

The Japan Problem Problem



The Longer View

By Saburo Okita

There has recently been a flood of books and articles about Japan including everything from advice to businesspeople to veiled threats to Japan. Typical of this latter category is "The Japan Problem" by Karrel G. van Wolferen in *Foreign Affairs*. This is a very disturbing article because its *Foreign Affairs* imprimatur may well give it credence despite its many factual flaws and logical contradictions.

For example, van Wolferen complains that "there is no supreme institution with ultimate jurisdiction over the others." Of course there is not. Japan is a democracy, and the good thing about democracy, for all of its inefficiencies, is that there is no one institution that has supreme jurisdiction. A dictatorship would certainly make it easier to get Japan to do his bidding, assuming the dictator could be controlled, but I personally prefer the postwar democracy.

Soon after that, he complains that the bureaucracy runs the country. Aside from the difficulty of reconciling this with his early lament that nobody runs the country, he is working with badly out-dated information. The bureaucracy was very strong in prewar Japan—as is the case in virtually any developing country—but has seen its power eroded as industry has become stronger. In many cases, industry has moved independent of the bureaucracy, and when there is a need for national policy coordination, the leadership initiative is increasingly being taken by the politicians. This is, I think, a healthy trend, even if the United States and other countries are seeking to slow the erosion of bureaucratic power by demanding government-administered voluntary export restraints, semiconductor cartels and the other paraphernalia of controlled trade.

Government-industry cooperation for economic development is common to the development process. Depending upon the stage of development, this cooperation might be in textiles, automobiles, aerospace or any of an infinite variety of fields. The government's in-

volvement may be more obvious at the earlier stages when industry is weak, but it exists all the way up the development ladder. Today, Japan is much less obviously a "capitalist development state" than it was 10 or 20 years ago, and it is likely to be even less so in another 10 years. Japan's catch-up phase is just about over, and rather than harping on the differences among our countries, I would look at the similarities.

I am very concerned about the lurch to autarky. By condemning Japan as somehow unique and unamenable to reason, van Wolferen builds a case for protectionism and international cartels. Already 30% to 40% of Japanese exports to the United States are under quantitative restraints, voluntary or involuntary, and the percentage is rising. Yet the entire thrust of postwar economic arrangements was to build multilateral free trade. As such, bilateral trade limitations represent a regressive, dangerous throwback to prewar autarky and trading blocs.

The American occupation of postwar Japan instituted many reforms. Those that were suited to Japanese soil took root and grew, and most Japanese look favorably on these American-inspired reforms. Yet as Japan has grown economically stronger, it has moved out from under American tutelage to be an equal partner. This equal partnership has to mean joint participation in joint decision making.

It is unrealistic for the Euro-American side to try to dictate to Japan anymore. On the trade issue specifically, some writers say Japan is in the wrong. Others say America is in the wrong. Personally, I suspect there is enough blame to go around on both sides, and the important thing is to cooperate to find joint solutions to our shared concerns.

This same propensity to use old data to substantiate yesterday's frustrations is evident in van Wolferen's claim that the yen's appreciation cannot make any difference because the Japanese economy is immune to outside influences. In

fact, despite the repeated J-curve effects as the yen ratcheted up, Japanese export volume has shown marked declines over the last year or so. And as market mechanisms have accelerated this adjustment, Japan's current account surplus has also shrunk. Seasonally adjusted, the current account surplus has been shrinking since February.

With the very fierce domestic competition, Japanese companies have developed and honed their competitive skills to the point that they do very well—sometimes too well—in export markets. At the same time, the emphasis that most Japanese companies put on achieving market share has meant that they play hardball worldwide.

Thus, I can understand that there are times when free trade's excesses need to be curbed and safeguards enacted to buy time for restructuring. But I wish other governments and industries—instead of engaging in legal harassment and laying down a wholesale battery of browbeating and accusations that, when you cut through their sometimes contradictory logic, amount to the charge that Japan's success is ipso facto proof that Japan is unfair—would explain the need for a time out, indicate how they intend to use the breathing space for renewed competitiveness and ask Japan to cooperate as an equal partner in sustaining sound economic structures worldwide.

The entire thrust of Japan's trade policies over the last several decades has been toward greater liberalization. This we have done because we know it is right. It is thus very discouraging to see other countries moving in the opposite direction and to see Japan alone labeled the problem.

It would be most unfortunate if emotional charges and countercharges were allowed to poison the overall Japan-U.S. relationship—a relationship that I believe most people on both sides of the Pacific see as beneficial. ●

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