

# The Symbiosis Between Japan and the U.S.

By Naohiro Amaya



Two years ago, as the 20th century's last decade began, Americans were euphoric—the Cold War and the Gulf War were both won. This was reflected in the 90% popularity rating of former President Bush.

The Japanese were elated over an unprecedented economic boom. Optimism swept Europe and in the former Soviet Union and East Europe hopes were high that a springtime market economy would arrive after a long winter of communism.

## Dangerous world situation

The economies of Japan and Europe today, however, are going through purgatory. The U.S. economy has suffered a dual stagnation—in the long term, following the golden days of the 1950s and 1960s, and in the short term, after the party of Reaganomics. Although a faint sign of recovery can be felt, spring is still far away. In the former Soviet Union and East Europe, the silver lining has quickly turned to a leaden gray.

It is never clear whether the causes of international recession differ from country to country or if they share a common base. What is certain though, is that none of the governments and central banks have written a clear prescription with confidence.

Moreover, indicators of the basic direction in which the post-Cold War world should be heading, politically and economically, remain unclear. The Uruguay Round has been under negotiation for more than six years (since 1986) under the auspices of the General Agreement on Tariffs and Trade (GATT). However, no progress has been made to date.

The present GATT situation can be described as "too many cooks spoiling the broth." But this is not unique to GATT. The term "leaderless" can be assigned to the European Community (EC) in terms of currency integration; the United Nations, NATO and the EC regarding the problem in Bosnia; the Group of Seven



(G-7) on relief work in Russia, as well as the moves of participating nations at the Earth Summit in Rio de Janeiro.

There are two main causes which have lead to the current world situation. The first is that our values have become pluralized with the ending of the Cold War. We are now in a situation, as the Chinese say, of a hundred flowers blooming and a hundred schools of thought contending.

The second is that the weakening leadership of the U.S. has made it difficult to contend with other schools. That is why international conferences end up like the frog conferences in Aesop's fable. If we ignore the situation, the world's safety and prosperity will be threatened. To improve the situation, hard work and cooperation between Japan, the U.S. and Europe are absolutely essential. I shall leave Europe out in this essay.

## The need for quality improvement in the American economy

In order to bring the world order back on track, the most important and urgent task is for the U.S. economy to regain its vitality and confidence so the government can strengthen its leadership on the international stage. As Americans well know, blaming other countries such as Japan for the ailing economy is clearly a wrong diagnosis. And a wrong diagnosis can only lead to a wrong treatment.

The U.S. economy's ailment comes from the propensity of both the government and the people to overspend and to save and invest too little. A glaring example of excessive American spending is seen in the over-consumption of gasoline. Because America's gasoline tax is much lower than that in Japan and Europe, the retail price of gasoline is abnormally low. Consequently, per capita gasoline consumption in the United States is abnormally high.

If the gasoline tax is raised to the level of Japan and Europe, consumption will dwindle, imports will decrease, the budgetary and current account deficits will lessen and the long-term money rate will drop. This is indeed killing two birds with one stone.

Successive U.S. governments avoided

adopting this obvious policy because, politically speaking, this was too bitter a pill to swallow. It goes without saying that a good doctor would prescribe an effective medicine however bitter the taste. What the American economy needs today is bitter medicine and a good doctor.

In order to convince the American public to swallow an unpalatable gasoline tax pill, America must restructure its finances so that the benefits derived from taxes and public expenditure are shared equitably. For example, costs in national defense expenditure should be cut further, the tax burden on the rich should be raised and their social compensation should be lowered so that public dissatisfaction over the gasoline tax can be eased.

During the course of the Structural Impediments Initiative (SII) talks, Japan has made several appeals for the U.S. to reform its disposition for over-consumption, but the Republican administration never sought a satisfactory solution. President Clinton places top priority on domestic affairs and we have high hopes he will show his full potential as a skilled doctor.

To undergo major surgery one needs enough physical strength to withstand the operation. Whether the American economy has the physical strength to withstand the major surgery of a gasoline tax increase is something to be decided by the doctor.

During the presidential election campaign, President Clinton listed income tax cuts, investment tax cuts, investment in education as well as improvement of the social infrastructure and other business stimulating measures at the top of his timetable. From the standpoint of nurturing physical strength, this is indeed an appropriate decision. However, preoccupation with business recovery must not turn the doctor's eyes away from the surgery needed to correct the disposition for over-consumption.

## Japanese administration reforms

As long as we demand that President Clinton be a good doctor, naturally we have to expect the same from Prime Minister Miyazawa. The first medicine

that must be prescribed to the Japanese people is the tariffication of imported rice. It is obvious that Japanese rice farmers are overprotected. To put it more accurately, tariffication is a bitter pill only for Japanese farmers, not for the Japanese people. Looking at the overall situation, tariffication is a good medicine that must be swallowed. If Japan were to avoid taking its medicine, the country, in terms of international opinion, would be harshly criticized as having no sense of values, no sense of responsibility, no policy and no political ability. The rice problem is an acid test which will prove whether the prime minister and Japan's other politicians are skilled doctors or mere charlatans.

The second and third pills are more bitter and larger in dosage than the first one: political and administrative reforms and the clarification of the constitution and national security policies.

The importance of the role of politics is brought home to us now more than ever. The basic role of politics is to choose and dictate a course of action. During the Cold War, which lasted for about 40 years, the course of Japan was as simple as that of a young lad. That is, a priority on economic growth while relying on the U.S. for national security and following the U.S. in international politics.

But Japan has succeeded in becoming an economic power and is no longer a young lad. Looking at the international situation, even though the Cold War is over, history is not finished. As I mentioned earlier, many changes have taken place and as America becomes more engrossed with domestic affairs, it is too much for the U.S. alone to deal with all these problems. Having become a full-fledged adult, Japan must also share the burdens of responsibility as much as possible.

But even now Japan's politicians have not been able to rid themselves of their youthful psychology. They have not fully come to grips with learning the values that Japan must choose as an adult: the vision of a desirable international society and the policies that will lead to such a vision.

Many politicians tend to devote their time to finding ways of collecting money to fund their own election. In order to take actions as a power with responsibilities in





Photo: WMP

President Clinton gestures as he delivers his inaugural address after taking the oath of office on the west steps of the Capitol.

the international community, Japan must upgrade the quality of its politicians. This means there must be major reforms in the election system, for example a plan for limiting political funds.

In the mid-19th century, when Japan was forced open by Perry's black ships, the country was a weak, developing nation in comparison with Western countries. To catch up with the advanced nations it was necessary for Japan's infant industries to be placed under government protective control. Consequently, Japan adopted what Professor Chalmers Johnson called "developmental capitalism."

Despite the fact that Japan has succeeded in its economic growth and is no longer a developing nation, the inertia of "developmental capitalism" that lasted for over 100 years continues to prevent people from taking responsibility. There are still many instances of administrative authorities interfering too much with the market, leading to the protection of vested rights in which the introduction of foreign imports and access to the market by foreign companies are being blocked. Whether it is for the benefit of Japanese consumers or for opening wider the Japanese market to the rest of the world, extensive administrative reforms are necessary.

Japan has been engaged in the SII talks with the U.S. Although these talks are on economic structure, I feel that it is not only the economic structure which needs improvement. It is also important to improve on political and administrative structures. Still, at this juncture, if negotiations between the two governments

should lead to the kind of situation where country A makes demands on country B for political and administrative structural reforms, it is clear this will only lead to excessive stimulations of nationalism. Obviously such an approach would not be wise. It is important that individual countries, thinking about their own future as well as the future of international society, come up with suitable reforms voluntarily. For the Japanese it is particularly necessary that they become aware of the importance of this problem.

The third bitter pill is the interrelated issue concerning the constitution and national security. The framework of Japan's constitution and national security was formed by President Truman, General MacArthur and former Prime Minister Shigeru Yoshida. Forty years have passed and both Japan and the international situation have undergone great changes. Naturally, the role that Japan must play and the responsibility that it must take on in the international society also must change as a result. However, doctrines, taboos and the constitution made 40 years ago are blocking this necessary change.

In response to the needs of this new age, a new paradigm, including an alteration of the constitution, needs to be formed. Domestic Japan as well as many neighboring countries remain deeply insecure and distrustful of Japanese militarism. We should not take this matter lightly. Consequently, the Japanese government must pay full attention to public opinion, both domestically and internationally. The building of a basic paradigm

for a national security policy must be done carefully.

## The importance of Japan-U.S. partnership

As I mentioned before, the first thing that the United States must do is to regain its strength in its legs—in other words to restore its economic vitality. While Japan has a mature lower body, it must undergo treatment for the mental imbalance it suffers from the "Peter Pan Syndrome." When both countries have succeeded in building healthy upper and lower bodies, the two nations, as powerful global partners, will then be able to construct a new world order.

When that time comes, though there may be many joint tasks to tackle, I would like to make a suggestion for building a peaceful Asia-Pacific region.

The glow of modern civilization, which originated in the Mediterranean and has been moving west, is about to cast its light on the Asian-Pacific Rim. Internationally, this region has an outstanding GNP and economic growth rate. Trade between East Asia and North America has great potential growth. It is of basic interest to both Japan and the U.S. that this trend continues into the 21st century.

For this reason Japan and the U.S. must take leadership in economically promoting the liberalization and activation of mobility of goods, technology and capital. On the political side, trustworthy, multi-facet national security structures must be created in areas still ridden with territorial disputes even though the Cold War has ended. The conditions necessary to foster this structure are firstly, the continued presence of the U.S. military in Asia, and secondly, close cooperation between Japan and the U.S.

If a Pax Asia-Pacific is successfully formed by a Japan-U.S. partnership, there is little doubt that it will serve as a solid stepping stone to a sustainable, new world order.

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