

Japan is developing sound international policies which deserve support from the U.S.

Japan and World Order

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The anomaly in present U.S.-Japanese relations is that, while both countries warmly approve each other's professed foreign policies, neither country has mastered the new styles of doing business with each other necessitated by domestic trends, imperfectly perceived, which affect how each country looks upon itself and expects the other to understand it.

The United States recognizes, at last, limits on its resources, power and capabilities. At home, the U.S. Government must devote a larger part of its budget to urgent social and economic needs of its own people. Looking outward, the Government rations sparingly the wealth it shares with others and insists that others, able to do so, take a larger part of real responsibility for preservation of world order. The American people are weary of ideological overtones in power confrontations abroad and are beginning to accept, with all of the risks and confusion of new perspectives, the reality of a pluralistic world. President Nixon's summit talks with Peking and Moscow left "theology" largely alone. The SALT talks dealt with technology and institutional decision-making probabilities more than with differences in philosophy.

Vulnerabilities in their system of life and weaknesses in their capabilities for performance bewilder Americans; and these have nothing much to do with assured fire power in possible military confrontation. Price inflation and unemployment interfere with the exercise of individual will and, consequently, with the vigor of the American economy. Among many of our young and blacks there is anxious uncertainty over the essential moral purpose for which America's gigantic productive capacities should be used, and even whether we should have them. The value of competitiveness, and thus the survival of the American system, is questioned by others. And the outcome of the Vietnam war is often thought of as being less critical to future strategic configuration in the

Pacific bases than as measure of the wisdom, justice, and the will of American world leadership.

Enlargement of the European Economic Community from six to ten members has occurred, in part, because Western Europe can no longer rely upon the prospect of United States blank checks to underwrite the cost of NATO, or of Washington's leadership in preserving the viability of the open world economic system upon which the Alliance depends. Western Europe, itself, therefore, must develop a separate collective capability for dealing with Eastern Europe, Japan and North America; and Washington's reaction is ambivalent. It still wants the final say but it no longer has the capacity to pay everywhere the final price—strategically or economically.

Consistent with the Nixon Doctrine, President Nixon and his closest advisors accept and even desire a change in the American role. Yet confusion in U.S. international relations is often produced by an American propensity to operate on old assumptions of U.S. power and purpose. We still bully, patronize, manipulate or reassure with an aura of avuncular rectitude and self-confidence understandable only in the extremely rich. The U.S. is not bankrupt, economically or morally. It is the most powerful participant in the military, economic, political, social and scientific life of the world today, and many trends in economic performance are favorable. But no longer is the United States unquestioning and unquestioned champion within its half of the globe. On this point, President Nixon, Senator Fulbright, the editors of *Human Events* and the *New Republic*, and leaders of the New Left all seem to agree. A historic transformation occurred with the gradual shift of the U.S. balance of payments from surplus to deficit. On New Year's Day in 1968 President Johnson thought, after already being in serious difficulty for several years, that he could deal with the problem through gimmicks intended to make things look better on capital account. His effort failed, and President Nixon's decision to devalue the dollar was a candid proclamation of national need to really redefine priorities.

Now, in Japan's balance of payments surpluses Washington sees justification for demanding that Japan begin to accept a greater share of responsibil-

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ity for creating the structure of a new world order. This demand is made by many Americans whose habits of thought about use of public resources for public good took form during the New Deal and were reasserted in Lend-Lease, in fighting a coalition war, in supporting UNRRA, and in financing the MSA, FOA, AID, MAP, FMS, etc., etc. An attitude of mind that was needed to cope with the Great Depression was applied to programs that were intended to bring safety and welfare to nations around the world—including, notably, Japan and Germany. A high degree of moral self-righteousness, bureaucratic commitment and effective leadership helped to make this possible. But an essential precondition was what had come to be regarded as always available American surpluses. When Washington beheld such surpluses growing in Japan, it regarded absence of Japanese readiness to share them with others to be, somehow, morally irresponsible.

While the decade of the 1960's—and particularly the years following the Tonkin Gulf Resolution—was producing change in both the capacity and psyche of the United States, changes were also occurring in the capacity and psyche of Japan. Only twenty-five years ago Japan was paralyzed by the holocaust of war, was politically impotent and cut off from the world community. The United States extended over \$3 billion to Japan to help it stay alive and to regain its bearings. The story of stabilization, recovery and growth of the Japanese economy after the Occupation is too familiar to need much repetition. Most Americans took vicarious delight in it.

Japan's GNP in 1971 was in third place in the world, right behind the U.S. and the USSR. For almost twenty years it had had an average growth of GNP in excess of 10 per cent—more than twice the rate of Japan's European competitors. It had the prospect of doubling its GNP between 1970 and 1975.

Japan was first-ranked in production of ships, radio sets, cameras, transistor TV, commercial vehicles, motorcycles; second-ranked in production of TV sets, computers, rayon and acetate filaments, cotton yarn, aluminum, copper, crude steel and so forth. It was self-sufficient in rice production, with a six million ton reserve stock. It was either the first or second most important trading partner of every country of Southeast Asia.

The largest transoceanic trading partner of the United States, the increase in 1970 trade—\$2.4 billion—was greater than the aggregate trade of Japan's next most important trade partner, Australia—\$1.8 billion! Japan bought over \$1 billion of U.S. agricultural exports. It contributed \$1.8 billion "aid" in grants and loans.

However, when Japan's 1970 balance of payments showed a \$6 billion growth in reserves, and its 1971-2 foreign exchange holdings were ballooning to \$13,

then \$16 billion, "Japan, Incorporated's" success, in American eyes, took on a monstrous quality.

Paradoxically, Japan's seemingly predatory export drive reflected—from Tokyo's standpoint—not strength but unpleasant vulnerabilities in its own situation: a slowdown in imports because of domestic recession and an artificial external demand caused by the weakness of the dollar. And Japanese industry, generally, felt threatened by the vast capital resources and administrative sophistication of the American multinational corporation. Thus, as the international monetary system moved toward its late 1971 crisis, the Japanese themselves—even after their bold and constructive decision to revalue the yen by a whopping 16.8 per cent—felt and talked very differently about Japan than Americans saw and talked about it.

Some people evoke an image of Japan, with its great powers, plunging like a rogue elephant through a jungle of international disorder. Economic and political realities discredit the plausibility of this image becoming real and refute, too, the associated notion of a Japan able or even tempted to turn away from its deep present interdependence with the United States and its association in the community that also includes Western Europe, Canada and Australia.

It is hard to find a Japanese who would advocate a replacement of ties with the U.S. by strategic and economic ties either with the Communist superpowers or with Southeast Asia. Americans who suggest this possibility miss the point. Japan is not a regional country. Its strategic environment is truly global. Weak in arms, it is strong economically. In fact, its commitment to the principles embodied in GATT and the IMF is more vital to it than the military commitments it could enter into with any single country—including the United States. Japan is an economic animal—Prime Minister Sato's word—and a few trade statistics should quickly explode romantic notions of a fretful Japanese apostasy from past U.S.-Japanese interdependence. In 1968, 31.5 per cent of Japan's exports went to the United States, over six times greater than exports to South Korea, its second largest market. Furthermore, exports to Mainland China and the USSR combined were \$100 million less than exports to South Korea alone. And so far as Southeast Asia was concerned, the value of Japanese exports to that area was a mere 10 per cent of total exports—and only about 40 per cent of Japanese exports to the United States. Moreover, as a source of Japanese imports, the United States towered over all others—about 30 per cent—with only the Philippines, Malaysia and Indonesia, of the Southeast Asian countries, ranking among Japan's first fifteen supplier countries.

There are many Japanese leaders who will recognize that the most challenging new frontiers for use of Japan's resources are not in Southeast Asia or in the Communist countries of Northeast Asia. They are

within Japan and are conceptual, political and administrative.

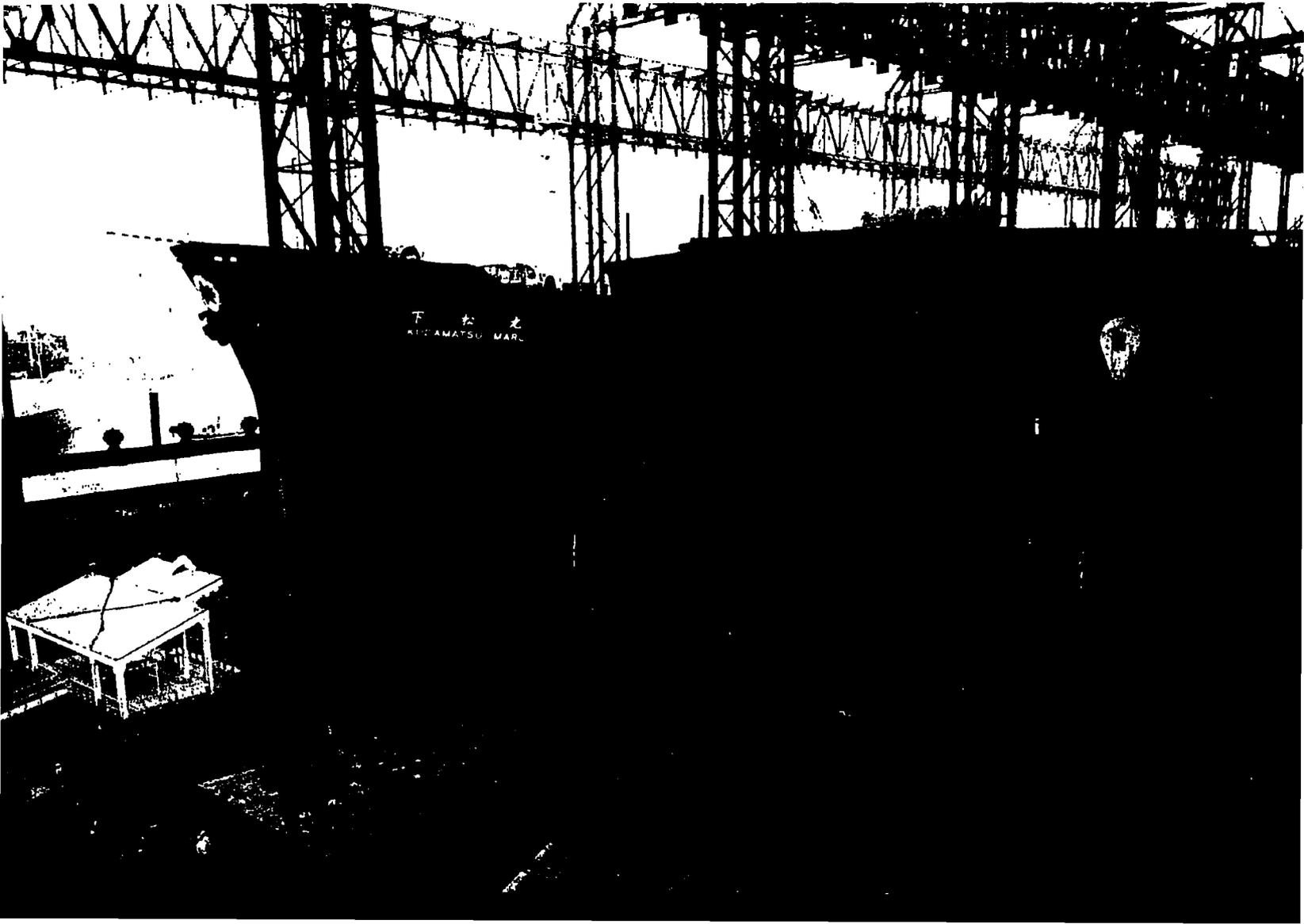
Japan's average annual output per man hour was rising between 1965 and 1970 at a rate of 14.2 per cent and unit labor costs were rising at less than one per cent. Compare this with the U.S. figure of 2.1 per cent and 3.9 per cent. But, Japan's production and growth performance has been achieved at grave costs to the home environment. Japanese leaders are beginning to appreciate the fact that something must be done about this national problem, but they are not yet certain how to do it. Japanese leaders are asking the government bureaucracy to consider ways to make vast transfers abroad of capital resources for industrial investment that will arrest pollution rather than merely sustain GNP growth. In fiscal 1973, which begins on April 1, Japan envisages a 21.8 per cent rise in overall government spending and a 32 per cent rise in government resources assigned to environmental and anti-pollution projects, as well as to other customary projects. Although spending for the military establishment will also rise, the new total will remain only 0.89 per cent of the Japanese GNP.

It has not been for want of money but for some specific ideas about how to use it that has delayed the redefinition of national mission from GNP growth to some concept of public good, one that would engage

the enthusiasm of Japanese youth and be reassuring to her neighbors. Saburo Okita, observing that Japan has never had any experience with a "socialist" philosophy of domestic administration, has even suggested that Japan could learn lessons from Peking's experiences in controlling pathological urbanization, pollution control and employment policies and practices.

Tokyo displays startling ineptitude in advertising her capacity for various radical innovations. Neither the Japanese bureaucracy itself nor foreign observers, for example, have made enough of the seriousness of Japan's commitment to allot one per cent of GNP to foreign assistance programs; in 1971, actual performance almost reached that level; by 1975 the outflow should be some \$4 billion annually in concessional aid. Japan has been by far the most important source of special concessional aid funds available to the Asian Development Bank. It does not contribute even more almost entirely out of fear that to do so would make it seem that the Bank was becoming a creature dominated by Tokyo.

Multilateral aid was something strange and disquieting for Tokyo only a few years ago. Still in the context of multilateral consideration of Indonesia's aid needs and aid availabilities, with the World Bank and the IMF helping to assure the integrity of ana-



lytic and review aspects of the multilateral arrangements, Japan has played a very conspicuous role. For 1972 Japan will be contributing \$180 million in aid to the Indonesian Government, exceeding the American contribution by some \$15 million. Having begun with a strong preference for financing trade-oriented projects, Tokyo now grants aid for Indonesian development through balance of payments supporting program assistance. Often reminded of the excessively commercial terms of Japanese lending to the poorer countries of Southeast Asia, Tokyo has moved steadily toward improving loan terms, and, in the case of Indonesia, Prime Minister Sato was the first to give to Dr. Hermann Abs, Chairman of the Deutsche Bank and a negotiating agent for the Paris Group of Creditors, the moral support he needed to help bring about the most radically helpful debt rearrangement in history for a defaulted developing country.

For Japan to be a responsible superstate it must maintain equilibrium in its trade and payments relation with others in the world economic community. This may be difficult to accomplish. Japan's low defense spending, low population growth, high productivity, skilled worker and managerial classes and experienced political and economic institutions combine to give it great competitive powers. Herman Kahn suggests that they are invincible. Many Japanese candidly admit the possibility of repeated revaluation of the yen over the years to come—however stable the international monetary system may prove to be for other countries.

A great commitment to foreign aid will help toward achieving the necessary equilibrium. But unless the volume of that aid grows even greater than now envisaged—through such unprecedented means as a massive oversubscription in IDA or the subsidy of a part of the trade deficits of East Asian developing countries through some kind of development-oriented clearing union, other measures will be essential. Even more liberalized access to the Japanese market, for trade and investment, than that envisaged in the Japanese Cabinet's June, 1971, Eight Point Program, would also help. It would help still more if Japan would in fact mount and sustain a monumental program to improve the social infrastructure of her own people and, in that connection, try to improve their dangerously polluted environment.

To do this effectively would, of course, be costly, increase the volume of Japan's imports and reduce the competitiveness of its exports. But aside from its contribution to payments equilibrium, it would make Japan a major leader of the world in dealing with a problem which, perhaps next to war, causes the greatest apprehension to the human race. Still, considering Japan's projected productivity, there may remain need for periodic yen revaluation. Japanese leaders should cease construing response to that need as de-

ensive: instead, the higher valued yen should be seen as a reward to the whole of Japanese society for its great skills and discipline—in the form of the additional goods and services available everywhere for purchase with increasingly valuable paychecks.

Japan's leaders have other measures available to manifest responsible and effective participation in the international community. They can enlist support of others in gaining the permanent seat in the U.N. Security Council which they deserve. They will want to preserve the intimacy of annual Cabinet consultations with the United States. They will want comparable consultations with countries like Australia and Canada. They will want to support the cooperative institutions being created by the countries of Southeast Asia. They will build upon their experience in the OECD in moving toward more intimate political and economic links with the now enlarged European Economic Community. They will continue to honor Article IX of Japan's Constitution and explore, with a freedom denied the U.S. and NATO countries, new economic and political relationships with the Communist countries. Aside from major new relations they will seek with the People's Republic of China and the USSR, they will set aside ideological barriers to ties with P'yongyang and Hanoi and thus contribute to a freer flow of goods and people among all the countries of East Asia.

There may be those who foresee Japan, frustrated or enraged by obstacles in the path of such a strategy, deciding to remilitarize, acquiring nuclear weapons capabilities and tempted to plunge into new military combinations with Peking or Moscow. We must allow the Japanese what we ourselves would demand: freedom to calculate for themselves all of the costs and gains of a totally new policy orientation, including, conceivably, remilitarization and abrogation of treaty ties with the U.S. However, neither history nor the logic of Japan's foreseeable social and economic necessities suggests that it is likely that Japan would choose such a path.

We must be alert to possibilities for improving styles of national conduct, particularly by trying to consult—despite language difficulties—as intimately with Japan as we do with Canada or the United Kingdom. We must show greater patience in resolution of particular and apparently pressing difficulties. We should take pride in the beneficent consequences of past U.S.-Japanese association in achievement of common goals. We should applaud Japan's successes in creating relationships, economic and cultural, with both the Communist and non-Communist countries that surround it and consider this to be its unique contribution to pluralistic coexistence in the Pacific area. Looking upon each other as equals, the United States and Japan can serve the real interests of each other and contribute vitally to a prospect for peace and improving welfare among other countries of the Pacific area.