

# Clash of Econationalism

By Yuji Masuda

Japan-U.S. relations seem to be getting tenser and tenser—as symbolized by the Structural Impediments Initiative now under way. To many Japanese, the American demands put forth in these SII talks are too much, too fast. And this complaint is in itself an indication that the U.S. demands for a revolution in the way Japanese society is organized strike at the very heart of the Japanese economy.

Many of the American suggestions in the SII talks can rightly be interpreted by the Japanese side as interference in Japan's internal affairs. As such, they are sharply at odds with the Japanese economic-political structure. For example, it has been expected from the very beginning that there would be trouble over the demand that the Large-Scale Retail Store Law be scrapped, because its abolition would fly in the face of the interests of the local shopkeepers and traders who provide much of the Liberal Democratic Party's support. And the more this is discussed, the more the small business sector feels betrayed by the LDP.

It would be the height of naiveté to believe that the SII talks are intended solely or even primarily to rectify the bilateral trade imbalance. Rather, these are talks at high noon as the United States works to effect revolutionary changes in the Japanese economic structure and Japan fights

to preserve its own industrial structure. The bilateral friction has long since transcended trade, and it has now locked in on Japan's social and economic structures.

This transformation of the friction's nature showed up clearly in the mid-1980s. Until then, the quarrels had centered on such specific product fields as automobiles and semiconductors, but the focus then shifted to the Japanese economic structure, institutional structure, business practices, and the entire spectrum of factors underlying the Japanese economy and Japanese society.

The United States has started arguing that rectifying the economic friction will require no less than a total overhaul of the Japanese market to remedy its structural imperviousness, starting with the *keiretsu* relationships among companies. Even so, policymakers in Japan and the United States have continued to insist that the trade imbalance can be reduced with macroeconomic policy measures. Macroeconomic moves to change the exchange rate and engineer the yen's appreciation have proved ineffective, however, and the United States has continued to run massive deficits in its trade with Japan.

In the SII talks, the United States is arguing that the problems are rooted in the very fundamentals of the Japanese eco-

nomical and social structure. This is by and large a logical extension of the "unique-Japan" theories that have been so popular in the United States and Europe. According to the revisionists, who are the main proponents of this argument, Japanese social and economic practices are completely different from and at odds with democratic practices and it is imperative to forcibly contain Japan lest it destroy the Euro-American economies. Today, the revisionist theories have gained widespread currency and constitute an important current of thought in the formulation of policy toward Japan.

Thus the SII talks started out with trade policy but quickly moved to economic policy, corporate behavior, business practices, economic institutions, and then beyond even that to the underlying premises of the Japanese business culture. The differences of opinion here extend even to how economic principles are perceived and how the market is viewed in the two countries. As a result, the SII talks have evolved into a far-reaching set of demands for changes in the socioeconomic structure—social structures and Japanese values alike—that underpin and govern industrial and economic behavior.

## Nationalist rumblings

Within and complementing this international situation, a strain of opinion has emerged in Japan that blames the United States for these problems. Among the leaders of this school are Shintaro Ishihara, widely known for his half of *The Japan that Can Say 'No'*, the international consultant Ken'ichi Ohmae, and Hajime Karatsu, who has gone from being an electrical engineer to being a professor at Tokai University. While there are differences of tone among them, they are agreed in arguing the justice of Japanese policy and in criticizing the United States.

It would not be too much to call this the emergence of a new and highly vocal



Photo: WWP

Japan's Deputy Finance Minister Makoto Utsumi (right) meets U.S. Deputy Trade Representative S. Linn Williams at the start of trade talks in Washington in April.

nationalism. Because these people start from the assumption that Japan is in the right, they have an undeniable appeal to the Japanese public. Yet one wonders, for if such pronouncements really accord with the realities of the overall bilateral relationship and the current international climate, political and economic, then they must be recognized as very dangerous for Japan and the world. Were these inconsequential figures of no standing, their views would not matter, but these are men of considerable stature, and I worry that what they are saying and doing today runs directly counter to Japan's long-term best interests.

Following the outcry over his book, Ishihara went to the United States on a damage-control mission and met with leading legislators and other opinion-shapers there. As he reports in the April 1990 *Voice*, his strongest impression was one of the differences in how nationalism is perceived in the two countries. He argues that Japan's economic success owes much to the metaphysical. For example, the close relations between labor and management are a manifestation of the fact that the Japanese people come from basically the same ethnic stock, and the excellence of Japanese management is evidence of Japanese caring for the total person. His is clearly a call for a revival of traditionalism and a nationalistic voice.

While Ishihara claims a distinctively Japanese "global ideal" that is different and distinct from American democracy, this is conceptually a very arbitrary position. American democracy is not confined to the United States but has become the common international ideology and is taking root as the shared political system. To shun that truth as an illusion is, it seems to me, to invite scorn and international ostracism.

Another member of the school, Ken'ichi Ohmae, has an article in the January 1990 *Chuo Koron* entitled "How to Respond to Japan-bashing." In it, he argues that Japan should proclaim its innocence loud and clear in such instances as Toshiba Machine's COCOM violations and Mitsubishi Estate's purchase of the Rockefeller Center. This argument is based on the economic principle that it



The Japan that Can Say 'No'—a recent best-seller on U.S.-Japan relations

takes two to make a deal. This is not a thoughtful attempt to place the bilateral relationship within the context of the international economic system, however, but a shallow effort to justify the Japanese position with whatever arguments come to hand.

In turn, this Japanese nationalism has its vocal detractors as well. Writing in the March 1990 *Chuo Koron*, journalist Yoshihisa Komori provides an incisive and eloquent analysis of the fallacies and pitfalls inherent in Ishihara's theory of national prestige, Ohmae's theory of economics, and Karatsu's theory of engineering. "Like it or not," he writes, "relations with the United States are the most important element in Japanese foreign policy, and it is imperative that we flush out myopic neo-nationalism, however appealing it may be, and work to ground the relationship on a well-balanced and in-depth approach."

## Global partners

Even though the friction between Japan and the United States started in the economic sphere, it has since spread to an astonishingly wide range of concerns. Direct overseas investment, technology trade and technology development—these are just some of the many issues at stake in this complex weave. Thus it is that the SII talks are covering an exceedingly wide range. As seen in the U.S. proposals, the SII talks encompass the economic, the political, the social, the military, and virtually every other point where the two countries could possibly interact.

It will thus be very difficult to reach any agreement in the SII talks that does not involve radical reform of Japanese structures, institutions and practices. Until

now, Japan has got away with short-term expedients. Yet this time around, the United States is demanding changes across the board—in business structures, financial systems, distribution, land prices, information transmission and all the rest—and half-hearted measures confined to this or that aspect will not make the SII go away.

At the recent summit in Palm Springs, President Bush proposed a stronger "trialogue" among Japan, the United States and Europe to discuss and consult on Japan's contribution to the international community. This was consistent with his earlier call for bilateral coordination as global partners.

By promoting this global partnership, the United States is hoping that Japan and the United States, having the same fundamental structures, can act together in the rapidly changing international economic and political scene. With the new international structure emerging as it is, the most important thing for Japan is not that it be able to revolutionize its internal structures under threat of retaliation, but that it be able to act responsibly to prop up and support the encouraging factors emerging out of this international economic turmoil.

Now a power in its own right, Japan has to recognize its international responsibilities, ask itself how it can best fulfill these responsibilities, and then take the initiative in acting responsibly. This does not mean refuting the American demands for structural reform, but neither does it mean acting arbitrarily. Rather, it means looking at the Japanese economy and society from an international perspective, formulating strategies that will best serve long-term Japanese interests, and then moving to reform the society and eliminate irrationality, not under foreign pressure but because it is both the right thing for Japan to do and, not so incidentally, the only way to forge a true global partnership capable of sustaining world economic and political institutions for the rest of the century.

Yuji Masuda is a professor at the Faculty of Business Administration of Tokyo-Keizai University.