

Importance of History

By Shoichi Akazawa

Recently, I have become extremely interested in the expression "the burden of history." While the Cold War, mainly between the U.S. and the former Soviet Union, is now over, the USSR no longer exists. Meanwhile, the building of the new Russia remains unclear. Today, we are more concerned about regional disputes which are occurring throughout the world. Aren't these disputes, for example in Somalia, the Balkans or Cambodia, not all ethnic conflicts?

It is very difficult to define the term ethnic group. What's more, various groups of people come and go in history and pass through vast changes over time. It is therefore very difficult to come up with a simple definition. For myself, I think a rough concept can only be understood using a group's lineage and history. In particular, for each ethnic group, the burden of history means something very important. For each group, there are certain standards that decide its culture, lifestyle, customs, thought processes and behavior patterns. And these certain standards, which mold the characteristics of the group, I believe, have a lot more to do with history rather than lineage.

Given this, if we look at Asia, particularly East Asia which is said to be today's center of growth, it is not hard to understand how the great ethnic diversity which exists has a lot to do with the different history of each group. In Asia, all ethnic groups also have a history of over 1,000 years. Given this context, in the search for the common goal of maintaining international peace and gaining greater worldwide prosperity and economic growth, how we take into consideration each country's burden of history and incorporate it successfully into a single, unified solution presents us with a tremendous challenge.

Japan is now confronted with many challenges, one being the Uruguay Round of the General Agreement on Tariffs and Trade (GATT). For the Japanese, it would not be an exaggeration to say that ultimately the meat of the issue is rice. Japan has been growing rice for more than 3,000

years and has been relying on this crop as a staple. My mention about the burden of history is a direct reference to this. While Japan bears this weight of history on the one hand, it is destined, on the other, to exist as a nation heavily dependent on trade to maintain stable growth. The rice question is thus an agony that Japan cannot avoid.

But to conclude, I basically agree with the tariffication scheme for imported rice as proposed by GATT Director-General Arthur Dunkel. Why? Because the real question is not whether rice should be imported or not, but rather governmental agricultural policies. In other words, it depends more on how quickly the rice-based agricultural policies that have been maintained since the 1940s can be changed.

The agricultural problem, being so closely related to the productivity of land, unlike industrial production, cannot be rationalized by raising short-term productivity. This has been shown in the sharp confrontation between the U.S. and the European Community over agricultural issues. But as long as the problem is not resolved, the future of the Uruguay Round talks will remain uncertain. Rightfully, Japan must take that new step toward resolving the rice question.

COMING UP

The situation in which the Japanese automobile industry finds itself is the same as auto manufacturers around the world—bad. Domestic sales are stalemated and hundreds of companies in the parts sector are hard hit.

Although the blame is partly attributed to the bursting of the bubble economy, Japanese car makers have also sensed something wrong with their once lucrative business structure and they have embarked on efforts to restructure.

In the next issue, we will examine where they stand and where they are going. There will also be an update on Japan/Russian relations.

Righting the U.S. Economy

As a newcomer to JJTI, let me commend the attention paid in your April/May issue to U.S.-Japan relations and the opportunities represented by the new Clinton administration. Especially in your lead articles by Naohiro Amaya, Dr. Sadao Nagaoka, Dr. Mitsuo Matsushita and Kikuo Sato, you lay out the critical issues guiding relations between the world's two largest economies.

I would like to add some points about the challenges President Clinton faces as he seeks to right the U.S. economy.

First, Clinton faces a deep cultural bias against industrial policy. "Economic strategy" (as Clinton euphemistically called industrial policy), like "bureaucrat," is a dirty word to many Americans, who too often associate it with the failed Soviet-style centralized planning model. But the basics of industrial policy are enormously appealing to Americans, especially when explained with Japanese or European examples. Do people want to capture high value-added jobs? Should the education system pay more attention to students not bound for college? Should high-speed rail be expanded? Yes! Yes! Yes! Still, it's a tough sales job demonstrating government's rightful role.

Second, the conversion of resources from military to civilian production is proving slow and painful. The large, prime defense contractors are for the most part resisting public demands to convert, often choosing to shrink or acquire each other instead. Most progress on this front will be made with the subcontractors, many of whom have traditionally had more diverse customer bases; but since the subcontractors are smaller, this makes the conversion task ever more laborious.

Third, the issue of taxes on gasoline and other forms of energy is enormously complicated because the U.S. is not braced technologically for substantially higher energy costs and because many Americans are compelled by our transportation systems to drive long distances for work. Buying less imported oil would do wonders for the trade deficit and the environment, for sure, but until



we have more mass transit and more efficient autos, furnaces and factories, higher energy taxes would be very disruptive.

Finally, and more optimistically, Clinton's election has triggered a massive outpouring of citizen involvement in remaking the economy. Labor unions, non-governmental organizations, state and city officials, environmentalists and consumers, for the first time in 12 years, see a chance to really be heard, and they are speaking out with great vigor. For all the inefficiency of democratic U.S. decision-making (as it must seem to Japanese observers), I see it as an enduring strength of the U.S. that the decisions now being made—on national health care, the North American Free Trade Agreement, and energy taxes—are being made with broad input from many constituencies.

For all that we may glean about industrial policy from Europe and Japan, America's oft-cited peculiarities require that our emerging economic strategy be "Made in the USA."

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Correction: References to "public-sector" which appeared in Chart 2 and section 3 of part 2 of Dr. Sadao Nagaoka's article "Clintonomics and Japan-U.S. Trade Relations" in the April/May 1993 issue, should have read "private-sector." We apologize for the error.

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

Cabinet OK's ¥13.2 Trillion Economic Stimulus Plan

The Cabinet approved on April 13 a ¥13.2 trillion package aimed at lifting Japan's economy out of its slump.

The package, the biggest pump-priming measure ever, surpassing the ¥10.7 trillion package adopted last August, was compiled on the basis of a proposal by the government and the ruling Liberal Democratic Party.

Coming hard on the heels of the Diet's passage of the fiscal 1993 budget, which was in place by the start of fiscal April 1 for the first time in 22 years, the new package is to be adopted by the parliament in the form of a fiscal 1993 supplementary budget during its current session.

The government and LDP hope that the initiative will help further boost the economy which is now showing signs of a turnaround, with a recovery in stock prices and a decrease in inventories since the spring.

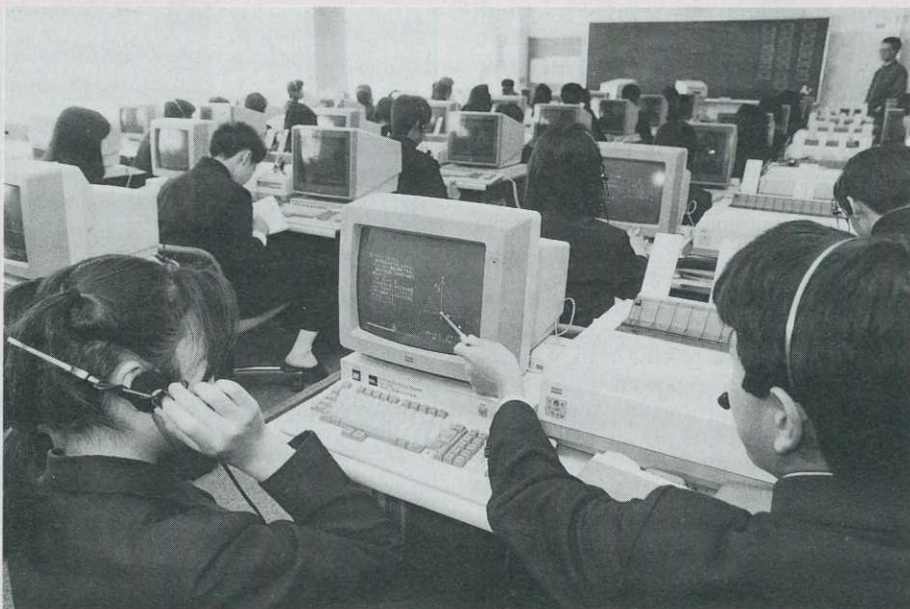
The comprehensive stimulus measures, focusing on huge public works spending, reflect strong calls for pump-priming measures from businesses which have been hard hit by a faltering in the econo-

my. Business leaders had told the government and ruling party that it will be hardly possible to achieve the 3.3% growth target set by the government for fiscal 1993 without additional measures, as the economy remained stalled.

"It is a great help. It came at a time when the economy, though showing some signs of a rebound, still remained stalled with companies continuing to suffer from poor performance," said Yu Hayami, managing director of the Japanese Association of Corporate Executives. Tadashi Oki, vice president of Hitachi Ltd., agreed, saying that the initiative was timely and big enough to boost a slack domestic demand.

The new package features financing for additional public works projects, extra funding for housing loans, and "new social infrastructure" projects for improving the quality of life.

The centerpiece of the new social infrastructure projects, put forward by the Ministry of International Trade and Industry, is subsidizing the introduction of personal computers at local public organizations as well as elementary and junior high schools. An estimated 60,000 to 70,000 personal computers worth ¥20 billion to ¥30 billion will be purchased by the government during fiscal 1993 ahead of schedule with funds raised by issuing



As part of the economic stimulus package put forward by the government, more computers will be introduced into schools sooner than planned.

Photo: Kyodo News Service

construction bonds.

Among other projects envisaged in the package are the establishment of a new, high-speed telecommunications network using fiber optic cables, investment in the enhancement of on-line information networks among universities and research organizations and local area networks linking government offices, improvement of research equipment at national univer-

sities and public research institutes, and the introduction of advanced facilities at public hospitals and welfare facilities.

Minister of International Trade and Industry Yoshiro Mori said the package focused on the information infrastructure because traditional public works projects centering on the building of roads, bridges and parks only benefit certain industries such as civil engineering companies, and

this would not help achieve an early business recovery.

"The building of an extensive information communications network in contrast would have various ripple effects such as the diffusion of and demand for computers and audiovisual devices, helping to relieve the seriously troubled electronic industry," said Yoichi Morishita, president of Matsushita Electric Industrial Co.

Second West-East Conference of Ministers of Economy, Trade and Industry

Japan hosted the Second West-East Conference of Ministers of Economy, Trade and Industry, chaired by the Japanese Minister of International Trade and Industry Yoshiro Mori. Federal Minister of Economic Affairs Dr. Günter Rexrodt from Germany, the host of the first conference, U.S. Secretary of State Ronald H. Brown and other ministers representing the Group of Seven and the European Community presidency from the West, and Mr. Shapovaljanz, First Deputy Minister of Economy of the Russian Federation, Mr. Andrej Arendarski, Polish Minister of Foreign Economic Relations and other ministers from Central and Eastern European and former Soviet Union countries, as well as the EC Commission and the Organization for Economic Cooperation and Development participated.

The conference focused on the crucial role of structural and microeconomic efforts in economic reform in the Central and Eastern European and ex-USSR nations. It brought together representatives of the public and private sectors in a dialogue on industrial and trade policies in these countries in transition, and East-West cooperation.

At the second conference, the participants examined "success stories" of foreign investment and the business environment in the countries in transition, reviewed progress in West-East cooperation, and discussed the issues and the pro-

cesses for such cooperation. Prime Minister Kiichi Miyazawa addressed the conference, laying out Japan's basic policy on assistance for the countries undergoing economic transition.

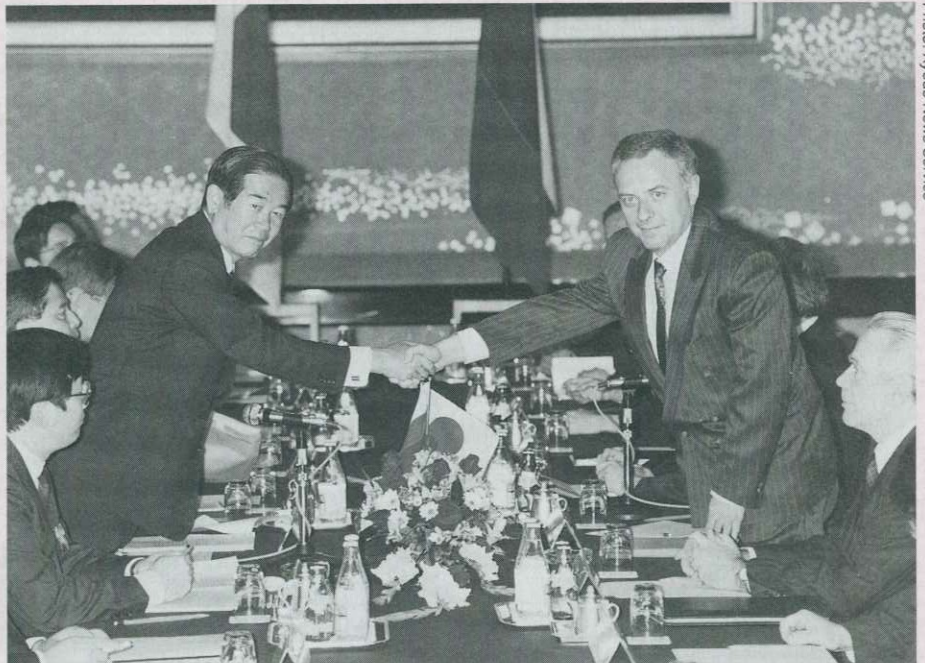
The conference made progress in three areas. First, the body went beyond pointing out problems, achieving a far-reaching agreement on microeconomic policy and identifying 23 concrete items in six areas, including enterprise reform, for West-East cooperation.

Second, to push forward enterprise reform, the conference agreed to cooperate to develop comprehensive restructur-

ing plans for model enterprises in major industrial sectors.

Third, the conference agreed to convene a working-level meeting to elaborate tasks for cooperation, determine how to develop comprehensive restructuring plans for model enterprises, discuss ways to improve framework conditions to facilitate direct investment, and consider expanding participation.

The third conference will be hosted by Poland. In the meantime, the participating countries will build on the achievements of the second conference for further progress in West-East cooperation.



Russian Foreign Minister Andrei Kozyrev and his Japanese counterpart shake hands during discussions on Russian-Japanese talks in mid-April.

Photo: Kyodo News Service