

competitiveness, leading to new types of corporate cooperation in such fields as R&D, distribution, intellectual property and training.

We are therefore moving beyond export-led interdependence toward networks-led interactions which Prométhée labels "interconnection." In this respect, much of today's Japan-U.S. developments stem from the need for corporations to meet the new, global challenges rather than from specific bilateral factors or macroeconomic contexts.

Seen from Europe, the recent developments in U.S.-Japanese relations—most notably corporate joint ventures and

Japanese investments in the U.S.—can be analyzed as part of a broader pattern that does not fit traditional trade theory nor multilateral practices, yet is in keeping with the new types of global dynamism.

Obviously, some practices—witness the semiconductor agreement—would call for multilateral scrutiny. But Europeans should put their faith first in their own skills at using the next strategic tools of interconnection, the more so as the "1992 internal market program" opens major opportunities for them.

Indeed, the 1992 program and other EC policies such as cooperative R&D programs offer today's most ambitious effort

at promoting not just "exports" but networks of all types (whether electronic highways or intercorporate alliances). Regional interconnection can play a similar role in making European corporations more competitive in the face of U.S.-Japan interconnection.

Hence, beyond the present emphasis on bilateralism and preferential networking, new concepts of reciprocity (concerning such matters as access to networks, rights of establishment and definition of local content) may well provide a major impetus to keep the global economy open. ■

Responsibility in Trade

By Stuart Harris
Secretary, Australian Department of Foreign Affairs and Trade



The Japan-U.S. relationship is as important for Australia as it is for Japan and the U.S. Both countries affect Australia's economic well-being directly, and in a major way. Japan is our largest market. The U.S. is the second-largest. The U.S. is our largest supplier. Japan is a close second. Both countries are major sources of investment funds; and both have a major stake in the Australian economy. We also share important common strategic interests.

It naturally concerns all countries that trade and economic frictions have tended to dominate the Japan-U.S. relationship in recent years. Because of their "weight" in global affairs, how Japan and the U.S. resolve their trade differences has an important bearing on the economic fortunes of others. Indeed it has an important bearing on whether stability and security can be secured both for the region and the world.

Japan's large trade surplus with the U.S. is not the cause of the frictions. The surplus is the inevitable result of a combi-

nation of questionable and distortional domestic macroeconomic and industry protection policies in the major economies. To seek bilateral deals to solve those problems will simply make matters worse. Bilateral deals that exclude other countries from trade are a short-term solution that in the long term will hurt us all.

Some argue that it may be easier for the U.S. and Japan to agree on desirable market shares than it is for them to agree on procedural norms.* On this argument sector-specific agreements or market-sharing agreements are more practical and beneficial than relying on the workings of the market under multilateral rules (i.e. GATT).

That seems a dangerous view which ignores the trade-contracting effects of bilateralism. Moreover, it also ignores the effects on political and economic relationships with other countries. It is our view that the political and economic costs of a bilateralist approach considerably outweigh the apparent short-term benefits.

What is required therefore is the operation of commercial principles, and multilateral solutions that keep markets open, not closed. This is why Australia regards the current multilateral trade negotiations as critically important.

It is encouraging that the seriousness of the international trade problem and the magnitude of the measures required to be addressed are being recognized. This provides some cause for optimism.

There has been disappointingly little movement, however, in adjustment of U.S. policies and programs.

Japan has started to move in the right direction and deserves some credit for the progress it has made. It still has much to do. We hope Japan has recognized that its growing leadership role carries added responsibilities. We hope that in particular it will recognize to the full its responsibilities in the trade field. ■

* Krasner, Stephen D., "Trade Conflicts and the Common Defense: The United States and Japan," *Political Science Quarterly* 101, Number 5, 1986.