

# Toward Harmonious International Trade

By Yukio Otsu

The world economy recovered slowly but steadily in 1984, led by the robust expansion in the U.S.

However, protectionist pressures remain strong, and are being exacerbated by the overvalued dollar, the widening U.S. trade imbalance and continued high unemployment in Western Europe.

Exports from developing countries

expanded thanks to the worldwide economic recovery. At the same time, however, the Third World debt problem was aggravated by high interest rates. The debt crisis is far from over.

Japan's own trade surplus continued to expand in 1984, due largely to the different phases of economic recovery in Japan and the United States, the dollar's appre-

ciation against the yen and softening oil prices. There is a danger, however, that trade frictions may flare up again in 1985 following the lull last year. This friction that has developed in recent years has several major characteristics.

First, there is a tendency to take issue with the other party's economic structure and business practices. Second, it often



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arises from a growing tendency to impose preventive restrictions on imports of high-technology and other sophisticated products or restrictions out of national security considerations. Third, the scope of friction is widening to take in not only goods but also services. Overall, trade friction is becoming increasingly serious and diverse.

Japan now accounts for 10% of the world gross national product, and upholds an open international trade policy. The Japanese government should work to develop harmonious external economic relations with a view toward achieving balanced trade expansion. At the same time, it should take concrete and realistic measures to reconstruct the international economic order in ways that would contribute positively to its own economic development and that of the rest of the world. More specifically, the country should strive to maintain and strengthen the free trade system, promote industrial cooperation and deal constructively with the problem of the Third World debt.

Thus far, Japan has implemented several packages of external economic measures, including reductions in tariff

rates, relaxation of import restrictions and streamlining of import procedures. In April 1984, the government announced a trade package aimed at promoting (1) market liberalization and import expansion, (2) market liberalization in high-technology fields, (3) liberalization of capital and money markets and internationalization of the yen, (4) expansion of investment exchanges, (5) energy trade, and (6) liberalization of foreign legal services in Japan.

Moreover, to promote dialogue and cooperation with other nations, Japan has actively participated in international economic discussions. These include the annual summit meeting of Western industrialized countries, the quadripartite conference of trade ministers and the ministerial council of the Organization for Economic Cooperation and Development (OECD).

With its continued surplus in the balance of payments current account, Japan is playing a growing role as a capital exporter. At a time when a global shortage of savings and investment capital is causing serious concern, the country continues to supply much of the needed funds through investment in and industrial cooperation with other developed countries, and via its economic assistance to developing nations.

In 1985 and beyond, Japan should make further efforts to construct international relationships that will contribute to economic development around the world. From this point of view, international trade policy should emphasize the following points:

First, Japan should contribute positively to the revitalization of the world economy by preventing the spread of protectionism, and maintaining and strengthening the free trade system. To this end the nation should take the initiative, through positive and concrete action, in launching a new round of multilateral trade negotiations. As a first step in this direction, efforts should be made to expedite the implementation of the GATT working plan. In view of the fact that the cooperation of developing countries is essential to the start of a new GATT round, Japan should take every opportunity to appeal for the participation of Third World nations, particularly those in Asia.

Second, Japan should continue to work to expand imports. Import promotion measures now in progress should be applied organically and comprehensively in view of the nation's large trade surplus. The basic policy should be to develop harmonious external economic relations with a view toward balanced trade expansion. More specifically, it is necessary to strengthen the import promotion operations of the Japan External Trade Organization (JETRO), instate monthly pro-

grams to expand imports of manufactured goods and improve financial measures to stimulate purchases from abroad.

Third, industrial cooperation should be promoted. Such cooperation is conducive to international exchanges and the revitalization of the world economy. Cooperation in investment, technological development and Third World markets should be encouraged in a broad range of fields under a clear-cut policy of fostering investment and other exchange. To this end, JETRO's functions should be improved by strengthening its information services, holding international symposiums and taking other appropriate measures. At the same time, projects to facilitate direct investment in Japan should be implemented, together with financial measures to promote such undertakings.

## Economic cooperation

Fourth, Japan should promote comprehensive economic cooperation and deal positively with Third World debts. Official development assistance (ODA) should be expanded to achieve the government's current medium-term target, and to meet the diverse needs of developing countries. Such assistance should be complemented by cooperation in trade and investment. This will require comprehensive and systematic consulting activities designed to bolster smaller enterprises in developing countries, as well as cooperation in the exploration of deep-sea natural resources. These should be promoted together with long-standing measures already under way, including surveys on development projects, cooperation in human development and research cooperation. Comprehensive and basic research should also be conducted with respect to developing countries, and cooperation in promoting trade with Third World nations through the offices of JETRO encouraged.

Furthermore, to secure financial flows to developing countries, the government departments and other organizations concerned should conduct joint studies. Japan should aim for "transparency" in its export credit practices by taking into account such related international developments as the discussions at OECD export credit arrangement conferences.

Given the deepening debt crisis in the Third World, it is incumbent upon Japan to promote economic cooperation with developing countries through appropriate surveys and projects conducive to economic resilience and development in debt-ridden countries. At the same time, efforts should be made to extend export credits as efficiently and flexibly as possible. As for export insurance, it is important to implement measures that will serve to stabilize the operation of the insurance system and strengthen its administration. ●



World leaders gathered at the 1984 Economic Summit in London to discuss international trade issues.