

services. The beneficiaries will be the workers and consumers on both sides of the Pacific.

Improving our economic relations includes further opening your markets. It means greater openness in many sectors of the Japanese economy still biased against outside investment. These practices hurt American companies, but they also hurt Japanese consumers.

Americans want the same things you want, a better quality of life for themselves and their families. Americans never say, "Please raise our prices." And I'll bet the Japanese don't either. Every worker is also a consumer, and economic competition brings them great choices and lower prices. In fact, the Toys-R-Us store that the President visited in Kyoto offers prices up to 30 percent lower than its Japanese competition. The stunning success of the consumers' response to its sister store north of Tokyo tells the same story. That's good for us, and it's good for you.

U.S. export business is stronger than ever. We sold more exports last year than ever before. We enjoy a trade surplus with Europe. About one-third of our economic growth between 1985 and 1990 was attributable to merchandise exports. To Japan, our manufactured exports are up 70 percent since 1987, a \$20 billion increase that represents almost half a million jobs.

Still the overall trade deficit with Japan remains large. And I might add, its persistence is truly the exception among our trading partners. Let me say this: We have waited a long time, but now the time has come for equal access. Fairplay is in both our interests.

As you know, the United States and Japan also face the urgent challenge of leading the way to a successful conclusion of the Uruguay round. Because of the benefits we each derive from free trade, Japan and the United States bear a special responsibility for tackling the remaining difficult issues quickly and decisively. The success of the round depends on bold, farsighted leadership. We must lift our gaze to the glimmering horizon of broader prosperity and not worry over the stones in our immediate path.

Yes, all of us have problems with portions

of the so-called Dunkel draft, but we cannot let the progress it represents slip through our fingers. If we allow that draft to be picked apart by special interests, who wins? Not our people, not yours, not the less developed nations. No one. The GATT round is the world's best hope for expanding trade for all countries.

Men and women from all walks of life and all parts of America constantly tell the President this: They believe very, very strongly in creating a level playing field for everyone. We want all our trading partners to give the United States companies the same kind of opportunities that their firms enjoy in the United States. That's not just free trade; that's fair trade. And it creates a basis for even greater freedom and greater prosperity for all.

Many of our Japanese friends argue that the United States must improve its competitiveness, and they're right. We recognize that some of our bilateral trade imbalance stems from causes other than restricted market access. One reason for Japan's competitiveness is because Japan has saved and invested at a rate double that of the United States. You have focused on applied research and development and new manufacturing technologies. Your companies have established fine quality control systems. You have developed a highly educated labor force and have taken the long view to develop markets abroad.

There is much for us to learn from you. We are taking steps to boost our competitiveness. We can and will increase our rate of savings and investment. We will continue to boost our manufacturing's excellence. We will reduce the budget deficit. To stimulate innovation, risk, and longer term business outlook, the President is pushing for investment incentives, R&D credits, and capital gains tax cuts. In America, cutting capital gains is politically extremely difficult. It would be easier if our politicians saw the positive effect on Japan's competitiveness due to low capital gains rates.

And America must raise its educational standards. Our America 2000 education strategy will fuel a revolution for better quality schools. This is another path to competitiveness. The education achievements of