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Expressing the sense of the Senate regarding Japan's difficult economic condition.

IN THE SENATE OF THE UNITED STATES

APRIL 24, 1998

Mr. LIEBERMAN (for himself, Mr. LUGAR, Mr. GRAHAM, Mr. BROWNBACK, Mr. BINGAMAN, and Mr. ROCKEFELLER) submitted the following resolution; which was referred to the Committee on Foreign Relations

RESOLUTION

Expressing the sense of the Senate regarding Japan's difficult economic condition.

Whereas the United States and Japan share common goals of peace, stability, democracy, and economic prosperity in the Asia-Pacific Region;

Whereas the current economic crisis in the Asia-Pacific Region represents a new challenge to United States-Japan cooperation to achieve these common goals;

Whereas the Japanese economy, the second largest in the world, has been growing a little over 1 percent annually since 1991 and most forecasts suggest that Japan is unlikely to experience any significant growth in the near future;

Whereas Japan's is the second largest trading partner of the United States and accounts for 11 percent of our total foreign trade;

Whereas Japan accounts for over 70 percent of the Asia-Pacific Region's gross domestic product and therefore has a particular interest in the stability of the Region's economic and financial system;

Whereas a strong United States-Japan alliance is critical to American forward engagement and stability in the Asia-Pacific Region;

Whereas the importance of the United States-Japan alliance was reaffirmed by the President of the United States and the Prime Minister of Japan in the April 1996 Joint Security Declaration;

Whereas United States-Japan bilateral military cooperation was enhanced with the revision of the United States-Japan Guidelines for Defense Cooperation in 1997;

Whereas Japan's failure to contribute to the Region's recovery from the current economic crisis or failure to prevent a further contraction of the Japanese economy could undermine regional stability, cause a setback in the close United States-Japan bilateral security cooperation achieved over the past 3 years, and increase Japan's bilateral and global trade surplus;

Whereas the low level of foreign direct investment in Japan, at less than 1 percent of Japan's gross domestic product compared to foreign direct investment in the United States of over 8 percent of the United States gross domestic product, contributes to large external trade imbalances and impedes market access for competitive foreign firms and products;

Whereas the United States bilateral trade deficit with Japan increased from \$48,000,000,000 in 1996 to \$56,000,000,000 in 1997 and has recently increased from \$4,000,000,000 in January of 1998 to \$5,300,000,000 in February of 1998;

Whereas the recent weakness in the yen, following a more than 20 percent depreciation of the yen against the dollar over the last few years, has placed competitive price pressures on United States industries and workers;

Whereas a period of deflation in Japan would lead to lower demand for United States products;

Whereas the estimated \$574,000,000,000 of problem loans in Japan's banking sector has the potential to threaten the recovery of the Asia-Pacific Region and could destabilize global capital markets;

Whereas the unnecessary and burdensome regulation of the Japanese market constrains Japanese economic growth, raises the costs to business and consumers, lowers the standard of living, and impedes imports;

Whereas the United States strongly encourages Japan to pursue a domestic demand-led economic recovery and thereby prevent further increases in Japan's external trade surplus;

Whereas the Japanese Government has responded to the Asia-Pacific Region's economic crisis with financial commitments of approximately \$19,000,000,000 to the International Monetary Fund; and

Whereas the United States appreciates Japan's efforts to stimulate its economy with the recently announced package of 16,000,000,000,000 yen that includes 4,500,000,000,000 yen in tax cuts and

11,500,000,000,000 yen in government spending: Now, therefore, be it

1 *Resolved*, That it is the sense of the Senate that—

2 (1) the American people and the countries in
3 the Asia-Pacific Region are looking for a demonstra-
4 tion of Japanese leadership and close United States-
5 Japan cooperation in resolving the current crisis;

6 (2) encouraging the strengthening of the Japa-
7 nese economy should be one of the Administration's
8 central priorities in all its bilateral and multilateral
9 discussions with Japan;

10 (3) every effort possible should be made to en-
11 sure that all other negotiating objectives are consist-
12 ent with the overall goal of promoting economic
13 growth in Japan, improving market access to Japan,
14 and restoring stability to international financial mar-
15 kets;

16 (4) the President should continue to voice his
17 serious concern about the economic situation in
18 Japan, the international, regional, and bilateral im-
19 plications of the situation, and the need to address
20 significant structural impediments to competition in
21 the Japanese markets, in order to restore confidence
22 in the Japanese economy and contribute to the Asia-
23 Pacific Region's political stability and economic re-
24 covery;

1 (5) the President, the Attorney General, the
2 Secretary of the Treasury, and the United States
3 Trade Representative should emphasize the impor-
4 tance of financial deregulation, including banking re-
5 form, market deregulation, and restructuring bad
6 bank debt;

7 (6) the President, the Secretary of the Treas-
8 ury, the United States Trade Representative, and
9 the Secretary of Commerce should press vigorously
10 for comprehensive and urgent deregulation and fun-
11 damental structural reform of the Japanese economy
12 and sectoral markets, liberalization of the distribu-
13 tion system, and elimination of nontariff barriers
14 and anticompetitive business practices that restrict
15 the free flow of competitive goods and services, in
16 order to increase market efficiencies and enhance
17 competition, lower prices, improve market access,
18 and redress global trade imbalances;

19 (7) the President, the United States Trade
20 Representative, the Secretary of Commerce, and the
21 Attorney General should continue to press for—

22 (A) increased antitrust enforcement by the
23 Japan Fair Trade Commission, and

1 (B) strengthening of the Antimonopoly Act
2 to eliminate private practices that restrict com-
3 petition;

4 (8) the President, the Secretary of the Treas-
5 ury, the United States Trade Representative, the
6 Secretary of Commerce, and the Secretary of State
7 should urge the Government of Japan to open the
8 Japanese market to increased foreign direct invest-
9 ment and eliminate barriers to foreign direct invest-
10 ment in order to increase the competitiveness of the
11 Japanese economy and stimulate investment and
12 consumer spending; and

13 (9) restoring economic growth in Japan and
14 stability in international financial markets should be
15 given the highest attention at the upcoming meeting
16 of the G-7 countries that will be held in Bir-
17 mingham, England.

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