

## Japan-U.S. Relations In the New World Order

By Shoichi Akazawa

Looking around the globe, the two main areas that catch my attention today are Europe and Asia.

Europe has been a focus of historic change over the last few years as the Berlin Wall has come crashing down and the Soviet Union has crumbled with an almost audible thud. The Cold War is over, and Europe is caught up in the turmoil of change.

Where Soviet nuclear and conventional forces were once the prime threat to Western security, the threat today comes from the disintegrative chaos in the former Soviet Union, the uncertain control over the old Soviet nuclear arsenal, and slipshod maintenance at former Soviet nuclear power plants.

On the other side of the old Iron Curtain, the European countries have signed the Maastricht Treaty and, the Danish setback notwithstanding, are moving to consolidate new structures for a new century. Germany is central to this effort. The German-speaking population is estimated at 130 million to 140 million, and Germany is bound to be the core of a new pan-European economy once it has assimilated the eastern provinces.

But there are still many questions yet to be answered and many problems yet to be solved before we will know if Europe will truly be able to extract itself from the traditional power-politics mindset and create a New Europe. As has happened so many times in the past, British diplomacy will have a key role to play in reconciling Europe's differences.

Asia is beset by very difficult and dangerous issues in the Korean Peninsula divided into North and South. In addition, there is also the question of whither China. Not only is China the largest country in the world in population terms (with a population of 1.2 billion), it is also the world's largest remaining Communist military power. Relations among China, Japan and the other countries of Asia are all the more important now that the

Soviet Union has disintegrated, and the world is also watching to see how the United States will structure its relations with these countries.

I am relatively optimistic about America's ability to solve its internal problems and Japan and America's ability to resolve the issues in their bilateral relationship. True, the United States is now less important in the world economy than it used to be, but it still accounts for approximately one-fourth of world GNP and continues to be a world leader in science and technology. Militarily too, the United States is the unquestioned leader—as demonstrated in the Gulf War last year.

Although America's attention is now focused inward with the presidential election, it would be wrong to assume that America is becoming isolationist. Today's world is so borderless and interlinked that no country—not even one as strong as the United States—can hope to thrive on political isolationism and economic protectionism.

Likewise, I believe Japan and the United States will be able to manage their trade differences in automobiles, semiconductors and other sectors, and resolve their structural differences as highlighted in the Structural Impediments Initiative talks. The two countries are too interdependent to fail, their governments have over two decades of experience in dealing with such issues, and America's basic fairness makes it unlikely that the country will yield to the temptation of unilateral excesses.

In fact, not only do I expect Japan and the United States to patch up their own differences, I trust they will identify their shared interests in Europe and Asia and will cooperate across the spectrum for world peace and stability.

The *Journal* welcomes letters of opinion or comment from its readers. Letters, including the writer's name and address, should be sent to: the Editor, Japan Economic Foundation, 11th Floor, Fukoku Seimei Bldg., 2-2 Uchisaiwai-cho 2-chome, Chiyoda-ku, Tokyo, 100 Japan. Letters may be edited for reasons of space and clarity.

## Sharing Similar Goals

We wish to take this opportunity to commend the staff of the *Journal* for the excellent work you are doing to promote a better understanding of important economic, political and communication issues not only between Japan and the United States but between Japan and other countries as well. We have found your articles very timely, informative and stimulating.

Since the Pacific and Asian Affairs Council has been engaged for many years in promoting an active dialogue with other countries, we were particularly interested in your November-December 1991 issue on communication problems we face in the world today. We have used that issue and subsequent issues to keep informed on significant opinion trends in Japan.

Our organization shares similar goals with the *Journal* in attempting to bridge the communication gap and we therefore look forward to working closely with you to advance these goals through an active exchange of views in the future.

Clifton B. Forster

Vice President

Pacific and Asian Affairs Council

Honolulu

## COMING UP

The environment has become a global issue of this century. Once coveted industrialization is likely to be accepted with some caution today. Highly industrialized countries are requested to compensate for the damage to our planet. The October/November edition of the *Journal* will review how Japan is tackling the problem.

The coming issue of the *Journal* will also feature a special column on the perennial problem of trade, this time, however, on the Japanese efforts to increase imports.





## Explanations Needed

Your magazine is very interesting and well-written, yet I have some suggestions to make.

You might look into the possibility of using more subheads and brief statements with each article. For example, in the June-July issue, on page 8, there is an article entitled "The Wages of Success." The title does not reveal the content and there is absolutely no explanation of what the article is about.

While you might argue that you want the reader to spend a lot of time with the article, the average reader does not have an unlimited amount of time. Most readers already have too much to read so every magazine, newsletter, TV show or newspaper competes for the same limited time.

That means your magazine competes for time and attention. If the articles do not immediately catch the reader's attention by providing instant information, e.g. subheads, the reader will move on to the next article or another activity.

That is why I suggest you add more subheads or other explanatory materials to give the reader a quick overview of each article. Such visual assists will make your magazine easier to read and comprehend quickly.

T. Albert Yamada  
President  
Masaoka & Associates, Inc.  
Washington, D.C.

### From the editor:

Mr. Yamada's suggestions are highly appreciated. We will exert ourselves to make the *Journal* more competent and readable. We believe that the short comments we put in the contents page may help readers see at a glance some of the main items a particular issue contains.

## Financial Reform Bills Herald New Deregulation

A package of financial reform bills enacted by the Japanese Diet on June 19 will prompt further deregulation of the nation's financial system. The most comprehensive overhaul of Japan's financial system since the end of World War II involves revision of 16 financial laws and allows banks and stock brokerages to enter each other's turf through new subsidiaries. The new legislation is due to come into force next January 1.

Following the enactment of the bills, the Ministry of Finance will compile rules detailing such points as the scope of business that new subsidiaries can engage in. The Industrial Bank of Japan and other long-term credit banks will be allowed to set up subsidiaries next spring to enter new business areas.

The legislation opens the way for specialized financial institutions such as long-term credit banks and foreign exchange banks to convert themselves into ordinary commercial banks or merge with financial organizations engaged in different business fields. It also allows

brokerage houses and commercial banks to deal in housing loans and other types of financial instruments so far denied to them.

A majority of legislators argued in favor of further financial deregulation, pointing to the need for Japanese financial institutions to shift toward universal banking as practiced in many European nations. But a few voiced concern that deregulation on such a massive scale could lead to a financial crisis. At the suggestion of the opposition Social Democratic Party of Japan, the Diet revised a related bill to tighten government supervision of so-called non-banks, financial firms such as those involved in consumer credit and leasing.

Among banking institutions, long-term credit banks have been most eager to get into the stockbroking business. In contrast, major commercial banks, known in Japan as city banks, have been generally skeptical about the profitability of stockbroking following the bursting of the bubble economy. The ministry may first allow long-term credit banks to set up brokerage subsidiaries, possibly next April. City banks may get the go-ahead six months or a year later.



Japanese banks stand poised to allow brokerage houses via subsidiaries onto their turf, and vice versa, thanks to recent legislation.

Photo: Nihon Keizai Shimbun



## Government Unveils New Five-year Economic Plan

The Japanese government has unveiled a new five-year economic plan setting a modest 3.5% annual growth target for the fiscal 1992-1996 period to attain sustainable economic growth led by domestic demand.

The plan was compiled in the form of a report by the Economic Council, an advisory body to Prime Minister Kiichi Miyazawa, in consultation with the Finance Ministry, Ministry of International Trade and Industry and Economic Planning Agency. It was approved by the Cabinet on June 30.

The 3.5% growth target, the lowest in any economic plan so far adopted by the Japanese government, is based on an estimate that domestic demand, including capital investment and consumer spending, will grow at an annual rate of 3.75% during the five years.

The report said it is important for the government to make Japan a country with a better quality of life, which can live harmoniously with foreign countries. The report advised the government, in its economic management, to place emphasis on environmental preservation and improved quality of life for individuals.



Prime Minister Kiichi Miyazawa holds a newly approved five-year plan which calls for a modest 3.5% annual growth target for fiscal 1992-1996.

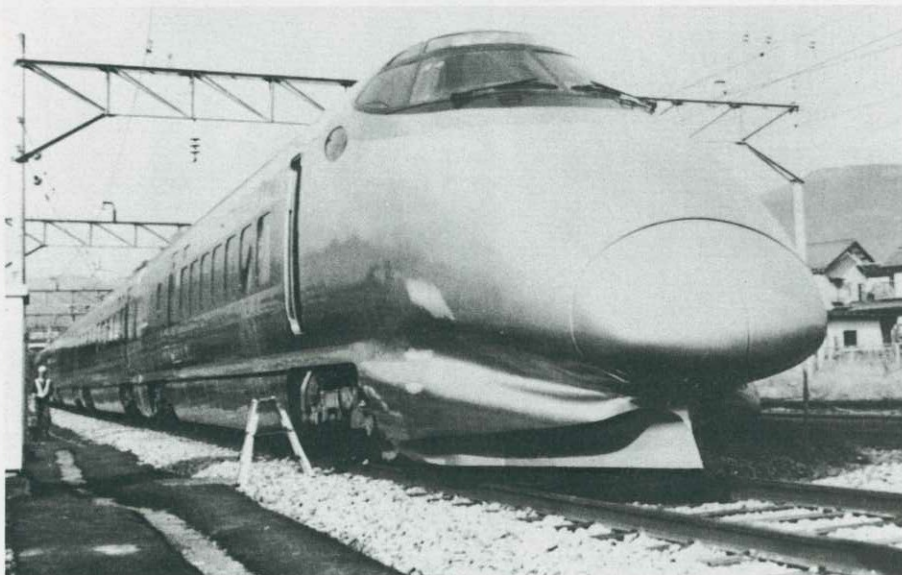
As a major policy target, the report urged the government to reduce yearly working hours in Japan, which at over 2,000 are more than 400 hours longer than in most of the advanced Western countries, to 1,800 hours within five years.

In compiling the report, the government agencies involved differed over pro-

jected economic growth in relation to public spending. Also, while some officials believed shorter working hours and reductions in the labor force would depress the potential growth rate, others felt that these factors could have a positive effect by raising corporate productivity. Following adjustment of views, the overall growth target was set at a low 3.5%, while the domestic demand growth target was set somewhat higher at 3.75%.

The impetus for domestic demand-led growth came partly from foreign criticism of Japan's expanding trade surplus. According to trade statistics for May, announced on June 11, Japan's surplus rose a robust 89% over the same month last year to \$7,865 million, the highest figure ever for May. In addition, continued pressure from foreign countries led by the United States has prompted the government to adopt a policy aimed at curbing Japan's export drive.

Fiscal policy recommendations in the new economic plan focused on increased spending to improve the lifestyle of the Japanese people, while at the same time curtailing other expenditures, through a review of existing policies, to minimize any increase in the nation's fiscal size. ■



The five-year plan sees domestic growth as being propelled by capital investment in big-ticket items like the new Yamagata Shinkansen bullet train.

Photo: Kyodo News Service

Photo: Mainichi Shimbun