

New Dimensions

By William E. Franklin
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There is a tendency in many quarters, both Japan and the United States, to view the bilateral relationship in the narrowest of contexts—political, security or economic—depending on an individual's particular area of interest.

Unfortunately, this simplistic approach has led to problems, has made resolving genuine differences in each sector more difficult and, more often than not, has badly served the interests of both nations.

Despite the difficulties, I believe we have seen tremendous progress in all areas over the past several years. Japan is shouldering more of the security burden. At the same time it has increased and accelerated long overdue reforms in its economic system, and these have led to increased market access for foreign products and services. Neither action was accomplished without overcoming much internal resistance.

There are positive signs that Japan is now assuming the position of leadership that its trading partners and free world allies have been urging on it. Japan is stepping out on the world stage: witness the recent visit of the foreign minister to Israel, its intention to assist United Nations' peacekeeping efforts, and its proposals made at the Toronto Summit regarding Third World debt.

These actions mean that there are new dimensions to the U.S.-Japan relationship that both nations must consider and attempt to come to grips with. After many years of having Japan more or less just follow America's lead, and despite Washington's past insistence that Japan play a more active role, the United States is having a difficult time adjusting to these new and somewhat uncomfortable aspects of the relationship. Nor is Japan truly comfortable with its new leadership position in the world community despite its recent actions.

America's presidential elections are increasing Japan's discomfiture even more. There is a tendency in Japan to take American election rhetoric at face value as the candidates jockey for votes. This means there is now a sense of uneasiness in Japan as to what direction a new administration might take America regarding the bilateral relationship.

Basically, I believe we will see little change in America's approach to the U.S.-Japan relationship. In the security sector, for example, burden sharing sounds great on the campaign trail but it is another matter to define just what we mean, what is acceptable to all concerned (and this is an issue that extends far beyond the bilateral aspects), and then to

accomplish it within the political constraints that exist.

No matter which candidate wins the presidency in November, I believe we will see a continued emphasis on such issues as market access, fair trading practices, protection of intellectual property and so forth. America will continue to work for a successful round of GATT negotiations.

For Japan, the challenge will be to maintain the momentum of change, for there is still much to be accomplished. It is all too easy to rest on the laurels of our recent accomplishments in regard to the many issues we have faced, especially when foreign pressure temporarily eases. But it would be far better for Japan to take the lead in continuing its domestic economic reform without the pressure of the past.

In the final analysis, America and Japan need each other—perhaps more than either side is willing to admit. This will lead, from time to time, to bursts of ill-conceived rhetoric on both sides of the Pacific. But I believe that the relationship is basically so strong and beneficial to both nations, that despite the changes it is currently undergoing, it will continue to endure and prosper far into the future.

Ensuring Stability

By Hisahiko Okazaki
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Since Japan opened its doors to the outside world 120 years ago, there have been only two periods when the Japanese people have been able to put national security concerns behind them and to concentrate on achieving economic prosperity and political freedom. The first of these was when Japan was allied with Britain for about 20 years in the early 1900s, and the second has been the last several decades of alliance with the

United States. Both of these allies have been superpowers with uncontested command of the seas, including Japan's key trading routes.

Entering into alliances with such powerful countries let the Japanese people put aside their national security concerns and turn their attention to the quest for greater political freedom.

The democracy that blossomed in the context of the Anglo-Japanese Alliance

thus found expression in a parliamentary system conceived and created by the Japanese themselves. But after the break-up of the alliance in 1921, the priority naturally shifted from freedom to security as the Japanese became more anxious about national security. And once Japan felt threatened and alone in the world, it tended to go overboard on the defense and security side. In turn, this military buildup strained already-tense interna-

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. ■