

tional relations, further fueling the drive for even more military power and creating the vicious circle that characterized Japan in the 1930s.

Situated as it is next to the Soviet Union (earlier Russia) – the largest and strongest power to appear on the Eurasian continent since the Mongol Empire of Genghis Khan – Japan naturally turned for security to alliances with the Anglo-American countries, and these alliances in turn provided the guarantees needed for freedom and democracy in

Japan. These alliances with the Anglo-American powers have not been one-sided, as Japan provided the sole bulwark against Russo-Soviet expansionism in the East.

Because the memories of the 1930s are so indelibly etched in the minds of modern observers, there is a tendency to think of that period as the prototype for Japanese political and societal behavior – though I believe that Japanese behavior in the 1930s was more an aberration in response to the temporary vacuum created

by the Bolshevik revolution than it was part of a recurring pattern.

The U.S.-Japan alliance is not so much a postwar relationship founded on the Occupation experience and its aftermath but is rather a reaffirmation and expression of what is, historically and geopolitically, the most stable bilateral relationship to exist in East Asia – and the best way to ensure continued long-term stability in the region is to maintain this vital alliance. ■

A Friend in Need

By Yohei Mimura

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Critics of Reaganomics cite the so-called twin deficits as evidence of its failure as an economic policy. In my view, however, Reaganomics has played a positive role in achieving an unprecedented economic recovery in the United States. The U.S. economy under the Reagan administration has served as a “locomotive” in pulling the world economy out of its slump.

The boom in the domestic U.S. economy, however, led to a sharp expansion of imports. The result was to inflate the U.S. trade deficit and intensify trade frictions with some of its trading partners, including Japan. But trade tensions toward Japan have been felt primarily at the level of the federal government in Washington. Economic relations at the level of individual states have remained favorable and are becoming closer than ever. This positive perception of bilateral economic relations in areas outside the American capital is an important factor that should not be underestimated.

Bilateral trade issues on particular products often obscure some of the underlying realities of trade between the two nations. Take, for example, the issue of opening up the Japanese farm market to U.S. agricultural products. The basic

fact is that Japan is already the largest buyer of American farm products. Japan's purchases of farm products from the United States in 1987 were equal to the combined total of those by Canada, the Netherlands and South Korea in the same year. Another key fact to remember is that Japan takes 78% of America's entire beef exports. What's more, 83% of the soybeans consumed in Japan are imported from the United States.

Japan is also a major investor in the United States, and ranks third, behind Britain and the Netherlands, in the cumulative value of direct investment. A calculation made as of May 1987 showed there to be 640 Japanese factories and plants operating in the United States, with a total of about 160,000 Americans on their payrolls.

These are but a few examples of the close economic interdependence between Japan and the U.S. Despite trade issues that develop from time to time at the government level, relations at the local or state level remain highly satisfactory. Of course, this is no cause for complacency. The twin deficits are still there, and the new administration in Washington will have to address them effectively, regardless of who is elected president in

November. Also, reductions in the deficits would be likely to create deflationary pressures on the U.S. economy.

Japan, along with Western European countries, has a responsibility to help the United States, to be a friend in need, so that any slump in the U.S. economy does not cause a global recession. More specifically, Japan needs to continue to expand domestic demand and recycle some of its surpluses to developing countries. These recycling efforts should include a reduction of the debt burden of heavily indebted countries in the Third World.

The large trade imbalance between Japan and the United States is a matter of grave concern to the U.S. government and Congress. I hope, however, that this problem will be viewed from a global perspective—seeing that Japanese surpluses are being recycled to the United States in the form of investment and to developing countries, including debtor countries, in the form of economic aid. There would be nothing to be gained from looking at this problem in emotional terms. I hope that more meaningful discussions will be conducted, on the basis of factual data concerning Japan-U.S. economic relations. ■