

A Cold Peace: America, Japan, Germany and the Struggle for Supremacy

By Jeffrey E. Garten

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Writing about forms of leadership in the post-Cold War "new world order," the author, Jeffrey E. Garten, bases his fundamental conclusions on three points and notes in the preface to the paperback edition, "... I knew that the world was changing with stunning speed and that events would quickly test my three basic conclusions."

His first premise is that America's relationship with Japan and Germany is most important when considering the role of the U.S. in the wake of the Cold War. Secondly, relations between Washington, Tokyo and Berlin, particularly with diminished common military threats, face great strains. Finally, the U.S. should take leadership in moving toward regenerating and resuscitating the allied relationship between the three countries.

In the main this book is written from the perspective of the United States, but compared with the so-called "revisionists," Garten is objective and has analytical opinions about Japan and Germany. He offers a comparative analysis of the differences in the historical backgrounds of the capitalist economies of Japan, the U.S., and Germany, their institutional differences, whether their societies are open, and examines which nation is best suited for the role of leader in the new world order.

In the final analysis it may be said, as Garten notes, that only the U.S. is currently in a position to assume this role. He cautions that in today's post-Cold War new world order a leadership vacuum has now occurred. The "cold peace" of the title suggests the economic, internal, foreign policy,

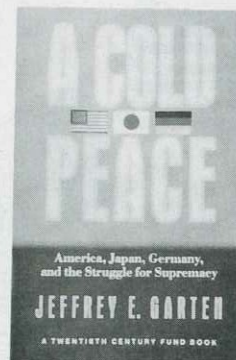
security and other issues the three countries face in the complicated, interconnected political situation brought on by the post-Cold War leadership vacuum.

Regarding the reasons for this vacuum, Garten points out that even though the U.S. possesses far more ability than either Japan or Germany, everything is relative and the U.S. does not fully meet the conditions for maintaining this superiority over the next 10 years.

Garten notes that the U.S. possesses leadership qualities in the military, economic, and scientific fields and is trying to supersede Japan and Germany in ideological appeal, international outlook, and the willingness to take initiative. He adds that the U.S. has demonstrated the will to garner worldwide support in order to accomplish this, but this is also nothing more than a comparison and by no means signifies absolute ascendancy.

However, as Garten points out, the United States is faced with various domestic problems which do not create an environment that enables the U.S. to fully take the reins of the new world order. As he says, the weakening of the industrial and technological infrastructure has been debated continually, but new solutions have yet to be proposed. Energy problems are also becoming chronic for the U.S. and a fourth energy crisis is feared for the latter half of the 1990s. In addition, the U.S. is now troubled by deepening societal problems. Murders and other violent incidents are increasing, education is devastated by a high school dropout rate of more than 25%, and the number of poor is expanding. Problems with youth are particularly grave. According to Garten, one child in five lives in poverty in the U.S., with the result that 25% to 30% of children under the age of 17 require some form of public assistance. These internal problems are important issues to solve if the U.S. wants to improve productivity, living standards, and international competitiveness.

Garten points out that if the United States is to solve these serious domestic problems and take a position of dominance in the '90s it must change the view it has had of itself up



until now. Next, government and business must strengthen economic competitiveness by working more in tandem than they have in the past and this will require revolutionary changes in perceptions, as well as systemic reform. Further, he holds that solutions to domestic problems and foreign policy should not be considered separate issues, but that thinking about integrated solutions for the two will be the first step toward solutions.

Regarding the reasons that Japan and Germany cannot take leadership on their own, in spite of their economic power, Garten's analysis retraces the historical perspective, but it is probable that neither Japan nor Germany thinks of individual leadership even in their dreams, nor does it seem realistic.

On the other hand, it is a fact of life that Tokyo and Berlin are becoming the financial patrons of the U.S. and also true that the formulation of strategic alliances between Japanese and German companies have been proceeding for the past several years in the fashion of Daimler Benz and Mitsubishi Corporation, Matsushita Electric and Siemens, and Itochu and Klockner-Werke.

Garten touches upon means of burden sharing with Japan and Germany, but notes that, although the limitations of the restrictions of their peace constitutions are recognized, there was a great deal of negative public opinion in the U.S. regarding the financial con-

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facing severe over-capacity for the rest of this decade. There is bound to be some continued friction as this process unfolds.

Whatever the future diplomacy surrounding autos, one can see the steady evolution of Japanese investment strategy, as the first generation of investors increasingly reinvests and otherwise improves its localization policies.

We are, for instance, starting to see Japanese companies in the early stages of rationalizing their relationships across Europe. Nissan, for instance, has been having troubles with its Spanish subsidiary and has had to inject a further \$130 million into it. It is also starting on the process of slimming down the number of suppliers it uses in its U.K. and Spanish operations. During this process, the company will undoubtedly be increasing the amount of its common purchasing which can be spread across the two operations.

At the same time, Japanese investors are improving the quality of their investments in Europe. To some extent, they are moving this way for purely internal reasons. However, such steps are also politically wise because the most common accusation still made against the current generation of investments is that they are "screwdriver" affairs. As Mr. Ian McAllister, the chairman and managing director of Ford Motor Company put it earlier this year in a letter to a British newspaper: "The Japanese could make an even more sig-

nificant contribution if they were to transfer more of their high-wage, high value-added research, design and engineering to Europe." ... and this is starting to happen.

On the automotive front, Nissan has created a 360-employee operation called the Nissan European Technology Centre, which is charged with helping in the design and development of vehicles. It has already led the design for the Terrano II model which Nissan will retro-import from Spain back into Japan. Nissan is spending a further £20 million on this Centre to expand its vehicle testing facilities.

Other Japanese companies are following the Nissan route and are also designating parts of their European operations to take the lead in developing certain products. Canon has done this with their European Research Centre for certain advanced audio products. Sony has similarly designated its Basingstoke-based operation in the UK as the company's lead research and development center for designing professional broadcasting equipment.

We can also see the start of more fundamental research activities. Hitachi and Toshiba both have a relationship with Cambridge University's world famous Cavendish laboratory, where they are conducting research into quantum mechanics. In the case of Hitachi's £1 million-per-annum Cavendish investment, the Anglo-Japanese research team has already developed a

single electron device. Sharp Laboratories Europe has a larger research operation in the Oxford Science Park where they had 42 staff in March 1933.

Conclusions

The relationship between Europe and Japan will never be an easy one, but the current state of affairs between them seems reasonably positive. Japanese companies are putting down substantial roots in Europe, and seem relaxed about the reception they are getting.

However, the current economic downturn in Europe may lead to a temporary increase in trade friction. After all, not all Europeans are totally committed to free trade, and there are voices within Brussels calling for a European version of Super 301—a mechanism which would allow the EC Commission to act unilaterally where it felt that European interests were being affected by trade distortions.

During this coming period, the best indicator of how relations are developing will be how the automotive understanding between the EC and Japan evolves. There will undoubtedly be some political strains in this sector during the current automotive slump. On balance, such strains should not lead to any wider long-term crisis. ■

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tributions that were made during the Gulf War. Further, as Garten notes, it is also possible to apply thinking about burden sharing to social and economic policies, as well as global environmental protection, but this has not always gone so well in reality.

Garten brings up several conditions for leadership and of these the most important is the existence of a clear sense of purpose that can be fully understood by the people of one's own country and other countries that follow. This was typified by the "communist containment policy" of the Cold War.

With the loss of this type of clear sense of purpose a vacuum has occurred. Certainly the U.S. took enough military leadership during the Gulf War. However, in order for this to function financial backup from Japan and Germany was indispensable. Regardless of this volume's title, *A Cold Peace*, although the overall threat of nuclear war may have disappeared the world is hardly in a state of peace. How should the leadership vacuum be dealt with? It is most likely a question of how Japan, Germany, and the U.S. can actively cooperate in

burden sharing and how each will make use of its leadership resources for the benefit of the rest of the world. This will also naturally require that advanced nations other than these three also strive to actively shoulder their responsibilities.

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