

Governor Thornburgh's comments to press re Japan/China trip, Harrisburg, March 19, 1980 (16:42)

>> Thornburgh: Good morning. The first thing I'd like to do is to give you a brief report on our recently concluded trip. During the 2-week trip that we undertook to China, Japan, and Hong Kong, we took important, new steps toward developing positive trade relations in the Far East. I think these steps can lead to economic growth in our state and provide more jobs during this decade for Pennsylvania working men and women. However, this trip was a first step and will require follow-up and will require continued efforts on the part of Pennsylvania businesses and on the part of this administration to capitalize on the initiatives taken. Our mission was actually two separate missions, for China and Japan are as different as night and day. Japan, of course, is a highly developed society and economy with increasing trade with the United States, the volume of trade increasing from \$43 billion in 1976 to \$96 billion in 1979.

Accordingly, during our stay in Japan, we met with government officials, corporation executives, and banking interests with regard to two specific opportunities that exist for Pennsylvania and Pennsylvania businesses. First of all, we had discussions with regard to developing further export markets for Pennsylvania businesses, concentrating on the areas of coal and agriculture. In discussions with the Ministry of International Trade and Industry, we learned that a special private-sector group has been set up to look into the potential for increasing imports of coal. And we secured a commitment to have that group put in touch with private coal interests in Pennsylvania. With regard to agricultural imports in our meeting with the Japan export-trade organization, the president, Mr. Murata, assured us that we would be put in touch with the appropriate persons within that organization to aid in increasing agricultural imports.

But the trade with regard to exports from Pennsylvania to Japan is only half the opportunity. A number of our discussions were carried out with respect to the potential for reverse investment. That is, Japanese companies investing in the commonwealth of Pennsylvania. In particular, there has been a lot of speculation in Japan and some pressure from both the United States and Japanese governments with regard to the location of automobile and truck and other vehicle assembly plants within the United States by Japanese industries. Accordingly, we met with executives of both Nissan and Toyota, the two largest vehicular manufacturers in Japan, with regard to any possible interests that they may have in investments in the United States and letting them know that in

Pennsylvania we would work with them in the event that such investments are contemplated and that they would be welcome in Pennsylvania. We also met in Osaka with executives of Matsushita Electric, the largest electronic manufacturer in Japan, manufacturer of Panasonic, National, and Quasar television sets. They have already visited this state. Our commerce people have been cooperating with them with regard to a potential site in northeast Pennsylvania, and we underscored our interest in cooperating with them in the event that such an investment is to be made. We met with the board chairman and the chief executive officers of Kawasaki Heavy Industries, Limited. Kawasaki, through its subsidiary, Nissho Iwai, is the successful low-bid contractor on rolling stock for both SEPTA and the Broad Street Line in Philadelphia and secured from those executives a personal commitment that a maximum amount of subcontracting, purchasing, and assembly will be done in the United States under that contract, which has elicited some controversy within Pennsylvania.

On the whole, our trip to Japan was, I believe, important in terms of opening doors for new export markets and in acquainting those who are potential investors in the United States of Pennsylvania's strong points with regard to their consideration. We stressed the fact that because of efforts we have put at the top of the list, our fiscal and tax stability has been enhanced in Pennsylvania. We stressed the existence of the pioneering Pennsylvania Industrial Development Authority, which would provide low-interest loans to help in any location in this state. We stressed what we believed was an improving labor-management climate, citing personal meetings on a regular basis between myself and labor and business leaders and the new Millwright Council. We stressed, of course, Pennsylvania's central location as the Keystone state, very near to important markets for these companies, and, finally, our initiatives with regard to supplying energy on a reliable basis.

China -- our trip during a week in China -- was quite a different experience, for China is a backward economy, much less developed than what any of us are used to seeing. Its total trade with the United States in 1979 amounted to only \$2.3 billion. Ours was the first mission of its kind to the People's Republic of China since most-favored nation status had been granted to the Chinese under the trade agreement of February 1, 1980. And a great deal of interest was exhibited in our delegation, which was made up of representatives of 11 Pennsylvania companies, each company being represented by a top executive -- in many cases its chief executive officer -- and a top technical person. Our split-level approach to the People's Republic of China included a series of visits by government officials and the chief executive officers to

top members of the Chinese government. We met with Vice Premier Li Xiannian and with ministers and vice ministers of a half a dozen of the important ministries within the People's Republic of China government. Each of these was designed to give access at the very highest level to business and governmental leaders as a signal of the importance that we and the Chinese placed upon this trade mission. Meanwhile, at the same time, the technical experts were engaging in round-the-clock seminars on a technical basis for end users within the Chinese structure.

In both Peking and Shanghai, these seminars were carried out with the potential customers for products and services that the Pennsylvania corporations had to offer. The gratifying aspect from this point of view was the fact that we were able to introduce Pennsylvania business executives at the very highest level of the Chinese government, which generated a signal to those in the purchasing and end-user category that this delegation was to be given every bit of consideration when it comes to future contracts. Indeed, many of our firms received definite hints of forthcoming activities, of sample orders, of visits subsequent to our journey, to firm up continuing considerations.

There are substantial problems with regard to trade with the People's Republic of China. And there is no sense trying to avoid those kinds of problems. They grow largely from the fact that the People's Republic of China lacks the necessary foreign exchange and capital to enter into the enormous type of projects that they need to yank their economy up by the bootstraps. They are reluctant and cautious about using credits, which have already been extended to them by international and national financing sources. And there is a great cultural gap between the People's Republic of China and the highly industrialized economies of the rest of the world. Their commercial law and tax law and patent-protection law has nowhere been developed to the extent that it is in the West, and there is a failure sometimes to join the dialogue over these very important issues. Nonetheless, we feel that, and I think the general consensus is, that with the requisite qualities of patience and flexibility on the part of American businesses, including our Pennsylvania businesses, that there is an enormous potential in China for increasing trade.

Ambassador Leonard Woodcock, during a meeting that we had with him, put it as follows. And I'm quoting the ambassador. "The volume of trade over the next several years will be light. With the Chinese, you need great patience. But it is also true that those companies which work patiently with them now will be remembered when trade steps up, as I believe it will. You should

keep in mind that the Chinese put great stock in old friendships." We tried to keep that in mind during our series of meetings to develop those friendships so that when the inevitable increase in trade begins, Pennsylvania will be in a position to take advantage of it.

As might be expected, in both countries there was considerable concern, as there is in our nation today and in the Western world, about energy. The concerns were quite different, but they had points of similarity. In Japan, where nearly all of the energy is imported, there is considerable concern, as in the United States, about reliance on Mideast oil. There is also concern about the ability to use coal in an environmentally sound way, and there is an ongoing consideration of nuclear energy as a supplement to oil and coal sources. During our discussions with the Japanese, it was made clear that their cautious but nonetheless continuing commitment to the use of nuclear energy was not affected drastically by the Three Mile Island incident. In China, the energy situation and concerns are quite a bit different. They have massive coal resources, massive undeveloped oil reserves, a tremendous potential for developing hydroelectric. And in each case they require only the capital and the know-how and the technology to convert these resources in place to energy supplies that can enable them to compete on the international scene. Nonetheless, in the short run, it is clear that they are also interested in the development of nuclear energy. Negotiations with the French for a nuclear reactor near Shanghai were interrupted and suspended at the time of the Three Mile Island incident, during which a delegation from the PRC was in this country, and thereafter a study undertaken of the reports made by various commissions and committees within the United States. We were told that at the present time, their conclusion is that they should proceed with the development of their nuclear capability, and there are presently under way feasibility studies relating to a nuclear facility to be located near Canton and to serve the Hong Kong area as well through a proposed joint venture with Hong Kong Light and Power Company.

I think as we returned from this exciting and noteworthy visit, I kept in mind an exchange that I had with Vice Premier Li Xiannian, the number-3 person in the Chinese hierarchy. And I had reminded him during our discussion of what I believe to be -- and he later verified to be -- an old Chinese proverb, that a journey of 1,000 miles begins with a single step. And the vice premier stated to me that Pennsylvania had made that single step, and it was an important one for our future. Our trip, I believe, opened doors

for the potential for increased trade between Pennsylvania firms and the People's Republic of China.

In both Japan and China, we have much catching up to do, for our initiatives have not been nearly so aggressive as those of other states. Indeed, in Japan we found that there had been 20-some governors through Tokyo in discussions with Japanese business and governmental interests during the year. It's extremely important that we follow up on these initiatives that have been undertaken, and that will be one of the priorities of our Commerce Department. After we left Japan and China, we stopped briefly in Hong Kong, where we met with financial and banking interests, for much of the financing of the development of the PRC will come through Hong Kong interests. And the message was given to me by Jacques LaGeugy, the president of the Banc Nationale de Paris, which is a major financing force in that area, at a dinner and reception, which he hosted for our delegation to meet leaders of the Hong Kong business and financial community. And he stated that we should take a message back to Pennsylvania that there is indeed a tremendous potential for developing trade in the Far East and that we should begin that task as quickly as we can.

I think it's important to note as we review this trip, some of the priorities that this administration has expressed, in addition to our very important and groundbreaking trade mission. We are seeking in the fiscal 1980-81 budget \$250,000 for permanent overseas representation. That is to say some staff to provide the follow-up and work with Pennsylvania companies who are interested in developing trade. We seek as well additional funds for the Pennsylvania Industrial Development Authority and funds for the Pennsylvania Energy Development Authority. We're continuing our efforts to stabilize the tax climate and to develop a climate with business and labor that is productive for the attraction of business from abroad and from the United States, as well, job-training programs, which can meet the need of foreign investors, improvements to our state's transportation system and ports, and a continuing emphasis on Pennsylvania's keystone location at the center of our enormous northeastern United States markets.

I think that's about as brief, believe it or not, a summary as I can give you of our trip. I think that we must work very hard to ensure that appropriate follow-up is undertaken, but I returned with a very positive feeling, not only about our potential in the Far East but about Pennsylvania's ability to compete with other states in projects that are being contemplated during this decade of the '80s in Japan and China.