

**Sen. William V. Roth, Jr., chairman,  
Senate Finance Committee  
U.S.-Japan Relations CSIS  
March 2, 2000**

It's great to be back at CSIS, one of Washington's finest institutions, and to have this opportunity to address what I believe is a very important subject. I'm pleased that this conference is focusing on US-Japan relations, a subject that once commanded front page attention. While media interest has waned somewhat, I must say that the relationship between these two great countries is as important now as it has ever been.

The fact that US-Japan relations command less attention is -- in some ways -- good news. I say that because in years past Japan commanded attention mostly for negative reasons -- trade problems or exaggerated talk of Japan becoming the world's number one economy or Japanese investment leading to wholesale takeover of American industries.

I believe that the current lack of attention to Japan, however, at least in part, signals a maturing of bilateral relations and a reduction in the number of bilateral problems.

The bad news about increasing indifference to Japan, is that a relationship as crucial as the one we share with Tokyo ought to be scrutinized and discussed thoroughly by the press, Congress and the public.

Today, potential problems with China, North Korea, even Indonesia overshadow our relationship with Japan. But adequately addressing any problems we encounter with those countries -- or really of any of the major issues confronting the Asia Pacific -- requires close cooperation between Washington and Tokyo.

In the case of China, for example, I believe the PRC's entry into the WTO and its continued economic development will tend to encourage Beijing to act in ways more in accordance with the interests of the United States and Japan. But if Beijing's recent inflammatory statements regarding Taiwan are any indication, that may not be the case.

That's one of the reasons why the steps taken in recent years to reinvigorate the bilateral alliance have been so vital. Strong security ties between the U.S. and Japan provide the foundation for peace, stability and economic development for all of the Asia Pacific. They also allow us to hedge our bets in the event China's economic rise does not lead to more cooperation from Beijing.

In the case of the Korean peninsula too, the United States and Japan must work together and with South Korea to contain the threat posed by the North. The enactment of the defense guidelines by the Diet was a vitally important step in permitting Japan to play a suitable role in the event of conflict on the Korean peninsula.

The enormous problems Indonesia faces in emerging from its economic crisis, in making the transition to democracy, and in quelling ethnic and religious conflict, all can benefit from joint American and Japanese efforts. There's no question that both our countries share an interest in the maintenance of peace and stability in the world's largest Muslim country, a nation that sits astride vital sea lanes.

In responding to the sorts of security problems I've outlined and others throughout Asia, Japan remains our indispensable partner. That's one of the reasons why I believe it would be a mistake for Japan to lessen its commitments to the bilateral alliance by reducing host nation support.

Let me turn briefly to the economic situation in Japan. Another reason for the relative lack of interest in developments in Tokyo has to do with Japan's decade-long economic stagnation.

If you wanted to sell books or magazines in the late 1980s, inflated predictions about Japan's imminent global economic dominance always helped. Those predictions proved far off the mark. Now, a number of prognosticators are forecasting Japan's impending economic demise. They bolster their claims by pointing to Asia's return to growth in the aftermath of its financial crisis -- despite Japan's lingering economic troubles.

In my opinion, those who dismiss the importance of Japan today are just as wrong as those who overstated Japan's economic might in the 80s.

Clearly, Japan has some very real problems. The transition to more openness and competition is taking place too slowly and in too piecemeal a fashion. And the trillion or so dollars Tokyo has wasted on public works projects over the past decade to revive the economy has only achieved one thing -- winning Japan the dubious distinction of leading the world's major industrialized nations in public debt. The budget that passed the Lower House yesterday only furthers these bad habits.

But from Bit Valley in Shibuya to the influx of foreign direct investment to the emergence of MOTHERS (and here I'm talking about the joint venture of NASDAQ and Softbank), change and innovation is in the wind. Moreover, Japan has enormous resources in the skills of its people and the talents of its companies.

The changes Japan must still undertake to fully restart its economy remain substantial. Indeed, Japan requires reforms of such magnitude that they necessarily will force social and cultural change. And that's a key reason why opposition to reform is so formidable.

After all, ending the cozy sanctuary of lifetime employment is extremely difficult for those who entered the workforce expecting it. Breaking the protective bonds of the keiretsu system leaves uncompetitive firms by the wayside and relationships formed over decades in tatters. And opening Japan to foreign direct investors and the foreign business practices they bring, threatens long-cherished ways.

But the path of deregulation and competition is never comfortable for anyone. Just ask the American workers who lost their jobs when the U.S. began its successful journey down that path in the 1980s.

There's no question that resistance to change among the bureaucrats, uncompetitive industries, and among many of the Japanese people themselves is formidable. Fortunately, however, younger generations in Japan are embracing change and the challenge of competition. That's why I remain optimistic about Japan, its future, and the future of our bilateral relationship.

Japan will take the helm at the next G-8 summit in Okinawa. I recognize the political constraints to dramatic reform in an election year such as this. But I urge Japan and Prime Minister Obuchi to demonstrate leadership by boldly addressing the issues I've outlined and by furthering the process of reform. The eyes of the world will be on Japan come July, and the opportunity should not be missed.