

Department of Commerce, for example, has designated the facilitation of free trade in the service sector a major agenda item for the 1980s and 90s. I suspect the complexity of this problem, the significant overlay of government regulation which already exists in this area, and the increasing importance of trade to most major industrialized countries will result in trade disputes which will make the disputes over autos and steel piles by comparison. The United States fired the opening volley in this war at the recent ministerial level GATT meeting in Geneva. The resistance to that shot, if not the shot itself, was certainly heard around the world. More attention to this problem would seem a useful addition to the perspectives now offered in the report.

Marked by Solid Research and Foresight

On the whole, however, I found this interim report extremely useful and very stimulating. It is very thoughtful, remarkably well researched and contains a number of most provocative and insightful observations. I found stimulating the suggestions regarding Japan's international financial role and the part that Japan might play in revitalization of the world economy. I also found interesting the expression in a variety of places that Japan must make itself more open to foreign goods and foreigners themselves. I likewise was impressed with the perception that various emergency measures might themselves cause significant economic dislocations and that crisis management systems must be developed to deal with the effects of those emergency measures. Japan has learned well the lesson that tinkering with one part of the economy invariably affects another. It is precisely this kind of insight and foresight that makes this report so interesting and useful.

I also was impressed with the rather candid admission that certain self protective measures which might be expedient in terms of domestic politics are not at all justifiable in terms of economic security. For example, even in the discussion of Japan's food supply situation, the subcommittee makes it clear that it is "wrong to protect all agricultural products in the name of economic security." This kind of sensitivity in the analysis is found throughout the report, making it a most useful and, in my opinion, central addition to the debate on these important topics.

The report also contains a number of extremely useful appendices in graph and chart form. The graphs, in particular, make a strong case for various of the subcommittee's assertions, such as the degree of Japan's interdependence with certain other countries and the extremely deleterious effect which would be occasioned by

trade protectionist measures. Other graphs, such as the one which describes the effects on the world economy of a significant decline in Japan's GNP, and charts, such as the one which discusses the types of technological developments necessary to revitalize certain basic industries in Japan, also are highly illuminating. These technical data alone make the report extremely valuable reading.

For Americans— a New Perspective on the Interplay of Government and Business on Japan

There is, however, a second level at which I suspect this report may spark rather unanticipated, nevertheless extremely important debate, at least in the United States. The very nature of this enterprise is somewhat foreign to the American way of thinking. We certainly have various study and advisory committees which issue well thought-out and comprehensive reports. That such a committee can play, especially in an area of such jealously guarded prerogatives as those of the free enterprise system, a central role in the policy making function of the government is rather startling to many Americans. That these proposals will be taken seriously and find expression in actual practice in this area is even more remarkable.

At the same time, the activities of this subcommittee should raise substantial doubts about the claim that the Japanese government is highly interventionist and directive. Rather, the very nature of this enterprise, which starts with a committee composed largely of academics and businessmen and works towards the development of a national consensus, suggests that perhaps the model we so commonly credit in the United States of the Japanese government leading and business meekly

following is not totally accurate. Rather, the interplay between business and government is much more complex and subtle and the government perhaps is more fairly viewed, on occasion, as a tool for the effectuation of all sorts of business interests and, on other occasions, as an organization which creates a constituency for certain future interests which otherwise might be unrepresented in the tug and pull of the political process.

In all events, I think it is particularly timely that we have an opportunity to observe this process play itself out in an area as important to our own interests as this. This is one of those rare occasions on which we know that significant developments are going to occur, and that those developments undoubtedly will be the result, at least in part, of interaction between government and business. A case study such as this surely is a political scientist's dream. We can watch this entire situation unfold and in the process learn a great deal about the way in which the Japanese government operates, and the relationship between business and government. This, in turn, will help us focus our own thinking, not only about the substance of an industrial policy for the United States, but also about the tools of government necessary to effectuate such a policy and the relationship between those tools and other goals and objectives of our society. While these sorts of concerns may be of appreciably less interest to the Japanese, I believe they can be extremely instructive to the United States at this critical juncture in our own thinking about the future direction of the American economy.

As the very length of this rather long—though intended to be extremely short—review indicates, this is an extremely provocative report. It is useful, insightful and will serve in the months ahead as a central point in the debate about the future of the Japanese economy. I sincerely hope it receives wide distribution in the United States. It certainly deserves it. ●

COMMENTARY

Time for Strong Political Leadership

By Yoichi Masuzoe

*Associate Professor at the School of Liberal Arts,
The University of Tokyo*

The primary objective of Japan's security is national survival. The preservation of freedom, peace and prosperity is also indispensable. The Japanese government, under what it terms "comprehensive security," has been trying to ensure the nation's security through wide-ranging ef-

forts covering the military, diplomatic and economic fields.

Among the unstable factors Japan must cope with in international politics today are the Soviet military threat, trade friction with its industrial allies such as the United States and the European Com-

munity, and instability in the Third World.

Steady Increase of Defense Capabilities Requested

On the Soviet military threat, Japan must steadily increase its defense capabilities while relying on the U.S.-Japan Security Treaty and/or the U.S. nuclear deterrent. That is why Japan has been increasing its defense outlays by 7% annually over the past few years despite its continuing financial deficit.

But an increase in the nation's military might alone will not solve the international problems Japan faces. The nation is also required to make economic and diplomatic efforts to tackle the problem of a possible reduction or suspension of resource supplies resulting from instability in the Third World, and bilateral trade friction with the United States and the European Community.

A report submitted last year by a government-appointed ad hoc sub-committee entitled "Seeking the Establishment of Economic Security of Japan" deals with these issues.

The world is now straining under the burden of recession. Leaders in many nations are striving to improve a situation in which unemployment and inflation exist

side by side. Some of them, seeking quick results, have resorted to protectionist measures. Japan has a 10% share of world gross national product (GNP), and it is incumbent upon Japan to work positively to get the world out of the recession in which it is now mired.

First of all, according to the report, Japan should seek to arrest the proliferation of protectionist measures and maintain and expand the world free trade system. As the report points out, Japan should not only play a leading role in stabilizing GATT (General Agreement on Tariffs and Trade) and international monetary systems but should also make overtures, if necessary, for establishment of a new global framework in international trade and currency.

Should trade frictions of a sort unmanageable within the GATT framework of open and free trade occur too frequently, or should the floating exchange rate system be held responsible for protracted international financial uncertainty, alternative systems will have to be worked out.

Another measure for revitalizing the world economy is the promotion of big international projects for technological development. International cooperation in advanced technology, along the lines of the Joint Committee on Promotion of Scientific and Technological Cooperation created following the Versailles Summit, should prove effective in helping expand

global economic activity. This sort of cooperation should be encouraged and developed further, the report says.

The Report Short of Full-Scale Examination

But the report fails to adequately examine how technological cooperation among the industrial countries will link into regional development in developing countries. The question of how to tackle North-South problems between the rich and poor nations will become increasingly important for Japan's economic security.

The report handles the problems of the Third World from the viewpoint of how best to ensure stable supplies of important resources for Japan. On the energy problem, the report cites the development of petroleum-alternative energy sources, the diversification of energy supplies and increased stockpiling. It also stresses the need for the government to tackle rare metal and food problems.

But in its examination of national economic security, the report does not dwell on ways to cope with the Soviet military threat. National economic security should be considered as part of Japan's comprehensive security, and should be argued in connection with the nation's policies on military security.

Increased economic interdependence among nations does not automatically prevent the outbreak of war. Japan cannot be said to have less need to build up its defense capability just because it is a peace-pursuing nation whose military strength will be used solely for defensive purposes, nor because its crisis management policies may be effective in coping with possible disputes in the future.

So long as the fundamentally separate issues of trade and defense are perceived by other nations within the rubric of Japanese "unfairness," any lack in Japanese defense efforts will intensify trade friction. Even in questions of high technology, it seems doubtful whether international cooperation is possible for Japan divorced of military considerations.

The report takes up the problems of maritime transport in the context of securing stable supplies of important resources. But it avoids any concrete propositions on the military security of sea lanes to and from the coasts of Japan.

If Japan is resolved to play an important political role in international society, it needs to step up its comprehensive efforts in all fields, be they economic, diplomatic or military.

At no time in the past has Japan been in such great need of strong political leadership to integrate and adjust the individual efforts of the Defense Agency, the Foreign Ministry and the Ministry of International Trade and Industry and to establish a clear security policy for the nation. ●

