

105<sup>TH</sup> CONGRESS  
2<sup>D</sup> SESSION

# H. RES. 392

Relating to the importance of Japanese-American relations and the urgent need for Japan to more effectively address its economic and financial problems and open its markets by eliminating informal barriers to trade and investment, thereby making a more effective contribution to leading the Asian region out of its current financial crisis, insuring against a global recession, and reinforcing regional stability and security.

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## IN THE HOUSE OF REPRESENTATIVES

MARCH 24, 1998

Mr. BEREUTER (for himself and Mr. BERMAN) submitted the following resolution; which was referred to the Committee on International Relations, and in addition to the Committees on Banking and Financial Services, and Ways and Means, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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## RESOLUTION

Relating to the importance of Japanese-American relations and the urgent need for Japan to more effectively address its economic and financial problems and open its markets by eliminating informal barriers to trade and investment, thereby making a more effective contribution to leading the Asian region out of its current financial crisis, insuring against a global recession, and reinforcing regional stability and security.

Whereas the maintenance and improvement of a very positive international relationship between the United States and

Japan is vital to the two countries and to the entire global economic and trading system;

Whereas the United States-Japan Security Alliance and close economic cooperation have underpinned the security, stability, and prosperity of the Asia-Pacific region, thereby allowing that region to enjoy unmatched economic growth and development for nearly three decades;

Whereas the current financial crisis in Asia threatens the foundation of Asia's unmatched peace and prosperity, the stability of the global economic system, and related vital American security and economic interests;

Whereas Japan's generous contributions to second line credits for the three International Monetary Fund program countries, South Korea, Thailand, and Indonesia, totaling \$19,000,000,000, and its substantial structural adjustment loans and export credits to Indonesia, have helped contain the financial crisis, but are an inadequate alternative to a strong Japanese economy;

Whereas Japan accounts for three-fourths of the total East Asian Gross Domestic Product and therefore has the potential to help pull the region out of the financial crisis by serving as its "engine of growth", just as the United States, by being an "engine of growth" and having open markets, earlier assisted Mexico emerge from a substantial financial crisis;

Whereas deteriorating economic conditions and ongoing financial market turbulence in Asia make it increasingly important that Japan play a leadership role in helping to restore confidence in the economic future of the region;

Whereas that regional leadership role coincides with Japan's stated goal of promoting strong domestic demand-led

growth and avoiding a significant increase in its external trade surplus;

Whereas Japan's continued economic stagnation depresses the level of its imports from the United States and other countries in the Asia-Pacific region, thereby forcing its neighbors in the region to rely more heavily on their exports to the United States for growth;

Whereas weakened economic fundamentals in Japan and an accommodative monetary policy, coupled with a robust United States economy, have weakened the value of the Japanese yen against the United States dollar and therefore stimulated a rapid expansion of exports and a fast-growing merchandise trade surplus with the United States, which increased from \$48,000,000,000 in 1996 to \$55,000,000,000 in 1997;

Whereas the bursting of Japan's investment bubble in 1991 has been accompanied by protracted asset-price and balance sheet adjustments by Japanese financial institutions, leading to a scarcity of credit and weak growth;

Whereas policies favoring low interest rates had encouraged, until recently, excessive private sector lending to overly indebted enterprises in Indonesia, Korea, and Thailand, and thereby contributed to the private debt crisis in the region;

Whereas the resulting current poor asset position of Japanese banks and financial institutions has created a domestic credit crunch that greatly hinders their role in Japan's economic recovery;

Whereas past efforts to stimulate recovery through deficit spending targeted on the construction sector have proved

inadequate and failed to accomplish their desired objectives;

Whereas the 1997 consumption tax increase choked off a promising acceleration of economic growth;

Whereas inadequate deregulation initiatives have failed to restore vitality to the Japanese economy, while truly significant deregulation could add as much as a percentage point or more to Japanese economic growth; and

Whereas the continued failure of the Government of Japan to properly recognize and remedy the aforementioned policies will both prolong the Asian financial crisis and contribute to the inevitable rise in the American trade deficit with Japan, thereby potentially undermining American domestic support for close economic, political, and security cooperation and coordination between the United States and Japan at a critical point in history: Now, therefore, be it

1       *Resolved*, That it is the sense of the House of Rep-  
 2       resentatives that Japan should urgently undertake the fol-  
 3       lowing steps to enhance alliance cooperation and raise  
 4       Japan to the position of regional partnership that it  
 5       should enjoy by virtue of its economic and technological  
 6       achievements and its democratic political system:

7               (1) Undertake a broader and faster deregula-  
 8       tion of its economy, in order to improve long-term  
 9       growth prospects and promote opportunities for for-  
 10      eign firms, improve transparency and disclosure, re-

1       ward innovation and competition, and reduce sys-  
2       temic risk.

3               (2) Further open its distribution system to  
4       eliminate exclusionary and discriminatory business  
5       practices that are not only limiting imports but sti-  
6       fling economic growth and competition in Japan.

7               (3) Fully honor and implement its bilateral  
8       trade agreements with the United States as well as  
9       its multilateral trade commitments.

10              (4) Take other aggressive steps to reduce nu-  
11       merous barriers to imports and foreign investment  
12       and seek to lower its current account surplus to 2  
13       percent or less of Gross Domestic Product.

14              (5) Move promptly to dispose of nonperforming  
15       bank loans by disposing of nonperforming real estate  
16       and other loans and by allowing the market to deter-  
17       mine the real value of these assets and loans.

18              (6) Take immediate steps to address systemic  
19       problems in the banking system, close insolvent  
20       banks, and recapitalize weaker banks with banks  
21       that have strong fundamentals and good manage-  
22       ment.

23              (7) Address its fiscal problems in a manner  
24       that does not jeopardize economic recovery, with an

1 emphasis on significant and meaningful tax cuts  
2 rather than sectorally oriented stimulus.

3 (8) Adopt all appropriate policies to strengthen  
4 the Japanese yen.

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