad example" of corporate neglect "to a really impressive one" with its performance during the past seven years.

The president of the Asia Advisory Service K.K., Abegglen said Kodak offers convincing proof that foreign companies can establish themselves in Japan on a major scale and in a short period of time.

Besides Sieg, Abegglen credits Kodak's President Kay R. Whitmore, as "personally leading the charge."

"I don't want to denigrate Al Sieg, but he had to have someone flying cover for him. That was Kay Whitmore," Abegglen said.

After seven years, Sieg, 60, packed up in April and returned to Rochester as Kodak's Director of Strategic Resources.

In a message to his staff, which had grown from 20 to 4,000, Sieg said Kodak is now "a force to be reckoned within the Japanese market." "This experience," he said, "has shown me that building a business in Japan is not impossible, only difficult and takes patience and commitment."

Sieg's replacement is Robert L. Smith, 51, a 30-year veteran of Kodak who has served extensively abroad in Brazil, Argentina and Mexico. He was Latin American region general manager in the early 1980s.

A native of Parson, Kansas, Smith has a Bachelor's degree from the University of Kansas and a Master's from the Massachusetts Institute of Technology.

He was appointed assistant general manager of the Japan region in October 1990, and assumed the post of general manager and president of Eastman Kodak Japan April 1.

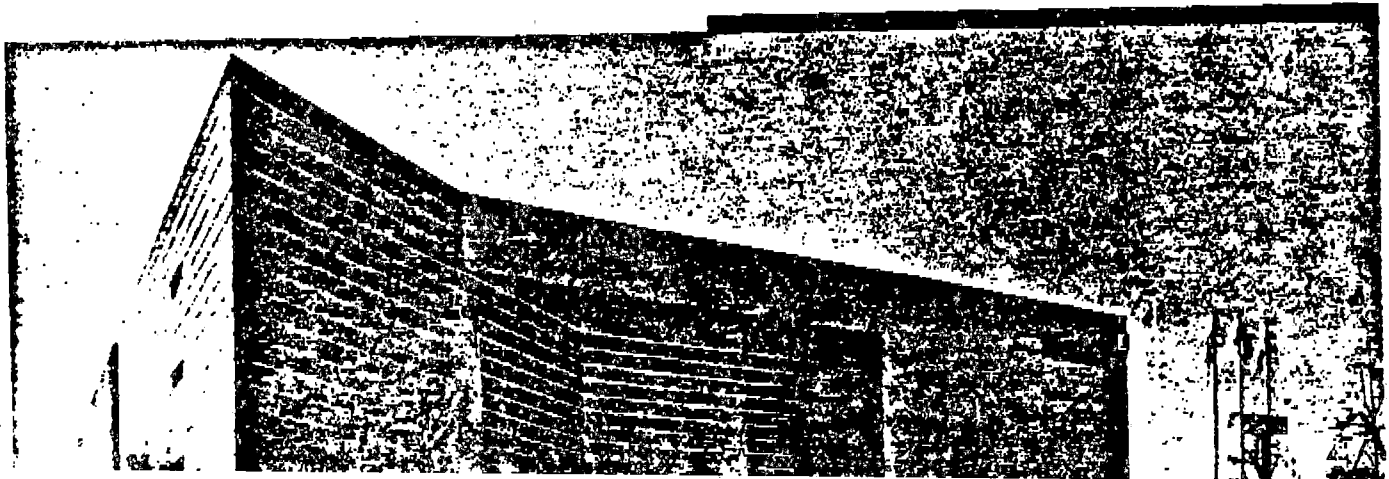
"Clearly there are many opportunities and challenges for our company," Smith told staff members while taking over the new assignment. "We have an important legacy of achievement which we must strive to live up to."

Sieg called Smith "the right person" to lead Kodak's "next phase of growth and development." **IJ**



Albert L. Sieg, Eastman Kodak Japan's president for seven years. He left in April to become Kodak's director of strategic resource in Rochester, N.Y.

Kodak's 10 billion yen Research and Development Center in Yokohama. Opened in 1988, more than 100 scientists and technical people work there.





TECHNOLOGY

PICKING JAPAN'S RESEARCH BRAINS

At last U.S. companies are overcoming the "not invented here" syndrome and learning how to tap Japan's vast technological resources—just as Japan has tapped America's. ■ by Susan Moffat



It's raining R&D: Texas Instruments Japan director Norman Neureiter in Tokyo's electronics district

ON A CLEAR DAY, Tom Kelly can see Mount Fuji from his lab. But the best thing about being in Japan, says the head of Eastman Kodak's \$70 million research center in Yokohama, is viewing firsthand the world's fastest-paced race in applied research—by taking part in it. Kelly's mandate is to hire Japan's most talented electronics and materials researchers and get them to discover new technologies for Kodak products. Says Kelly: "If you're serious about staying competitive globally, you've got to be on the ground here."

For years Japan has come to the U.S., bought or borrowed the best of America's technology, and sold it back to the U.S. as finished products. Japanese companies have sent thousands of engineers to be trained at American universities and set up basic research labs on American turf: Computer giant NEC located its new \$25 million lab in Princeton and hired top scientists from nearby Bell Labs to help lead it. Kobe Steel and Fujitsu have research centers in Silicon Valley. Sixteen Japanese companies have endowed chairs at MIT, at about \$2 million a shot.

So far, the technology flow has been pretty much one way. In 1989, U.S. companies took in \$2.5 billion selling technology to the Japanese but spent only \$500 million to buy technology from Japan. Now, though, more and more American high-tech companies are setting up laboratories in Japan, which could start reversing the imbalance. These U.S. corporations are aiming to become as aggressive at picking up and commercializing Japanese ideas as the Japanese have been at acquiring U.S. technology.

This year Texas Instruments is opening a basic research laboratory in Japan, as Dow Corning, IBM, Du Pont, and W.R. Grace have already done. At least ten others, including Kodak, Dow Chemical, Pfizer, and Digital Equipment, are doing applied re-

search in their own Japanese labs. They are hiring leading Japanese scientists away from companies like Hitachi, Toshiba, and Nissan, from elite universities, and from labs run by the Ministry of International Trade and Industry (MITI). The Americans offer competitive salaries—a senior scientist at age 45 can easily earn \$138,000 a year—and, more beguiling, greater intellectual freedom and the chance to plug into global research networks.

U.S. companies are also funding research by prominent professors and luring top Japanese students with scholarships. American outfits are being invited to join Japanese government-funded research consortiums—which could help them keep an eye on their competitors. Meanwhile, a small group of young American scientists and engineers are learning technical Japanese and penetrating the heart of corporate R&D with internships in labs of companies like NEC, Hitachi, and Toshiba, which are eager to build long-term relationships with American scientists and universities.

UNTIL RECENTLY, most American companies didn't have a clue how to get at Japanese technology. Though Japan's universities have long been open, most cutting-edge research goes on in corporate laboratories traditionally closed to outsiders. Most scientists' papers are published in Japanese and thus inaccessible to foreign readers, who generally have not bothered to learn the fiendishly difficult language; translation is time-consuming and expensive. Another barrier: Japanese technology tends not to be up for sale as much as American expertise is. Unlike a lot of American companies, the Japanese are often reluctant to license what they know to improve their profits in the short term. They consider it far more valuable as a long-term asset.

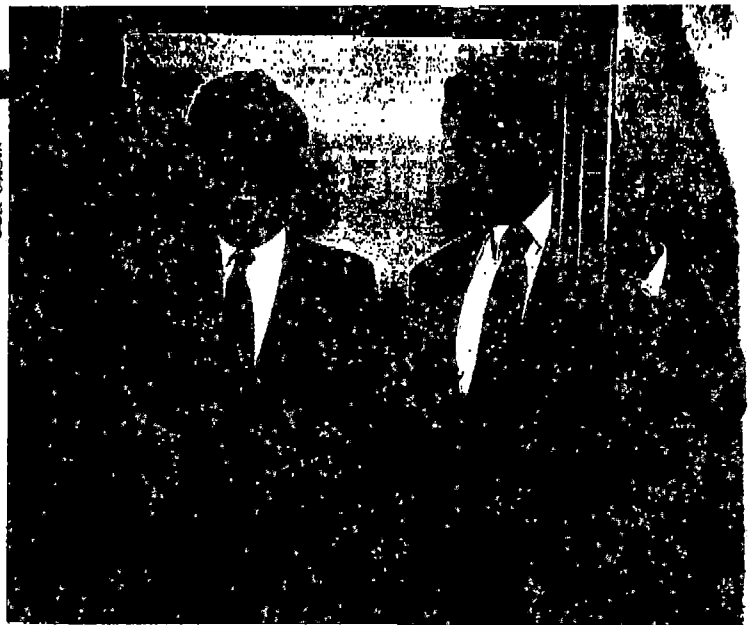
None of this was a problem when the world looked on Japan as a mere technology copycat. But now Japan originates many of the most advanced applications in such fields as high-definition television, liquid-crystal displays, semiconductors, biotechnology, so-called new materials—such as exotic formulations of gallium arsenide for semiconductors—and, overwhelmingly, the technology of manufacturing. The Japanese government has given a top priority to improving the country's basic research capabilities, with a new openness to foreigners—and a high level of scientific achievement—that takes getting used to.

REPORTER ASSOCIATE *Joshua Mendes*

American companies have not been as quick as they might have been to seize this opportunity to acquire new technology. Many seem not to remember that the U.S. was once the world's best commercializer of imported inventions. Henry Ford reverse-engineered German car motors; the British invented jet engines. "We've been a leader and teacher so long that we've forgotten how to be a student," says Michael Mintz at Dow Chemical International. He heads a team of nine whose sole job is to collect ideas and develop relationships with Japanese universities, companies, and government agencies. Mintz's fellow American research directors in Japan almost unanimously agree that the greatest obstacle to their efforts isn't the Japanese but the "not invented here" syndrome that has come to blind Americans to developments outside their own labs.

Charles Wallace, who represents the National Science Foundation in Tokyo, says his biggest disappointment is that it's still hard to get American scientists to do research in Japan, even though the Japanese government will often foot the bill. In a recent year America sent to Japan only about 1,400 researchers; Japan sent nearly 8,500 to the U.S. The gap is even greater among college and graduate students: An army of nearly 30,000 of them from Japan invaded the U.S. last year, vs. a meager battalion of 1,180 Americans who studied at Japanese universities. Only 7% of students enrolled in foreign-language classes at Northwestern University near Chicago are studying Japanese, and over 40% drop out after the first year.

Japan is already a richer source of ideas for the U.S. than many people

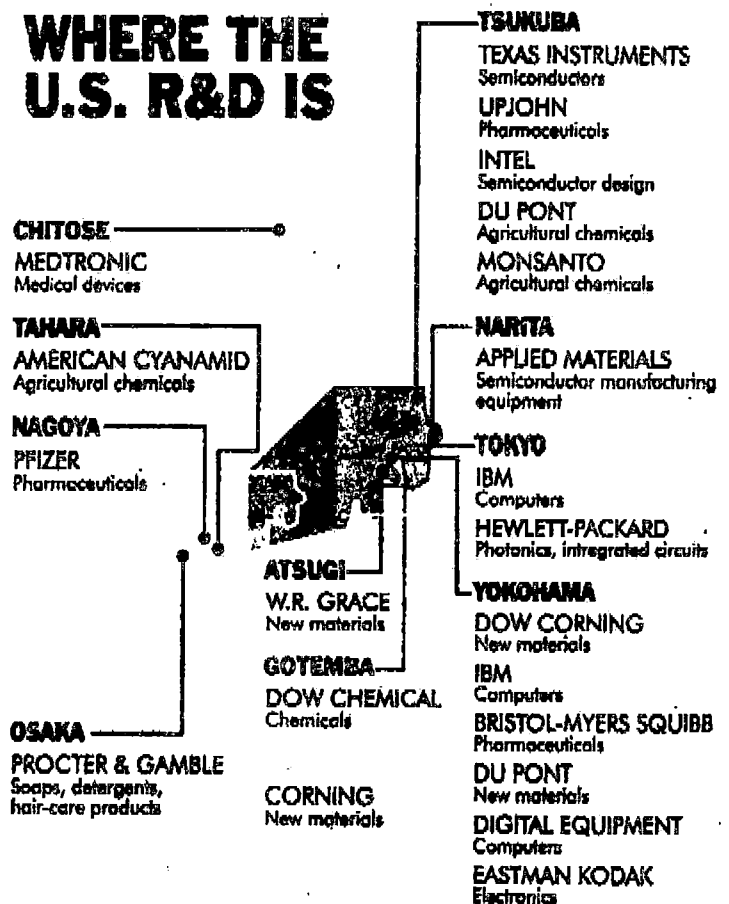


In the picture: Hiroyuki Ichibashi and Michael Mintz of Dow Chemical

recognize. In the late 1980s American companies licensed or otherwise bought more technology from Japan than from any other country except Britain—evidence that the reluctance of Japanese companies to sell their expertise is not absolute. In 1990 the U.S. spent \$491 million to license technology from Japan, up from \$89 million eight years earlier.

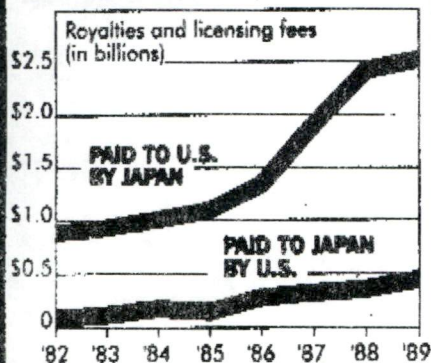
What Japanese corporations remain reluctant to sell, Americans are creating from scratch on Japanese soil. While Japanese

WHERE THE U.S. R&D IS

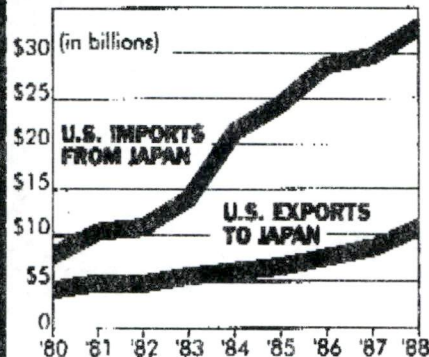


TECHNOLOGY

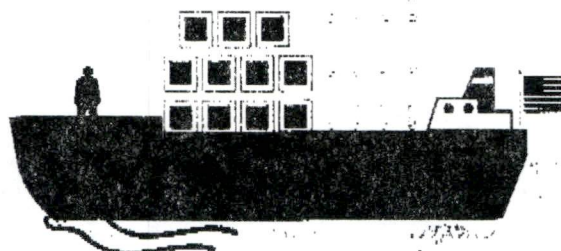
THE LOPSIDED TRAFFIC ACROSS THE PACIFIC

A GROWING TRADE GAP
IN HIGH-TECH IDEAS ...

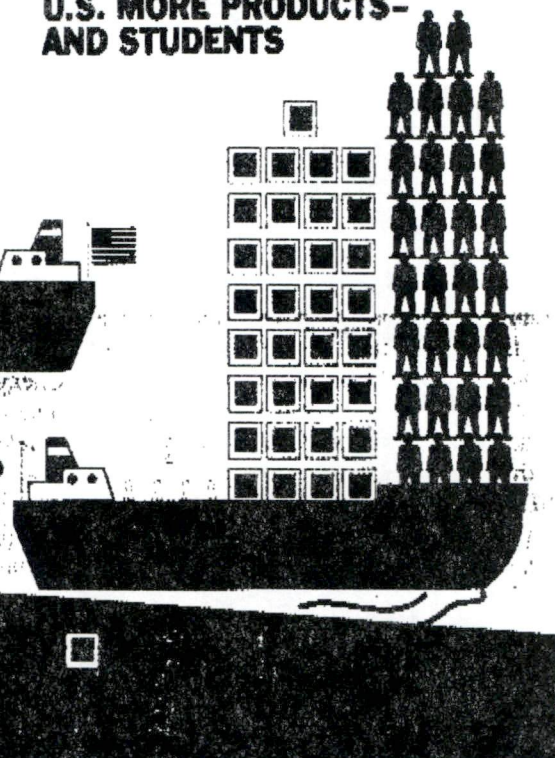
... AND HIGH-TECH PRODUCTS



THE U.S. EXPORTS
MOSTLY IDEAS
TO JAPAN ...



... WHILE JAPAN SENDS THE
U.S. MORE PRODUCTS—
AND STUDENTS



Japan picks America's brains in two ways: by borrowing or buying technology from U.S. companies and by sending a substantial contingent of young Japanese to study at American universities—many of them in science and engineering. New American R&D labs and student internship programs in Japan are starting to redress the longstanding imbalance in intellectual trade.

companies often hesitate to hawk their technology, talented Japanese *individuals* are eager to offer their creative abilities and connections to American companies. Engineers are one of the most mobile parts of the Japanese work force. Publishing companies produce two-inch-thick directories every week listing engineering job opportunities—including those at U.S. labs in Japan.

American companies setting up research operations there hope to hear of new technologies long before they surface in the U.S. technical and general press, which carries only a tiny fraction of Japanese discoveries—and then often months late. "Many technological developments important to my company never get reported by the American press, even though they're covered in Japanese publications," says Jim Martin, Rockwell International's technology watcher in Tokyo.

Japanese companies now devote as much funding to basic research as their American rivals. But perhaps the most important

thing American companies hope to learn is not the intellectual foundation of new technologies but new ways to make them into products. By being on the ground, Americans see firsthand that the Japanese labs next door are turning research into products faster and more cheaply than their competitors in the U.S. Americans also notice that Japanese research is far more market driven than their own. Japanese companies have to pay for 98% of their research from their own revenues, while their U.S. counterparts depend on Washington to fund fully a third of theirs. Japanese companies usually devote two-thirds of R&D funds to improving manufacturing processes and only one-third to developing products. In the U.S., the proportions are reversed—often with unhappy results for product quality.

One of the biggest advantages of doing research in Japan, American businessmen say, is simply living where reminders of breakneck innovation bombard you nonstop from every shop window. Walk around the

electronics bazaar of Tokyo's Akihabara district and you will find "intelligent" washing machines that use semiconductors to measure the dirt in clothes and \$1,400 toilet-bidets that incorporate integrated circuits to spray you with water at just the right temperature. There are copy machines the size of instant cameras, boom boxes with built-in word processors, computers no bigger than a Popsicle that can read 3,500 handwritten Chinese characters. On crowded commuter trains, tiny flat-screen TVs help make the journey bearable.

A MERICAN RESEARCH directors in Tokyo exude enthusiasm. Says Tom Kelly of Kodak: "I'm living in a rich technological stew." Kodak's experience is worth examining in some detail. For a company accustomed to ruling U.S. film markets from its laboratories in Rochester, New York, it was not easy to shift gears and look overseas for new developments. But in the 1980s it became

clear that the future of Kodak's erstwhile stronghold—manipulating images—lay as much in electronics as in film. Says Kelly: "The world had changed, and we had a difficult psychological adjustment to make. We went from not having to look outside to a situation where the technological building blocks were no longer under our control."

Howell Hammond, head of Kodak research in Japan in the early 1980s, literally stuck pins in a map of Japan to plan his attack. The pins, which marked the locations of leading corporate electronics labs, revealed a high concentration of them in a swath of Tokyo suburbs. To increase Kodak's chances of hiring away Japanese scientists, and to jump into the thick of Japan's face-to-face information network, Hammond recommended locating there.

In 1987 the company broke ground for a 180,000-square-foot research center and began the equally important task of cultivating leading scientists to help with recruiting. Kodak used all the tactics Japanese firms deploy in the U.S. It began financing research by university scientists and providing scholarships for outstanding young Japanese engineers, some of whom later joined the company. It hired stars like Uichi Itoh, an internationally known materials scientist then at MITI's electrotechnical lab. Itoh attracted experienced colleagues from Toshiba, Hitachi, and other leading Japanese companies, and recruited young graduates of first-rate universities like the Tokyo Institute of Technology. Says Kelly: "We are becoming full members of the Japanese community, with access to the kind of information our competitors have."

Full-scale operation, with a staff of 70, began in October 1988. Today Japan is the center of Kodak's worldwide efforts in molecular beam epitaxy, a method of growing crystals for making gallium arsenide chips. Also, for one of Kodak's Japanese customers the lab developed a system for sending fax images to multiple locations directly from a computer; it is now being sold worldwide. "We probably wouldn't have developed that if we weren't here," says Kelly. Kodak has expanded its staff to 90 and added a \$10 million wing to the lab.

Kelly says he hasn't encountered any sig-

"We've been a teacher so long that we've forgotten how to be a student."

nificant barriers to gathering technological information. "It's actually easier to collect it here than in the U.S.," he observes. Japanese companies, he notes, announce new technological developments in both the popular press and the trade press faster and more consistently than American companies do. His staffers pick up a constant stream of tidbits when they're out drinking or playing tennis with friends from university days, or from previous employers, customers, and

even competitors. Compared with the relative isolation of Rochester, Tokyo's concentration of industry keeps competitors keenly aware of one another's activities. In this environment, information flows like electric current.

A sampling of the Japanese R&D ventures of five other U.S. companies:

■ **DOW CORNING.** Keeping up with international developments is nothing new to this joint venture, formed in 1943 to exploit silicone, a European invention. The company, still owned by its two U.S. parents, established a presence in Japan three decades ago. Silicone is an advanced material derived from sand and used in everything from airplane fuel systems to medical equipment to breast implants. Seeing Japan race ahead in research on a broad variety of new materials, the company opened a \$7 million basic research lab in Yokohama last October. Says Gordon Fearon, technical director of Dow Corning Japan: "We saw silicone being targeted as a key new material by MITI and decided we'd better be part of the research going on here."

In the early 1970s the company beat its American competition to commercializing silicone ceramics, a heat- and wear-resistant new material useful in the aerospace, automobile, and electronics industries. The material was invented by a Japanese. Fearon heard of it early on. He was introduced to its inventor by another Japanese scientist who had won a prize for silicone research from Dow Corning. Says Fearon: "We did to the Japanese technology what they've been so fond of

doing to ours—we developed our own products inspired by their ideas."

■ **IBM.** Twenty-one years ago, long before most foreign companies thought Japan had much to offer scientifically, Big Blue set up a research center in Tokyo. Today the 240 basic researchers there regularly exchange ideas with other IBM labs around the world. "Japan is ahead of the U.S. in many areas of hardware and component manufacturing, such as opto-electronics, liquid-crystal displays, and some types of semiconductors," notes Norihisa Suzuki, a former associate professor at Tokyo University who heads the lab. "There is lots of technology we can pick up or develop and bring to IBM labs around the world." IBM hires 30% of its research scientists in Japan in mid-career from universities or other companies. That helps Big Blue maintain good communications where it counts.

IBM's Tokyo lab is doing basic research in image-recognition systems, multiprocessor computing, and computer applications. The sister product development lab near Yokohama has contributed a number of products to IBM's global lineup over the years. The latest, developed jointly with IBM's Almaden Research Center in California: a 3½-inch-diameter magneto-optical disk that can store the enormous amounts of data required for movie-like images and sound. *continued*

Kodak's Tom Kelly at research center in Yokohama



TECHNOLOGY

■ **TEXAS INSTRUMENTS.** Dallas-based TI has found that technology transfers from its Japanese manufacturing plants and design centers to its U.S. operations have brought major benefits. The company has been designing and manufacturing semiconductors in Japan for about 20 years, and has 5,000 employees there. Later this year TI will open an ambitious fundamental research lab that will eventually be home to 200 scientists at Tsukuba, 90 minutes from Tokyo, which is fast becoming one of the world's biggest concentrations of government and private laboratories.

Norman Neureiter, a director of Texas Instruments Japan, says TI's Japanese design labs develop products that would not get made in the U.S. "Our technology is driven forward by Japanese market demands," he says. "We decided to work on chips for consumer electronics here because there's hardly any market left in the U.S., and making those chips will spin off benefits for many of our other products." For example, the company has licensed high-definition-television technology from public broadcaster NHK so it can make chips for HDTV sets, which are already being marketed in Japan on a limited basis. The U.S. has yet to decide on broadcast standards for HDTV, which will not hit the American market until around 1995. Says Neureiter: "The expertise



Dow Corning Japan's Gordon Fearon with silicone products

we get by starting early to design HDTV chips here will give us a leg up on whatever standard is chosen for the U.S."

Neureiter regularly brings over young engineers from the U.S. to see how things are done in TI's Japanese plants, which have provided valuable advances in manufacturing techniques to the company's factories worldwide. The Americans are surprised to learn that many of their Japanese peers work as factory technicians for as long as five years before doing any semiconductor design. Says Neureiter: "When it's time for them to design chips, you can be sure they are easy to manufacture. They know what it's like to make the things." He thinks the experience American engineers gain working in Japan makes them more productive once they return to Texas.

■ **UPJOHN.** Japan is making major strides in pharmaceuticals and medical equipment, with Japanese companies considered leaders in certain types of antibiotics. They have also developed some promising anticancer drugs. Hoping to tap into the strength of research there, Upjohn has invested \$100 million in a 300,000-square-foot center where 160 researchers are led by Toshihiko Kobayashi, formerly head of R&D at giant Mitsubishi Pharmaceutical. Kobayashi travels to Upjohn headquarters in Kalamazoo, Michigan, every other month and helps set the company's global agenda for R&D. The Tsukuba lab, Upjohn's biggest overseas re-

search facility, focuses on drugs for central nervous system disorders, cardiovascular diseases, and metabolic imbalances.

■ **MEDTRONIC.** As a rapidly aging society, Japan offers not only a fast-growing market for medical products but plenty of subjects for research studies. Medtronic, which had \$836 million in sales worldwide last year, is a Minneapolis manufacturer of pacemakers and other medical products. The company decided several years ago that it needed both R&D and production capabilities in Japan. So this June it will open a five-acre technology center in the wide open spaces of the northern island of Hokkaido, where the climate and wooded landscape make Minnesotans feel at home.

The goal of the research center will be to pick up developments in new materials and precision instruments that could improve products worldwide. The company is considering funding research by professors at Hokkaido universities. Medtronic already uses many Japanese components in its pacemakers. By manufacturing in Japan, Medtronic, which now has 35% of the market there, will be producing the first all-Japanese pacemaker. The company expects the device's made-in-Japan cachet to help sell it to Japanese doctors.

PERHAPS the most surprising thing Americans discover in Japan is an abundance of perfectly public information that never goes beyond the country's shores. Some Japanese companies clearly prefer it that way. Jim Martin of Rockwell recalls negotiating with the Japanese to get them to pay royalties on an advanced semiconductor processing technology patented by his company. At one meeting, a major Japanese electronics outfit assured Rockwell that it had no intention of using the technology in its products and therefore had no reason to pay royalties.

The Rockwell negotiators calmly pulled out an article from a Japanese newspaper in which the Japanese firm boasted about using the new technology. The Japanese side went pale, retreated to a separate room for an hour, and came back prepared to settle. By a simple database search of newspaper articles in Japan, Rockwell discovered more than 15 cases of patent infringement on the same technology. Experts say many U.S.

IBM's Suzuki (right) with colleague Avi Mukherjee



Kodak in Japan
=====

- 1889 Kodak products sold for the first time in Japan
- 1920 George Eastman visited Japan
- 1922 Nagase & Co. started importing Eastman motion picture film
- 1927 Cine Kodak Service, Japan Inc. formed (Changed name to Kodak Japan, Ltd. in 1930. Charter abandoned in 1957.)
- 1954 Kusuda Business Machines appointed distributor of Recordak Corporation
- 1960 Nagase & Co. appointed distributor
- 1963 Kodak (Far East) Ltd. Tokyo Branch opened
- 1975 Japanese Relations formed in Rochester
- 1977 Kodak Japan K.K. formed
- 1984 Japanese Region formed, with headquarters in Tokyo
- 1985 Eastman Japan Ltd. formed
- Kodak Far East Purchasing Co., Inc. formed
- Kodak Japan Technical Center opened
- K.K. Kodak Information Systems formed
- 1986 Kodak Nagase K.K. formed
- Eastman Kodak Company listed at Tokyo Stock Exchange
- 1987 Kodak Imajice K.K. formed
- 1988 Eastman Kodak (Japan) R&D Center opened
- Kodak Japan Industries Ltd. formed
- 1989 Several companies changed names:
Kodak Japan K.K. → Eastman Kodak (Japan) Ltd.
Kodak Nagase K.K. → Kodak Japan Ltd.
Eastman Japan K.K. → Eastman Chemical Japan Ltd.
Most of the group companies relocate their headquarters operations to the Gotenyama Mori Building, Tokyo
- 1991 Eastman Kodak Asia-Pacific Ltd. formed

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)

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

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