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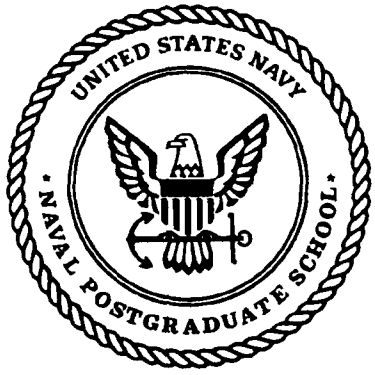

THESIS

TRADE AND TECHNOLOGY:
MAINTAINING THE U.S.-JAPAN SECURITY
RELATIONSHIP IN THE POST-COLD WAR ERA

by

Randy D. Haldeman

December 1992

Thesis Advisor: Edward A. Olsen

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The mainstay of Japan's domestic and foreign policy successes after the Occupation has been its economic prowess. The reforms implemented throughout the Occupation, combined with the strong Japanese concepts of loyalty and willingness to work, proved successful ingredients for a healthy economic recovery. Many restrictive policies and protectionist practices were implemented in an effort to ensure the survivability of Japan's newly restructured industrial base. The end of the Cold War and emergence of a new emphasis on economic-related factors has resulted in strong criticisms from both the United States and Japan and is causing them to reevaluate the nature of their relationship. This thesis examines the role of trade and technology in U.S.-Japan relations in the post-Cold War era. If trade/technology-related tensions continue to grow, they may become detrimental to the mutually favorable relationship. The danger is that they will undermine the U.S.-Japan relationship. The challenge is to find a basis for compromise.

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TRADE AND TECHNOLOGY: MAINTAINING THE U.S.-JAPAN SECURITY RELATIONSHIP IN THE POST-COLD WAR ERA

by

Randy D. Haldeman
Lieutenant, United States Navy
B.S., West Chester University, 1985

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December 1992

Author: _____
Randy D. Haldeman

Approved by: _____
Edward A. Olsen, Thesis Advisor

_____
Claude Buss, Second Reader

_____
Thomas C. Bruneau, Chairman
Department of National Security Affairs

ABSTRACT

The mainstay of Japan's domestic and foreign policy successes after the Occupation has been its economic prowess. The reforms implemented throughout the Occupation, combined with the strong Japanese concepts of loyalty and willingness to work, proved successful ingredients for a healthy economic recovery. Many restrictive policies and protectionist practices were implemented in an effort to ensure the survivability of Japan's newly restructured industrial base. The end of the Cold War and emergence of a new emphasis on economic-related factors has resulted in strong criticisms from both the United States and Japan and is causing them to reevaluate the nature of their relationship. This thesis examines the role of trade and technology in U.S.-Japan relations in the post-Cold War era. If trade/technology-related tensions continue to grow, they may become detrimental to the mutually favorable relationship. The danger is that they will undermine the U.S.-Japan relationship. The challenge is to find a basis for compromise.

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EXECUTIVE SUMMARY

The end of the Cold War has brought to an end at least forty years of fear that the Soviet Union and Communism posed throughout the world. These fears, however, are being replaced in the United States by the economic Challenge posed by foreign competitors, and in particular, Japan. This is being fueled by many factors, including the ongoing lopsided trade deficit between the United States and Japan, Japanese purchases of U.S. corporations and the drain of U.S. technology to Japan. Anti-Japanese opinion is on the rise and is, in turn, provoking an anti-American backlash in Japan.

The purpose of this thesis is to examine the role of trade and technology in U.S-Japan relations in the post-Cold War era. It is my hypothesis that if trade/technology-related tensions continue to grow, they may become detrimental to the mutually favorable relationship. This thesis will attempt to show that criticisms on both sides of the Pacific are continually intensifying to the degree that the U.S.-Japan relationship could be jeopardized.

The post-Cold War era has obviated the need for a security relationship based on the Soviet threat. However, due to regional animosities between Japan and its neighbors from memories of Imperial Japan, and for purposes of maintaining regional stability, it is important that a cooperative relationship between the United States and Japan continue.

As Japan has attained its super economic status, the U.S. has had difficulty penetrating Japanese markets, creating tensions and exacerbating the U.S. trade deficit. With the emphasis on the economy in the 1992 U.S. presidential election campaign, and the incoming Clinton administration, it can be expected that trade issues will be high on the agenda. Given the degree to which nations are becoming more economically interdependent, it is essential that the United States and Japan solve the existing trade problems, hopefully without breeding feelings of antagonism or bitterness.

The development and commercialization of new technologies is becoming an issue of major concern within the United States. Japanese acquisition and control of U.S.-developed technologies could pose a serious threat to U.S. national security. Cutbacks in the defense budget have reduced U.S. military R&D. The military must increasingly rely on the commercial sector, and consequently, foreign suppliers, to provide its state-of-the-art equipment. Some vital U.S. industries such as electronics and semiconductors are yielding to Japanese competition. Moreover, the ability of Japan to obtain and exploit this technology exacerbates the ongoing trade deficit, resulting in the loss of millions of jobs for U.S. employees and fueling anti-Japanese sentiment in the United States.

To fully conduct an objective analysis requires an understanding of the Japanese perspective. In this regard,

whether or not American allegations are accurate is beside the point. The important point that must be considered, and treated carefully, is the perceptions of the Japanese regarding these issues. Many Japanese feel the U.S. trade and technology problems are due to the inability of the United States to get its own house in order and adjust to changing economic conditions. It is only through a clear understanding of the factors that have molded the Japanese mindset throughout their history that we can fully comprehend the current Japanese attitudes and perceptions. Through this understanding we can set the foundation to effectively work with Japan in an aura of friendliness and cooperation in seeking to resolve the current trade/technology tensions.

It is imperative that both Japan and the United States take measures to alleviate their problems if they wish to maintain a cooperative relationship. From a global perspective it is their responsibility as leading economic powers. Both countries must realize that each will act in the best interest of its own cultural identity and national security, which may not always be consistent with the other's desires. This requires a better understanding of the other's problems and challenges, as well as concentrated efforts by each country to internally work out its own problems.

I. INTRODUCTION

The end of the Cold War has brought to an end at least forty years of fear that the Soviet Union and Communism posed throughout the world. As these fears have subsided, however, they are being replaced in the United States by the economic Challenge posed by foreign competitors, and in particular, Japan. This is being fueled by many factors, including the ongoing lopsided trade deficit between the United States and Japan, Japanese purchases of U.S. corporations and the drain of U.S. technology to Japan. Anti-Japanese opinion is on the rise and is, in turn, provoking an anti-American backlash in Japan. America-bashing in Japan is becoming as popular as Japan-bashing in the United States. Notwithstanding the validity of some of the arguments on both sides, the result is increasing neo-nationalist perceptions that have the potential to drive a wedge between the cooperative aspects of both countries, which could polarize them to the extent the mutually favorable relationship would be jeopardized.

The purpose of this thesis is to examine the changing role of trade and technology in U.S-Japan relations in the post-Cold War era. It is my hypothesis that if trade/technology-related tensions continue to grow, they may become detrimental to the mutually favorable relationship. This thesis will show that criticisms on both sides of the Pacific are continually

intensifying. The danger is that they will undermine the total U.S.-Japan relationship. The challenge is to find a basis for compromise that will satisfy both sides.

The commitment of the United States to the defense of Japan has been a major aspect of United States' policy since the communist takeover of China and North Korea's invasion of South Korea--which demonstrated the threat that Communism posed to the Asia-Pacific region. The rebuilding of an economically sound Japan, nurtured through democratic principles, has been one of the United States' greatest foreign policy successes this century. The close relationship that developed between both countries has served as the cornerstone which fostered the effective deterrence of Soviet aggression and maintained stability throughout the Pacific region. Notwithstanding the occasional domestic tensions, leaders of both the United States and Japan have viewed the relationship between them in a mutually favorable light. However, recent developments in the 1970s and 1980s brought on by trade and technology difficulties, coupled with the diminished Soviet threat, have altered the perceptions both countries hold toward one another--giving rise to the possibility that the U.S.-Japan relationship could be seriously jeopardized.

The major issues being addressed from the perspective of the United States are Japan's trade surplus, limited foreign access to Japanese markets, largely one way technology

exchanges and Japanese exploitation of U.S. markets and technology. Most countries engaging in world-wide trade support the concept of free trade and the principles of comparative advantage as an effective tool for resource allocation and a means to attain worldwide economic parity. Although protectionist trade practices do exist to a certain degree in most countries, they appear nominal compared to those practiced by Japan. This has led to increased tensions on both sides of the pacific.

Many in the United States feel unappreciated for the enormous role the United States played in Japan's economic success, and feel that the Japanese are ungrateful.[1] Starting with the post World War II reconstruction of Japan, the United States provided virtually unlimited access to the Japanese in the field of technology. As Japan has attained its super economic status, however, the United States has had difficulty penetrating Japanese markets, while relatively fewer restrictions govern Japanese owned companies in the United States. Japan's assertion of its "uniqueness" and practices abroad such as dumping and successful lobbying in the United States only exacerbate the growing U.S. frustrations, especially at a time when trade issues and the overwhelming trade deficit with Japan are featured in news broadcasts on a

[1] Richard Holbrooke, "Japan and the United States: Ending The Unequal Partnership," Foreign Affairs 70, no. 5 (Winter 1991-1992): 42.

near daily basis. This has resulted in increased Japanese competitiveness, exacerbating the current trade imbalance while successfully shutting out American industries to Japanese technological advances.

The development and commercialization of new technologies is increasingly becoming an issue of major concern within the United States. Japanese acquisition and control of U.S.-developed technologies eventually could pose a serious threat to U.S. national security. On a smaller scale this was demonstrated during the Gulf War when the United States appealed to Japan to have its producers of critical components used on U.S. reconnaissance aircraft step up production.[2] The heavy cutbacks in the defense budget due to the end of the Cold War and disestablishment of the Soviet military machine have significantly reduced U.S. military research and development and its ability to custom build its own defense components. Consequently, the U.S. military must increasingly rely on the commercial sector to provide its state-of-the-art equipment. The U.S. Defense Department must increasingly rely on foreign suppliers for its components as U.S. manufacturers in areas such as electronics and semiconductors are yielding to foreign, primarily Japanese, competition. Moreover, the ability of Japan to obtain and exploit this technology

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[2] Stuart Auerbach, "The U.S. Achilles' Heel in Desert Storm," The Washington Post National Weekly Edition, 1-7 April 1991, 51.

exacerbates the ongoing trade deficit, resulting in the loss of millions of jobs for U.S. employees, and fueling anti-Japanese sentiment in the United States.

To fully conduct an objective analysis requires an understanding of the Japanese perspective. In this regard, whether or not American allegations are accurate is beside the point. The important point that must be considered, and treated carefully, is the perceptions of the Japanese regarding these issues. As negative American perceptions and hostility toward Japan increase, so too does Japan's hostility toward the United States. These are not healthy ingredients for maintaining a cooperative alliance.

The end of the Cold War has resulted in a greater emphasis on economic factors and less on military power. This is evident as the United States, during the early 1990s, experienced a drawdown of its military forces and defense expenditures partially in an effort to help revive its declining economic status. On the other hand, Japan's strong economic position and status as the world's largest creditor nation in the aftermath of the Cold War has elevated its influence and position as a world power. This has resulted in a new school of thought in Japan that questions its subservient relationship with the United States--especially among the younger generation who no longer feel a sense of

obligation to Americans.[3] This change in sentiment was manifested in a survey conducted in Japan in late 1989 which indicated that many Japanese are tired of being the object of U.S. finger pointing, and tired of Japan acquiescing to U.S. demands. They feel the trade and technology problems are due to the inability of the United States to get its own house in order and adjust to changing economic conditions.[4] As U.S. demands continue, so does the Japanese perception of the United States as an incessant bully who will not let up. Consequently, U.S. credibility in Japan is on the decline. Japan has worked hard to achieve economic success, played by (and adjusted to) the rules imposed by the United States, and is not likely to tolerate continual U.S. pressure for problems that can be attributed the internal economic difficulties of the United States.

In sum, it appears that the current trade and technology-related tensions may be detrimental to both countries' interests and undermine the U.S.-Japan alliance. This thesis maintains that the United States and Japan need to seriously evaluate the validity of the other's arguments and take cooperative measures if a successful resolution is to be achieved. Moreover, the changing paradigm may require a reevaluation of the nature of their security relationship

[3] "Japan's Hardening View of America," Business Week, 18 December 1989, 62-64.

[4] Ibid.

which should reflect the realities of contemporary post-Cold War conditions.

With the demise of the Soviet Union and the Communist threat, economics and trade related issues have come to the forefront and been given greater importance. This is exemplified in Europe's integration into the European Community, the establishment of the North American Free Trade Agreement (NAFTA), and Malaysia's proposal for an East Asia Economic Caucus. It is imperative that both Japan and the United States take active measures to alleviate their problems if they wish to maintain the mutually favorable relationship toward one another. From a global perspective it is their responsibility as leading economic powers. Both countries must realize that each will act in the best interest of its own cultural identity and national security, which may not always be consistent with the other's desires. This requires a better understanding of the other's problems and challenges, as well as concentrated efforts by each country to internally work out its own problems.

II. SECURITY RELATIONSHIP

The relationship between the United States and Japan and the post-World War II rebuilding of Japan has created one of the most fascinating success stories in recent history. Japanese cooperation and hard work throughout the Allied Occupation, combined with the benevolent leadership of General Douglas MacArthur, proved to be the successful combination that provided a strong foundation from which to build this special relationship. The postwar democratization of Japan under the guidance of the United States, in addition to the U.S.-aided economic development, proved to be the key ingredients in the close political and economic ties that subsequently followed.

This relationship, however, has come under fire in recent years; through a myriad of issues from the United States' "nuclear umbrella" and Japan's share of the defense burden, to trade deficits and "Buy America" slogans. Many of these issues have given rise negative rhetoric between the United States and Japan which could seriously jeopardize the current security relationship. The purpose of this chapter is to analyze the development of the U.S.-Japan security relationship since the postwar period, consider the possibilities that may affect its future development, and demonstrate the need for a continued, cooperative relationship.

A. THE OCCUPATION: POLICIES AND REFORMS

The shaping of U.S.-Japan policy during the Occupation culminated with the initial security treaty in 1951. For numerous reasons that arose during this timeframe both Japan and the United States realized the need for a mutual agreement that served the interests of both nations.

The aftermath of World War II found Japan in a precarious position whereby her destiny would be the product--one way or another--of evolving U.S.-Soviet relations. War-torn Japan lay on the verge of economic and political collapse. The Allied Occupation Forces consisted of British, Australian, and primarily U.S. troops, under the direction General Douglas MacArthur as the Supreme Commander for the Allied Powers (SCAP). Given Japan's aggressive behavior throughout the war, the primary objective of the Occupation was to transform the country from an aggressive, militaristic nation into a more benign, peaceful one under democratic rule. The Russian threat and Cold War had not yet come to fruition; and security and stability in the Pacific region was contingent upon a Japan that posed no threat to its neighbors. If Japan's military prowess was destroyed, there could be peaceful coexistence within the region, with the United Nations and United States keeping a watchful eye.

It is with the above concepts in mind that the Occupation embarked upon its "demilitarization" and "democratization" programs throughout the Occupation. Subsequently, Japan was

demilitarized through the disestablishment of approximately six million individuals serving in the Imperial Army and Navy. Some military leaders were tried as war criminals, many others were banned from holding public office, and the police were decentralized. In less than a year the Occupation forces were successful in neutralizing the Japanese war machine beyond any offensive or defensive capability.

General MacArthur believed the successful rehabilitation of Japan rested with the transformation of Japan into a parliamentary state, while preserving the position of the emperor in some respect--noting that the emperor was essential to the political and cultural survival and was inherent in the Japanese system. It was with this in mind that MacArthur quickly drafted a constitution which preserved the monarchy, but only as a symbol of the state and unity of the people, and without any sovereign power. Additionally, Article IX was developed, in which Japan renounced war:

> Aspiring sincerely to an international peace based on justice and order, the Japanese people forever renounce war as a sovereign right of the nation and the threat or use of force as means of setting international disputes...land, sea, and air forces, as well as other war potential, will never be maintained. The right of belligerency of the state will not be recognized.[5]

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[5] John K. Emmerson and Leonard A. Humphreys, Will Japan Rearm?: A Study in Attitudes (Washington, D.C.: American Enterprise Institute for Public Policy Research, 1973), 116.

Several other major changes occurred as a direct result of the constitution: prewar elites were abolished or subordinated to the cabinet, which became a "committee" of the majority party or coalition in the Diet; both houses of the Diet became fully elective, and the franchise was extended to all men and women aged twenty or over; the Supreme Court was given the power to pass on the constitutionality of Diet legislation; governorships of prefectures were made elective; and human rights were guaranteed.

The accomplishments of the Occupation could not have taken place without the strong will and flexibility of the Japanese people, who soon realized the spirit of the Occupation was benevolent rather than forceful. Moreover, SCAP's utilization of the Japanese administrative structure to implement many of the reforms allowed MacArthur to achieve his goals with little resistance.

The Occupation was successful in a number of areas; many of which set the stage for Japan's success in later years. The emergence of the small, independent and somewhat prosperous Japanese farmer was a result of the land reform program. The government bought the land owned by absentee landlords and sold it at low interest rates to former tenants.

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[9] John K. Fairbank, Edwin O. Reishauer, and Albert M. Craig, East Asia: Tradition and Transformation, rev. ed., (Boston: Houghton Mifflin Company, 1989), 820-821.

Land worked by tenants dropped from 46 to 10 percent as private ownership rose.

The powerful Zaibatsu companies were also on the hit list of the reformers. These powerful companies were broken into smaller organizations by freezing their assets and implementing a levy on capital. Moreover, inheritance taxes and anti-monopoly laws were established by SCAP to prevent these corporations from amassing their previously held power. Further reforms were planned for twelve hundred additional companies in 1947; however, for external reasons which will be discussed in the following paragraphs, these reforms did not occur as the Occupation switched to a more recovery-oriented policy.

By the late 1940s a major policy shift took place in Japan as a result of the emergence of the Soviet Union as a potential adversary to the United States. Due to the Soviet actions in Eastern Europe, and to counter the threat of Soviet expansionism, the United States adopted its new policy of containment at the urging of George F. Keenan from the State Department. Although the containment theories focused primarily on Western Europe, its policies were applicable to Japan as well.

> The Strategy of containment brought together the new American interest in maintaining a global balance of power with the perceived Muscovite challenge to that

[7] Fairbank, 822.

> equilibrium....It sought to deal with that danger primarily by economic rather than military means; its goal was not so much the creation of an American hegemony as it was a re-creation of independent centers of power capable of balancing each other as well as the Russians.[8]

This shift in U.S. policy could not have come at a better time for Japan. Economic conditions within the country by 1948 were pretty grim, and exacerbated by an excessive number of ex-servicemen and individuals formerly employed in the now ex-Japanese colonies. The chain of events that occurred during this period were critical in the shaping of the future Japan through U.S. foreign policy. The Cold War, intensified by China's fall to communism in 1949 and the outbreak of the Korean War in 1950, further demonstrated the need for the insurance of a secure, economically stable ally in Japan.

Prime Minister Yoshida Shigeru firmly believed that the post-war success of Japan was contingent upon its ability to rapidly achieve economic growth, and realized that Japan's special relation with its "big brother" was an avenue to prosperity. Yoshida commented to an associate in 1946 that "history provides examples of winning by diplomacy after losing in war,"[9] exemplifying his confidence in the future prosperity of Japan through its subordination to the United States.

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[8] John L. Gaddis, The Long Peace (New York: Oxford University Press, Inc., 1987), 43.

[9] Fairbank, 826.

From the beginning of the Occupation until 1947, future Prime Minister Yoshida Shigeru believed the future of Japan rested in the assumption that a treaty, punitive in nature, would be concluded with the allies--including the Soviet Union as well as the United States. If this were the case, Yoshida concluded that he would attempt to obtain separate security guarantees from the Soviet Union, United States, Great Britain and China. He would then declare Japan's permanent neutrality, similar to the role of Switzerland in Europe.[10]

As the Cold War took shape, however, Prime Minister Yoshida realized that tension between the Soviet Union and the United States was continually growing, especially in regard to the future of Germany and Korea. He was also aware that President Truman considered Japan's future a high priority. Yoshida realized that the United States might be willing to conclude a peace settlement with Japan without the participation of the Soviet Union;[11] and if this was the case, it was highly probable that a non-punitive peace treaty would result. Moreover, as it was likely that an adversarial relationship would develop between Japan and the Soviet Union if a separate peace treaty took place with the United States, Japan would subsequently seek protection from the Soviet

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[10] Martin E. Weinstein, Japan's Postwar Defense Policy, 1947-1986 (New York: Columbia University Press, 1971), 16.

[11] Yoshida, *Memoirs*, p. 263. As cited in Weinstein, 17.

threat in the form of a security settlement with the United States.

The primary concern of Prime Minister Yoshida and possible stumbling block to his doctrine was, therefore, that the growing intensity of the Cold War relationship between the Soviet Union and the U.S./Japan would eventually call for a rearmed Japan; therefore hindering his economic reform package due to defense spending requirements. Yoshida decided it was in Japan's best interest to allow the United States to provide for its national security while his country concentrated on its economic priorities. This policy of giving primacy to economics became known as the Yoshida Doctrine.[12]

By 1949 the United States had adopted its Defensive Perimeter Strategy as its primary policy regarding strategic issues in East Asia. In March, 1948, the Director of the State Department's Policy Planning Staff, George F. Kennan, sent a message to George C. Marshall, Secretary of State, expressing his concern over the lack of "...any overall strategic concept for the entire western Pacific area."[13] The thrust of Kennan's recommendations in regard to the political-strategic concept focused on the defense of the offshore islands, and the avoidance of any direct commitments

[12] Fairbank, 825.

[13] Gaddis, 73.

on the Asian continent in the wake of China's fall to communism: "While we would endeavor to influence events on the mainland of Asia in ways favorable to our security, we would not regard any mainland areas as vital to us."[14]

Kennan's comments and recommendations were a reflection of the growing concern for the strategic posture of the Pacific region, and served as a catalyst for the subsequent development of the Defensive Perimeter Strategy, which by mid 1949 had become widely accepted.

The commitment of the United States to the offshore islands was widely supported. In June, 1949 the Joint Chiefs of Staff noted that "from the military point of view, the ultimate which we are rapidly being forced, requires at least our present degree of control of the Asian offshore chain."[15] In November the same year a State Department memo noted Pentagon sources supporting the strategy, citing that "our position is not directly jeopardized by the loss of China so long as the security of the islands continues to be maintained."[16] And a paper from the National Security Council in December noted that the minimal forces required to

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[14] Gaddis, 73.

[15] NSC 49, "Strategic Evaluation of United States Security Needs in Japan," 9 June 1949, VII, 774-75. As cited in Gaddis, 74.

[16] State Department Consultants Report, "Outline of Far Eastern and Asian Policy for review with the President," enclosed in Philip C. Jessup to Acheson, November 16, 1949, ibid., pp. 1211-12. As cited in Gaddis, 75.

defend against the Soviet threat in the Asian region required "at least our present military position in the Asian offshore island chain, and in the event of war its denial to the Communists."[17] Additionally, General MacArthur went as far as to say that after World War II the U.S. frontier had extended from the coast of California to the Asian offshore island chain, and that the national security of the United States depended on the ability of the United States to protect those offshore islands, keeping them out of hostile hands.[18]

The Defensive Perimeter Strategy, and its subsequent abandonment with the commitment of U.S. troops to the Korean Peninsula when the North invaded the South, reflected the commitment of the United States to the prevention of the communist spread in the pacific region. This further reinforced the U.S. position of ensuring the creation of an economically sound and democratic Japan.

The end of the Occupation and peace settlement with Japan culminated with two agreements--the peace and security treaties--fulfilling the needs and interests of the State and Defense departments respectively. The State Department was able to achieve the peace settlement based on formal equality

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[17] NSC 48/1, "The Position of the United States with Respect to Asia," December 23, 1949, U.S. Department of Defense, *United States-Vietnam Relations*, 1945-67 [hereafter cited as *Pentagon Papers*] (Washington: 1971), VIII, 257. As cited in Gaddis, 75.

[18] Gaddis, 74.

for Japan, and the needs of the Defense Department were met through the acceptance of a continued, indefinite U.S. presence.[13] Prior to the settlement, however, John Foster Dulles, emissary of the U.S. Secretary of State and the man responsible for negotiating both treaties through the Senate, made several trips to Japan in 1950 in an attempt to convince Japan to re-arm as a condition for the Peace Treaty and restoration of Japan's sovereignty. Prime Minister Yoshida refused, however, and cited Article Nine of the constitution, in which Japan renounces war and will never maintain land, sea, or air forces. Yoshida's motives were primarily economic, and he had no intentions of thwarting his economic strategy by having to re-arm and allocate funds toward defense spending. Besides, the demands of the United States to maintain its own military presence in Japan obviated the need for a Japanese defense posture. When Yoshida was presented with concerns vis-a-vis Japan's submission to the United States, he was noted as saying "When it is objected that Japan will become a colony of the United States, [I] always repl[y] that, just as the United States was once a colony of the Great Britain but is now the stronger of the two, if Japan became a

[13] Kataoka Tetsuya and Ramon H. Myers, Defending an Economic Superpower: Reassessing the U.S.-Japan Security Alliance (Boulder, San Francisco, and London: Westview Press, Inc., 1989), 12.

colony of the United States, it will also eventually become the stronger."[20]

On 8 September, 1951 Japan signed a peace treaty with forty eight nations including the United States, but excluding the Soviet Union and China, who boycotted. On April 28, 1952 Japan's independence was restored. At the same time Japan and the United States also concluded the Mutual Security Treaty, under which Japan's security was guaranteed by the United States. Moreover, the persistence of Dulles paid off, although to a somewhat lesser degree. In return for the U.S. "security blanket" Yoshida conceded the presence of U.S. military bases in Japan and the establishment of a small indigenous military defense force called the National Police Reserve, which was renamed the National Safety Force and finally, in 1954, the Self Defense Force (SDF).

> Yoshida Relented on the need for self-help. With that, the difference between Dulles and Yoshida narrowed. Dulles demanded a military force of 350,000, roughly equal to the peacetime standing force of the Imperial Army in the 1920s. He justified it with the assumption that a Soviet invasion of Japan on the order of the Korean War was likely. Yoshida held fast to MacArthur's assumption that discounted such a scenario, and he has been proved correct. From here on, the difference between Dulles and Yoshida was not over self-help vs. free ride but over how much self-help was adequate for Japan.[21]

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[20] U.S. Department of State, Foreign Relations of the United States, 1950, VII, 1166. As cited in Kataoka, 14.

[21] Kataoka, 15.

B. POST-OCCUPATION: ECONOMIC RISE

The mainstay of Japan's success after the Occupation has been its economic prowess. The reforms that were implemented throughout the Occupation, combined with the strong Japanese concepts of loyalty and will to succeed, proved the perfect ingredients to a healthy economic recovery. Moreover, many restrictive policies and protectionist practices were implemented in an effort to ensure the survivability of Japan's newly restructured industrial base. The United States and many of its allies tolerated these practices, realizing the importance of an economically strong and democratic Japan.

United States procurement for the Korean War provided the impetus for Japan's bustling economy. The North Korean invasion of South Korea elevated the geographic importance of Japan as the primary staging location and basis of operations for the United States and United Nations military forces. Extensive military procurement orders with Japan during the Korean War precipitated the first industrial-manufacturing boom in Japan since the pre-war era. Yoshida referred to the Korean War as "a gift from the gods."[22]

By the 1960s the economy had shown remarkable improvement, and throughout the decade averaged unprecedented annual growth

[22] Fairbank, 826.

rates of approximately ten percent in real terms.[23] In fact, the Japanese economy was growing at such a rate that it was actually doubling every seven years.[24]

Notwithstanding the skill, dedication, and strong work ethic of the Japanese, the United States played an instrumental role in ensuring Japan's economic success. The United States established liberal trading practices with Japan, and encouraged the importation of Japanese goods--becoming the country's single most important trading partner. Additionally, the United States shared its science and technology with Japan in an effort to decrease the technological gap. Japan's scientists and engineers soon realized that, as was the case in the television and semiconductor industries, they could not only utilize this technology, but improve upon it and produce a better product.

By the early 1970s Japanese industrial success had elevated the country to one of the world's largest trading partners; and by the mid 1980s, with the United States alone, had built up a fifty billion dollar surplus.[25] The United States' deficit with Japan, however, has become the subject of much controversy in recent decades. This has been

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[23] Edwin O. Reishauer, The Japanese Today: Change and Continuity (Cambridge and London: Harvard University Press, 1977), 115.

[24] Ibid., 115.

[25] Ibid., 116.

precipitated by U.S. allegations of inadequate access to Japanese markets, Japanese exploitation of U.S. markets, and the Japanese "free ride" in defense.

C. NATIONAL SECURITY INTERESTS

Japan's relationship with the United States since the Occupation can be characterized as a rollercoaster ride with its corresponding ups and downs. The consistent, underlying theme, however, has always been the "security blanket" or "nuclear umbrella" provided to Japan by the United States through ensuring stability in the Pacific region and the protection against the Soviet threat.

Since 1953 Japan has held its special relationship with the United States in high regard. Given the animosities between Japan and its neighbors Korea and China caused by Imperial Japan and World War II, in addition to the Russian presence looming close by, the U.S. military presence and security guarantee was a fair price to pay.

Shortly after the Korean War, however, nuances in perceptions from both sides began occurring as Japan saw itself starting to take on a new role in the world. This began in 1956 when Japan was able to gain membership in the United Nations after the Soviet Union dropped its veto. This came in the aftermath of negotiations between the Soviet Union and Japan that resulted in a termination of hostilities rooted in World War II.

This growing self-confidence in Japan fostered feelings of nationalism and even some anti-American sentiment. Such was the case in 1960 when the controversy over the revision of the Security Treaty resulted in extensive political and social unrest within Japan. Japanese citizens numbering in the hundreds of thousands protested against the revision--which was eventually passed in June 1960 in a secret session, and led to the forced resignation of Prime Minister Kishi Nobusuke. In addition, Japanese self-confidence and sense of pride was bolstered with the successful hosting of the 1964 Olympic Games in Tokyo. The Games demonstrated to the rest of the world the success of Japan's industrial, social and cultural development and had proven that Japan was closing the gap in achieving parity with the West.

Foreign policy nuances between Japan and the United States continued to emerge with the differing perceptions vis-a-vis the Vietnam War. Most Japanese officials were opposed to the United States' involvement in Vietnam and felt that Japan might be drawn into the conflict in some sort of military posture. As a result, some Japanese politicians at that time were advocating a policy of "equidistance" between the United States and the Soviet Union.[26] The negative attitudes of the Japanese were reflected in 1968 as student and political unrest led to nationalistic demands for the return of Okinawa

[26] Holbrooke, 46.

to Japan. These problems reflected even broader issues vis-a-vis the national security interest of both countries as the ten year term of the revised 1960 Security Treaty was coming to a close in 1970; either side had the option of a subsequent revision or termination. Fortunately, however, these issues were effectively resolved. In 1969 the United States turned over the control of Okinawa to Japan. The pullout of American troops from Vietnam--combined with President Nixon's visit to China opening the door for improved relations between both Japan and the United States to China--resulted in an era of strong cooperation and friendship between Japan and the United States.

This renewed positive relationship was important in the bitter aftermath of Vietnam in that it demonstrated to Japan and its neighbors the continued commitment of the United States to Japan and the region. "The cooperation between the United States and Japan during the late 1970s and most of the 1980s was an important ingredient in the reversal of the perception that America was retreating from the Pacific after Vietnam."[47]

Through putting most of its economic eggs in one basket, however, Japan found itself even more dependent on the United States for its security.

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[47] Ibid.

> The astounding success of the Japanese in international trade had also made their dependence on the outside world all the more obvious. Despite their new pride and self-confidence, they felt even more helpless in the face of developments in the rest of the world.....In the autumn of 1973 a worse blow fell when the Organization of Petroleum Exporting Countries (OPEC)...quadrupled the price of oil. No major nation was harder hit than Japan, which relies on imported oil for more than 60 percent of its total energy resources....the lesson of Japan's extreme economic vulnerability to external forces remained clearly etched on Japanese minds.[8]

D. CONTEMPORARY CONDITIONS IN 1992: THE NEED FOR CONTINUED U.S.-JAPAN RELATIONS

The demise of the Soviet Union has in many ways obviated the main principles upon which the U.S.-Japan security relationship was organized. This, coupled with the current trade and economic-related friction, call for a new basis for maintaining the relationship. The need for a cordial U.S.-Japan relationship is of vital importance to both countries in regard to maintaining stability in the Asia-Pacific region. This is important for a number of reasons: to ensure regional stability and the safe passage of trade; to give assistance to Japan which will enable it to assume a greater regional and international role; and to help stem the tide of mistrust among Japan's neighbors which are founded in the memories of Imperial Japan.

The post-Cold War era has presented Japan with the dilemma whereby it has matured into a major world power and must

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[8] Reischauer, 118.

assume a greater responsibility throughout the world. How Japan deals with this increased responsibility, and how Asia responds to Japan's increased role depends largely on U.S. participation. Moreover, despite Japan's economic influence, they are not willing to assume the role of sole political leader within the region. For example, in 1991 Malaysian Prime Minister Mahathir suggested that Japan lead the creation of an East Asian Economic Group constructed along the lines of the European Community and NAFTA. Japan refused the offer insisting that U.S. participation and leadership must first be included.[29]

History has demonstrated that when serious economic and trade trouble with the west occurred, Japan had visions of a self-sufficient economic bloc encompassing China and Manchuria by use of military force. As these tensions came to fruition, Japanese forces attacked Pearl Harbor and proceeded down the Malay peninsula to Singapore and the Dutch East Indies to ensure its availability to natural resources and an adequate oil supply.

Outside of the context of a U.S.-Japan relationship, and considering Japan's great resource needs, the possibility exists that, if the oil supply and resources to Japan were threatened, Japan could seek regional domination. According

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[29] Yoshi Tsurumi, "U.S.-Japanese Relations: From Brinkmanship to Statesmanship," World Policy Journal 7, no. 1 (Winter 1989-90): 583.

to Richard Holbrooke, former U.S. Assistant Secretary of State for East Asia and Pacific Affairs:

> Japanese are always quick to remind the rest of the world how resource-poor and vulnerable they are. This vulnerability may tempt Japan to seek primacy or domination in areas that contain vital natural resources or important trading partnerships....It would be a tragedy if Japan were to attempt, in a nonmilitary form, to control certain resources or regions of the world....In the modern world, any nation that seeks to dominate any region of the world through either political or economic pressure risks massive economic retaliation from other major trading nations.[30]

A more alarmist perspective raises the possibility of future Japanese military domination of the region. In their book "The Coming War With Japan" George Friedman and Meredith Lebard maintain that an inevitable chain of events will cause Japan to seek military domination within the region.[31]

The growth of the Japanese economy has been and continues to be export driven. However, due to the lack of resources within Japan's island nation, Japan is equally dependant on the imports of raw materials for its economic survival. For Japan to successfully continue as an export oriented economy, it is paramount that the Japanese maintain access to the countries supplying the raw materials as well as maintaining secure sea lanes for the transportation of these supplies.

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[30] Holbrooke, 55-56.

[31] George Friedman and Meredith Lebard, The Coming War With Japan (New York: St. Martin's Press, 1991), 317,320,390-392.

Although every country is dependent on imports to varying degrees, of the industrialized nations none are as dependent on their imports as Japan. To further illustrate this dependence; when considering import and export tonnage, in the late 1980s Japan imported 667,671,000 metric tons and exported 81,368,000 metric tons, at a ratio of 8.206 to 1.[32] Therefore, Japan needed to import over 8 tons of imported raw materials to produce one ton of exports. As a point of comparison, the U.S. import/export ratio was 1.384 to 1.[33] This makes Japan particularly vulnerable and dependent on the stability and supply of those nations from whom they import. Although Japan is a creditor nation financially, they are a debtor nation in regard to the physical balance of materials. Any dramatic shift in the shipping industry or supply of raw materials to Japan would most certainly be disastrous to their economic well-being.

Throughout the Cold War the United States assumed the role of Japan's protector against the Soviet threat, as well as maintaining stability within the region and assuring safe passage through the sea lanes. Although the changing paradigm in the post-Cold War era alters the role of the United States regarding the Soviet part of the equation, its presence is

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[32] Statistics Bureau, Management and Coordination Agency, Government of Japan. Cited in Friedman, 186

[33] United States Bureau of the Census, Statistical Abstract of the United States, Washington, D.C., 1989.

still needed to maintain stability and ensure safe passage of shipping for all trading nations. The level of importance given to economic/trade issues is more understandable when realizing that U.S. military presence within the Pacific region helps to ensure the stability of two-way transpacific trade in excess of over 300 billion dollars per year, nearly double the amount of transatlantic trade.[34] Moreover, by 1992 U.S. firms invested over 61 billion dollars throughout the Asia-Pacific region, while Asian investment in the United States was approximately 95 billion dollars.[35]

In regard to the Asia-Pacific region, most nations recognize the advantages and opportunities Japan's economic prowess can offer, however, they are extremely apprehensive about a more autonomous Japan outside the purview of a U.S.-Japan cooperative arrangement. This is understandable given Imperial Japan's behavior up to and including World War II. For example, the Southeast Asian nations, notably Singapore, continue to hold a deep-rooted mistrust which continues almost 50 years later in the post-Cold War era. Despite the fact that Japan has become a primary source of trade, technology and economic aid for the regional nations, they maintain that

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[34] U.S. Department of Defense, "A strategic Framework for the Asian Pacific Rim: Looking Toward the 21st Century," (19 April 1990): 37.

[35] James A. Baker, III., "America in Asia: Emerging Architecture for a Pacific Community," Foreign Affairs 70, no. 5 (Winter 1991/1992): 4.

their uncertainty regarding Japanese intentions will continue until the younger generations of Japanese are educated about the atrocities committed by their country up to and including World War II.[36] Some of these countries maintain that the prevailing attitudes in Japan are not feelings of remorse as a result of their behavior, but feelings of regret that they lost the war. Leaders in both Malaysia, Singapore and Indonesia have openly criticized the Japanese education system, which in its textbooks plays down and at times overlooks the Japanese invasion and atrocities in Southeast Asia. This eventually prompted Singapore's Senior Minister, Lee Kuan Yew, to express his displeasure that Japan has not been "open and frank about the atrocities and horrors committed", adding that because Japan has not educated its young people about their previous behavior in the region, "the victims suspect and fear that Japan does not think these acts were wrong, and that there is no Japanese change of heart."[37]

Factors such as Asia's memory of Imperial Japan and Japan's uncertainty about its own political role in Asia might preclude it from successfully establishing any type of Asian dominance. Japan is all too aware that her previous forays into Asia led to war, and as a result would prefer to maintain

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[36] Michael Richardson, "Regional Mistrust Increasing," Asia Pacific Defense Reporter 18, no. 10/11 (April/May 1992): 34-35.

[37] Ibid.

a more subdued profile while continuing its economic diplomacy. In light of the historical evidence and internal uncertainty, Japan's foreign policy has been to refrain from meddling in other countries' affairs to avoid accusations of once again attempting to gain regional domination. Japan's mild reaction to the bloody Chinese military attack on the demonstrators in Beijing in 1989 is an example of this policy.

In short, as a result of Imperial Japan's actions, the Japanese themselves realize the scars and attitudes still harbored by those nations, and consequently show some reluctance in taking on a broader foreign policy role--a role which is inevitable given their economic status. Japan's dilemma, therefore, is how it can take on a greater regional role without creating undue friction with its neighbors and without the Japanese themselves becoming overzealous. The most acceptable solution would be through its continued relationship with the United States.

Keeping within the framework of a U.S.-Japan alliance, as well as multi-national efforts, will help to stem the tide of mistrust within the region. Notwithstanding the economic-related difficulties, Japan remains steadfast in its commitment to the U.S.-Japan security relationship as a means of preserving stability in the region:

> Under Article 6 of the Japan-U.S. Security Treaty, the U.S. is granted the use of facilities and areas in Japan by its military forces for the purpose of contributing to

> the security of Japan and to the maintenance of international peace and security in the Far East.
>
> The Japan-U.S. Security Treaty naturally focuses on the security aspect. Simultaneously, it includes important provisions on political and economic cooperation. The Japan-U.S. Security Treaty in fact lays the basis for a cooperative relationship between the two countries over a wide area, not only in the area of defense but also in political, economic and social areas.[38]

Economics aside, Japan is beginning to play a broader regional political role, and in most cases within the framework of U.S./multinational operations. For example, Japan's commitment of minesweepers as its contribution to the Gulf War was an indication of this change. Japan has also been assuming a greater role vis-a-vis its neighbors. As the Cambodian issue intensified in the late 1980s, Japan took on a role as mediator in an effort to resolve the conflict. Through a series of meetings with foreign officials and factions, Tokyo played a major role in the negotiations. Japan has also assumed a larger role in helping to resolve the Korean issue, but again, within the framework of the U.S.-Japan alliance. Normalization negotiations between Tokyo and Pyongyang, encouraged by ROK President Roh Tae-Woo in 1988 for

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[38] Japan's Defense Agency, Defense of Japan, translated by Japan Times, Ltd., 1991, 60.

[39] Ibid.

improved U.S.-Japanese relations with North Korea, is a case in point.[40]

One of the more controversial issues regarding a greater Japanese role deals with their Self Defense Force (SDF) and defense policy. Changes brought about in the post-Cold War era have necessitated the redefining of Japanese defense policy to take on greater responsibility. Factors such as the U.S. military withdrawal from the Philippines and possibility of further drawdown of forces in the region, and criticism of Japanese burdensharing and lack of participation in the Gulf War call for a Japanese defense posture which assumes a greater regional role.

Caution must be exercised, however, regarding an overzealous Japanese Defense buildup, as history has left many scars on those previously subject to Japanese Imperial aggression--notably Japan's neighbors. The regional response to Japan's sending Minesweepers to the Gulf was met with both support and opposition. The apparent acquiescence of some Asian nations, notably the Philippines and Thailand, signified a nominal acceptance of an increased Japanese military role in international affairs.[41] Other nations, however, were more

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[40] Yoshihide Soeya, "Japan's External Policy in a Time of Change," presented at the Symposium on East Asia Transformed: New Patterns of Cooperation in the 1990s, November 15-16, 1991, Pusan, Korea. 12.

[41] Masaru Tamamoto, "Japan's Uncertain Role," World Policy Journal 8, no. 4 (Fall 1991): 581.

apprehensive. Singapore's Prime Minister Lee Kuan Yew summed up Japan's involvement in the Gulf War by stating that "allowing the Japanese to participate in military operations was like giving an alcoholic liqueur chocolates."[42]

E. OUTLOOK AND RECOMMENDATIONS

History has served as a reminder to Japan that their overzealous, unchecked actions in Asia can result in war. Nevertheless, the changing world order and Japan's economic success call for them to play a more active role. Japan's dilemma, therefore, is how it will play a more responsible, active role in the region while simultaneously coping with Asia's strong apprehension of a more "independent" Japan. Japan's broader participation under the umbrella of U.S.-Japan multilateral efforts has been a step in the right direction.

A Japan outside of the U.S. nuclear umbrella would most likely feel threatened by its nuclear-capable neighbors. Coupled with ongoing disputes such as Russia and the Kuril Islands; China and the Senkaku Islands; and the "Korean dagger pointed at the heart of Japan," the potential for military conflict clearly exists--although to a lesser degree than during the Cold War. Regarding Asia, and China specifically, Masaru Tamamoto, Director of the Center for Asian Studies at

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[42] Ibid., 584.

The American University School of International Service, warns:

> Should the security treaty be terminated, the Japan question would undoubtedly loom over Asia once again, greatly complicating the politics of the region. Japan does not want to exercise sole political leadership in Asia, and China will not accept such Japanese leadership. This is why the U.S. presence in Asia is so important to the leaders of Japan and China.[43]

The role of the United States is a very important factor in the equation which needs to be emphasized. However, the economic and technological difficulties the United States faces has cast some doubt on America's leadership ability:

> Most Asian countries, nevertheless, favor continued American commitment and involvement in the world. Gone are the days when developing countries could reap advantage from the rivalry between Moscow and Washington; they now line up for the services of the United States as an "honest broker" of peace. These expectations notwithstanding, the United States is losing its own economic and technological leadership, a failing that calls into question the sustainability of its military and political power.[44]

In the post-Cold War era, with the threat of communism no longer a factor, a new paradigm has emerged which focuses more closely on the economic factors. This has resulted in a shift in the focus of the United States from the perception of the

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[43] Ibid., 590-591.

[44] Yoichi Funabashi, "Japan and America: Global Partners," Foreign Policy 86 (Spring 1992): 30.

Soviet expansionist threat to the economic threat posed to the United States. Former CIA Director Stansfield Turner writes:

> The most obvious specific impact of the new world order is that, except for Soviet nuclear weaponry, the preeminent threat to U.S. national security now lies in the economic sphere. The United States has turned from being a major creditor nation to the world's greatest debtor, and there are countless industries where U.S. companies are no longer competitive. We must, then, redefine "national security" by assigning economic strength greater prominence....[45]

The close relationship that developed between both countries has served as the cornerstone of U.S. policy in the Asia-Pacific region throughout the Cold War. Notwithstanding the occasional domestic tensions, both the United States and Japan have viewed the relationship between them in a mutually favorable light. However, the end of the Cold War has resulted in a greater emphasis on economic factors. The potential for conflict between the United States and Japan exists in the more contemporary issues such as the trade imbalance, market liberalization, and U.S. dependence on Japanese technology.[46] Developments in the 1970s and 1980s in these areas between the United States and Japan have altered many of the perceptions both countries hold toward one another, and given rise to the possibility that the security relationship could jeopardized.

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[45] Stansfield Turner, "Intelligence for a New World Order," Foreign Affairs Vol. 70, No. 4 (Fall 1991): 151

[46] Funabashi, "Japan and America: Global Partners," 27.

Considering U.S. economic interests in the Asia-Pacific region, it is imperative that the United States not abandon its influence and position in the region, and more specifically, Japan. James A. Baker, former Secretary of State, noted in late 1991, "The keystone of our engagement in East Asia and the Pacific is our relationship with Japan. Nothing is more basic to the prosperity and security of the region, and indeed to the effectiveness of the post-Cold War system, than a harmonious and productive U.S.-Japan relationship."[47]

Given the global influence that both nations possess, and the need to maintain regional stability and trade, it is important that a strong bilateral relationship (perhaps adjusted to meet contemporary conditions) be maintained. To do this successfully, both the United States and Japan must seek to resolve any differences which might alienate their relationship. This requires that both countries seriously seek to resolve the trade and technology issues and related sentiment which serves as the greatest threat to this relationship. The resolution of the economic/trade related problems, one way or another, and the public sentiment and perceptions of both countries, will most assuredly effect the tone and direction of the future relationship between them as well as the balance of power in the Asia-Pacific region.

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[47] Baker, 9.

III. TRADE DIFFICULTIES

The roots of U.S.-Japan trade disputes and differing perceptions can be traced back to the arrival of Commodore Matthew C. Perry at Tokyo Bay in 1853. Commodore Perry was sent to Tokyo along with three frigates and five other ships to negotiate a trade agreement and opening of Japanese ports to U.S. ships. Perry delivered his proposal with a promise to return the following year for a reply. Upon his return the Japanese consented and signed the Treaty of Kanagawa, which in effect opened up two ports and allowed limited trade. The difficulties began three years later in 1856 with the arrival of the new U.S. consul to Japan, Townsend Harris. Japan, reluctant to open its markets to the West, felt that the United States was being too forceful. Harris was thwarted by a myriad of stalling tactics mirrored in modern day trade negotiations. Initially Japan decided the treaty was no longer in their best interests and therefore would not be honored. It took Harris two years of painstakingly slow negotiations to finally reach a compromise.

More recently, at the onset of the post-World War II era, Japan was faced with the major task of rebuilding its war-torn country. In an effort to protect their industries and give themselves the latitude to develop without fear of outside competition, Japan implemented stringent import tariffs and

quota restrictions. The United States accepted these restrictions as a necessary evil, realizing the importance and necessity for an economically sound Japan, at least until Japan was no longer economically vulnerable and could stand on its own. As time passed and Japan became stronger, most industry-protecting barriers remained intact, resulting in increased pressure in the early 1960s by the General Agreement on Tariffs and Trade (GATT) to ease its restrictions.

The past thirty years have seen Japan yield piecemeal by eliminating many of the earlier quota restrictions, although in many cases the quotas have been offset by a subsequent tariff increase on the items in question.[48] Through continued worldwide pressure Japan has made limited concessions in its trade practices. For example, from the mid 1980s to early 1990s, the trade deficit decreased from approximately 60 billion to 47 billion dollars.[49] However, it is strongly felt by some that real progress will not occur until Japan undergoes a fundamental change in its concepts of trade. Author of Japan's Unequal Trade, Edward Lincoln, states that "Despite this continued formal opening of the market, however, the sense of pervasive restrictions through informal means has persisted. These are the implicit

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[48] Edward J. Lincoln, Japan's Unequal Trade (Washington, D.C.: The Brookings Institution, 1990), 14.

[49] "Japan Opens the Export Spigot," Business Week, 29 June 1992, 50-51.

restraints that are so difficult to verify and remove because they are so deniable."[50]

A. DIVISIVE ISSUES

A partial explanation of Japan's reluctance to welcome foreign goods lies in the Japanese mindset which has struggled between Japan's rise and economic influence throughout the world and Japanese perception of themselves as being separate from the rest of humanity. Edwin O. Reischauer explained Japan's dichotomy as being:

> ...both self-satisfied almost to the point of arrogance and at the same time somewhat ill at ease with others. They are simultaneously world leaders and world loners. This situation is confusing not only to others but also to the Japanese themselves. It gave rise to the great 'Nihonjin-ron' debate in the 1970s over what it meant to be a Japanese."[51]

This feeling of separateness has contributed to the current trade difficulties through some of Japan's outlandish contentions such as: foreign beef is unsuitable for the Japanese because they have thirty additional feet of intestines; exclusion of foreign construction firms because Japan has dirt incompatible with U.S. machinery; and exclusion of U.S. garbage disposals due to incompatibility

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[50] Ibid., 14.

[51] Reischauer, The Japanese Today: Change and Continuity, 395.

with the Japanese sewage systems.[52] Table 1 at the end of this chapter lists some of the informal, deniable barriers the United States has experienced in attempted exports to Japan throughout the 1980s.

A key argument in Japan's defense is that it is in the process of adapting to a more liberalized trade system, and the United States must not interfere with this progress by adopting a more controlled or managed trade system. The only practical solution is to simply leave Japan alone and allow them to work out their own ambiguities through a type of economic evolutionary process.[53] Yoshi Tsurumi, professor of International Business at Baruch College, City University of New York and president of the Pacific Basin Center Foundation stated in 1989 that American fears about Japanese trade practices and world economic domination have in turn given rise to a "backlash of anti-American feelings in Japan and emboldened a rising generation of neonationalist hardliners....The United States must realize that no action is better than a lot of 'wrong actions and that offering a positive vision is a more powerful inducement than endless threats."[54] Moreover, Professor Tsurumi recommends that the United States and Japan should avoid a bilateral managed trade

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[52] "Japan 2000," prepared by the Rochester Institute of Technology, (Feb. 11, 1991), 77.

[53] Tsurumi, 1-3.

[54] Ibid.

system and instead opt for negotiations through GATT in favor of a multilateral free trade system.[55]

In certain respects, Professor Tsurumi's arguments are valid, and as progress is being made in some areas, the United States is faced with the dilemma of encouraging this "opening up" of Japanese markets while continually exerting pressure without exacerbating ongoing neonationalist tensions. In certain aspects Japanese society is undergoing a transformation which may ease the difficulty between Japan and the United States. As Japan becomes wealthier and more secure in its prosperity, attitudes are shifting to an emphasis on leisure time and quality of life and less on material reward. This is reflected in shorter working hours, more offices closed on Saturdays, and consideration by government authorities to bring Japanese work hours more in line with the work hours of other countries.[56] Additionally, more Japanese are becoming less willing to pay exorbitantly high prices for Japanese domestic goods that discourage imports, and in the future will be less likely to tolerate higher prices caused by protectionism.[57] Changes within Japanese society as well as

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[55] Ibid.

[56] Alan D. Romberg and Tadashi Yamamoto, Same Bed, Different Dreams: America and Japan Societies in Transition (New York: Council of Foreign Relations Press, 1990), 46-47, 61.

[57] Ibid.

Japanese perceptions will be addressed further in Chapter V.

Due to some improvements and changes in Japan, some U.S. officials, although recognizing the continuing need for change, are a little reluctant to take stronger measures that might be perceived as too offensive by the Japanese. At a hearing before the Subcommittee on Commerce, Consumer Protection, and Competitiveness in May 1990, U.S. Trade representative, Carla A. Hills, maintained that Japan is continually progressing toward free trade reform and that sanctions should not be imposed under the Super 301 statutory authority.[58] [59] In some instances this is true, and for this reason the United States must proceed cautiously with retaliatory measures while inroads are being made. Apple Computer, for example, has increased its sales from 55,000 in 1988 to an estimated 180,000 by the end of 1992, which puts it in the top five computers sellers in Japan.[60] Motorola has had similar success. According to one spokesman, "cultural and hidden barriers" are still evident, however, Motorola's

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[58] U.S. Congress, House Subcommittee on Commerce, Consumer Protection, and Competitiveness, U.S. Trade Relations With Japan, 101st Cong., 2nd sess., 1990. S. No. 101-150, 6-7.

[59] The Super 301 provision of the 1988 Trade Act identifies specific unfair trade practices as priorities toward which special attention is given.

[60] "Apple? Japan Can't Say No," Business Week, 29 June 1992, 32.

success came when it established a joint venture with Toshiba.[61]

It is important to note, however, that the trade difficulties with Japan are not limited to only the United States, which demonstrates that all U.S. difficulties are not simply a measure of Americans not trying hard enough or failure to understand Japanese culture and traditions. The past decade has seen frequent cases of complaints filed against Japan throughout the world. In 1984 the European Economic Community issued a fifteen page document published in the Singapore Monitor directed at Japan with accusations of protectionist practices; subsequent complaints were filed in 1985 and 1986.[62]

It is not difficult to understand the frustration shared by other countries when one evaluates the amount of Japanese imports of manufactured goods compared to the rest of the world. Table 2 at the end of this chapter indicates that, although all countries protect their own markets to some extent, Japan clearly hinders imports in comparison and has shown little improvement over nearly two decades.

Another study by the U.S. Department of Commerce indicated that during the period from the early 1960s to 1986, while Japan was claiming there were no real unfair trade issues as

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[61] "Asia Beckons," The Economist, 30 May 92, 63.

[62] "Tokyo's Protectionism: Time to Fight Back," Singapore Monitor, 18 January 1985, 15, as cited in Prestowitz, 95.

a result of liberalizing trade negotiations, their imports of manufactured goods in 1960 were 1.5 percent of their GNP. In 1986, after several rounds of negotiations in which Japan claimed to have made concessions, manufactured imports rose to only 1.6 percent. By comparison over the same period the percent of U.S. manufactured imports rose from under one percent to 4.4 percent, and the European Economic Community rose from 1.1 to 4.5 percent.[63]

Historically, it can be argued that both U.S. acquiescence and prolonged GATT negotiations have contributed to the formula of Japan's success. Even after years of negotiations through GATT, many Japanese barriers remain. The controversy over the aluminum bat issue in the late 1970s and early 1980s is a prime example. The production of aluminum requires high levels of electricity. By the late 1970s Japan was experiencing high energy costs, which resulted in costly production of aluminum ingots. The United States, conversely, had relatively low energy costs, which resulted in the production of bats much cheaper in the United States than in Japan. In a free trade situation adhering to the concepts of comparative advantage, it would therefore be less expensive for Japan to buy the U.S. produced bats than it would be to produce their own. This, however, was not the case. The government-organized Japanese Soft Baseball League consists of

[63] U.S. Department of Commerce, International Trade Administration, "Market Access Indicator," April 1987.

1,600,000 players and is similar to the U.S. Little League except that a rubberized baseball is used instead of a hardball. Numerous attempts by the United States to enter the market proved unsuccessful. One of the excuses cited by Japan was that the Japanese players and spectators did not like the sound that American bats made when they came in contact with the ball.[94]

The real conflict ensued when the government-controlled league required an official league seal stamped on every bat. Initially Japan would not make the seal available for U.S. bats, but by 1980, after increased pressure from the United States, Japan acquiesced. However, when Herbert Cochrane, Commercial Officer at the American Consulate in Osaka requested information on obtaining the seals and stamps, the Japanese once again proved uncooperative, and refused to grant the information. The Japanese maintained that their form of rubberized baseball was different and only Japanese aluminum bats are compatible. Moreover, they argued that numerous Japanese companies had already been granted contracts and the introduction of American bats would result in an overly competitive market. In addition, the introduction of American bats would set a precedent whereby they would also have to accept other sporting goods such as volleyballs, resulting in

[94] Lincoln, 146.

an influx of cheap goods from Taiwan.[65] The United States subsequently filed a complaint with GATT, which resulted in the Japanese government eliminating its formal standard, however, in a successful attempt to circumvent GATT, the baseball league subsequently developed private standards of its own. This further complicated U.S. production and curtailed the importation process requiring the individual inspection of every bat.

In short, even after ten years of GATT negotiations on the issue and a supposed lifting of restrictions in accordance with GATT guidelines, the total Japanese aluminum bat market included less than one percent of imports.[66] This argument, in addition to other similar cases, has resulted in U.S. and European accusations of Japanese protectionist policies. Clyde Prestowitz, former high-ranking U.S. Commerce Department official, sums up his perception of the trade situation with Japan in the last few decades:

> The recurrent pattern in the relationship between the United States and Japan had by now become a kind of ritual. First, the United States would demand that Japan open its markets. After a prolonged and tedious haggling, Japan would offer some apparent relaxation of restrictions and the United States would thank the Japanese profusely and hail the measures as great progress. Shortly, however, those sent to execute the new agreements would find that things did not work as anticipated. They would

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[65] Clyde Prestowitz, Trading Places: How We Allowed Japan to Take the Lead (New York: Basic Books, 1988), 97.

[66] Ibid., 99.

then complain of unfairness and of new barriers and renew the demand for opening.[67]

The fundamental principles embodied in GATT such as more liberal trading practices, elimination of tariffs and reduced barriers on imports have achieved great success within the international trade system. Although domestic pressure, political pressure, and strategic implications practiced to a certain extent by most countries preclude total elimination of barriers, GATT has been effective at reducing most barriers on a world-wide basis to the overall benefit of participating members.[68] The influence of GATT, however, could be waning. For example, Japan's declaration in late 1990 that the trade imbalance is not due to their practices is a strong indication of Japanese unwillingness to act in accordance with the international trade guidelines supported in GATT, despite their rhetoric which encourages GATT participation.[69] With the increasing importance of economics in the balance of power, this trend can be expected as more countries realize the important role that economics plays in their national security. The establishment in the early 1990s of the economic spheres such as the European Community and NAFTA has also challenged the relative influence of GATT. For example,

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[67] Prestowitz, 77.

[68] Lincoln, 153.

[69] Anthony Rowley, "Stones Through Glass," Far Eastern Economic Review, 18 June 1992, 80.

U.S. objections to European subsidies of oil-seed producers in November 1992 led U.S. Trade Representative, Carla Hills, to declare that the United States would impose 200 percent retaliatory sanctions on 300 million dollars worth of European imports, and in particular, French wines. In response, France appealed to the European countries to impose retaliatory tariffs on U.S. goods.[70]

B. EMULATION OF JAPANESE PRACTICES

One of the most serious situations that could result if Japan's trade practices go unchecked, is the situation that could develop with the countries of Southeast Asia. The degree to which Japanese practices effect other nations, particularly within the Pacific Rim, is important to the United States due to the substantial amount of trade between the United States and these countries. Subsequently, U.S. trade policy must consider a tougher stance toward Japan to ensure other countries do not attempt to emulate Japanese trading practices, or even worse, counter the possibility of total Japanese economic domination within the region. However, given the current perceptions between both countries, the situation must be dealt with cautiously. As a result of Japan's phenomenal economic success since its reconstruction,

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[70] Stuart Auerbach and William Drozdiak, "EC Takes Action to Reopen Trade Talks With Washington," Washing Post, 11 November 1992, 2A.

it is possible that the economically developing countries might regard Japan's protectionist actions or policies such as trade restrictions as successful and legitimate, and model their systems accordingly. This could affect the entire spectrum of international trade.

Although not necessarily detrimental, some Asian countries have already begun to follow Japan's example in other economic areas. South Korea and Taiwan have adopted Japan's comprehensive land reform program, realizing that land reform was the fundamental change that initially led to Japan's emergence as an economic contender; and many of the newly industrializing countries are adopting Japan's export strategies, promoting production of goods deemed attractive to the world market.[71] It is clearly beneficial that these countries adopt programs and economic reforms that will make them more competitive on the world market. Regarding trade practices, however, it is important to the United States that these countries know when to part with the Japanese model. Notwithstanding the historical animosities between Japan and its neighbors, Japan's participation and investment within the ASEAN countries has given rise to legitimate fears that an Asia more closely linked to Japan would further complicate the United States' influence within the region.[72]

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[71] Tamamoto, 592.

[72] Funabashi, "Japan and America: Global Partners," 32.

C. JAPAN'S LOBBYING SUCCESS

Further complicating the existing trade situation is the apparent lobbying success of Japan in Washington. According to a report compiled by the Rochester Institute of Technology, the success of Japanese lobbying has surpassed "all special interest groups, unions, industries, and both political parties. It is focused, relentless, amply funded, and frighteningly successful."[73] A prime example of this is the controversy in the mid 1980s involving the Japanese exportation of pick-up trucks into the United States. In an effort to import the trucks under a substantially lower duty schedule, Japan classified the pick-up trucks as "automobiles." Realizing the outcry that would ensue from the American companies, Japan invested in a major lobbying effort and public relations campaign aimed at convincing the American public and policy makers that U.S.-Japan relations could be jeopardized and that higher duties would result in higher consumer costs. The Japanese lobbyists proved successful and won approval in Washington, despite the combined efforts of the major U.S. auto manufacturers, who were concerned with the impact on the local industry and possible employment cutbacks. The Japanese victory proved a resounding success. The total cost incurred for the lobbying and the public relations efforts was an estimated three to four million dollars, while

[73] "Japan-2000," 87.

the evasion of the import duties saved the Japanese over 500 million dollars annually.[74] It is important to note that although Japan is quick to reveal that they maintain no import tariffs on cars into Japan, they employ a myriad of inspections, standards, and certification procedures that make foreign imports of automobiles virtually impossible.[75]

In his book Agents of Influence, author Pat Choate criticizes Washington's "Revolving Door" of former U.S. government officials who are subsequently hired as lobbyists for foreign firms:

> These ex-officials are highly effective in representing foreign clients because they possess a special, intimate knowledge of the inside workings of America's trade, investment, and related economic strategies. They also have privileged access to friends, former colleagues, and former subordinates who continue to hold high government office.[76]

In regard to Japan, Choate points out numerous instances where Japan's use of these officials has strongly influenced the International Trade Commission (which serves in an advisory capacity to the President and Congress), the U.S. Trade Representative, and the Commerce Department's International Trade Administration.[77]

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[74] Ibid., 87-88.

[75] Ibid., 50.

[76] Pat Choate, Agents of Influence (New York: Simon and Schuster), 50.

[77] Ibid., 55.

D. ROLE OF EDUCATION AND TECHNOLOGY

In addition to corporations, Japanese universities have demonstrated similar exclusionary tactics vis-a-vis foreigners. In 1985 only one American was employed as a professor at a Japanese university, and attempts by others were frustrated by a myriad of bureaucratic rigmarole. In addition, repeated attempts by U.S. companies to participate in Japanese research consortia have continually led to refusal, or at best extremely limited research.[78] In sharp contrast is the degree of participation to which Japanese corporations are involved in U.S. universities. Japan's economic modus operandi has yielded them the profits whereby they have bought their way into the U.S. industrial and technological market. For example, at a cost of one million dollars each, Japanese corporations have endowed nine chairs at the Massachusetts Institute of Technology. Under MIT's industrial liaison program, the forty five participating Japanese corporations (at a cost of thirty thousand dollars per year) are permitted access to some of the best research in the world.[79] The issue of technology will be addressed in the following chapter.

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[78] Pat Choate and J.K. Linger, The High Flex Society (New York: Alfred A. Knoff, 1986), 112.

[79] Ibid., 113.

E. OUTLOOK AND RECOMMENDATIONS

Negotiations over the last few decades have yielded a nominal opening of Japan's markets compared to its trading partners. This has added to American frustrations that Japan has continually utilized the free trade system to its own advantage while granting few concessions of its own. In his book, Head to Head, Lester Thurow identifies the potential conflict between Japan and its trading partners:

> To grow faster than the rest of the world, Japan's export industries had to capture larger and larger foreign market shares to insure that Japan could pay for the raw-material imports that it needed to keep its economy racing along. The rest of the world could tolerate this situation as long as Japan's exports were small. Japan is now so large economically, however, that the rest of the world cannot allow Japan's exports to rise and capture their markets at the rate that would be required if Japan were to continue to grow much faster than the rest of the world. The rest of the world is simply going to stop Japan from being an export-led economy in the twenty-first century, by instituting overt restrictions if necessary.[80]

The United States is faced with the dilemma of maintaining a friendly relationship with Japan while attempting to resolve a potentially volatile trade situation. Japan is equally desirous of friendly relations and more so of U.S. presence within the region--as discussed in the previous chapter--but is fed up with the United States continually blaming Japan for

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[80] Lester Thurow, Head to Head (New York: William Morrow and Company, Inc., 1992), 249.

what are America's own internal problems and inability to get its own house in order.[81]

Regarding trade issues with Japan, Edward J. Lincoln asks "If Japan's trade behavior cannot be accepted as a natural outcome of successful and benign industrial policies, then is its behavior sufficiently at odds with international norms to require some sort of special response from the United States?"[82] He goes on to address his question by proposing that the United States should direct more attention toward the current trade situation, but should not abandon the fundamental principles of free trade as practiced by much of the world. In attempting to resolve the trade problem with Japan, U.S. policy must exercise continual pressure, "backed by carefully calculated, realistic retaliation when faced with intransigence, and grounded in a recognition that free trade is desirable but sometimes impossible."[83] Clyde Prestowitz takes a more pragmatic stand and proposes that the United States "must begin to envision trade as an integral part of American economic and national security policy and must move away from the moralistic fair-unfair paradigm to a more practical and inclusive position."[84] The future remains

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[81] Some of these grievances will be addressed in chapter five.

[82] Lincoln, 137.

[83] Ibid., 137.

[84] Prestowitz, 322-323.

uncertain. The decline of the Japanese stock market that started in 1990 will have a significant effect vis-a-vis trade. On the positive side, the prediction that Japan's Nikkei share average bottomed out in the Spring of 1992 resulted in individual investors and foreign fund managers buying large sums of Japanese shares in April and May of 1992.[85] Moreover, the decline in Japanese land and share prices over the same period has gave foreign corporations a better opportunity to enter the Japanese market. According to the Japanese Ministry of Finance, foreign direct investment increased 56 percent to 4.3 billion dollars in the year to April 1992.[86] Based on the assumption that more foreign investment in Japan could eventually lead to more Japanese imports (through foreign-owned related products and overseas subsidiaries), this is indeed an avenue that should be pursued. "If foreign investment does pick up in Japan, it could do more to reduce the country's trade surplus than any amount of bashing by Japan's trading partners."[87]

In an effort to break even during this period of economic decline, some Japanese corporations are entering into a retrenchment phase to reduce their costs by reducing capital costs, making fewer products, and cutting working and overtime

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[85] "Earning Their Keep," The Economist, 13 June 1992, 90.

[86] "The Long Term Solution," The Economist, 13 June 1992, 83.

[87] Ibid.

hours.[88] For example, due to declining profits, Japan's auto industry has reduced its aggregate investment by 12.5 percent; and starting in April 1993 Toyota plans to reduce its capital spending from an average of 500 billion yen over the past three years to 350 billion.[89] Other Japanese corporations in the electronics, steel, and airline industries have taken similar actions.[90]

Although this corporate retrenchment and decrease in production could indicate fewer exports and a subsequent reduction of the trade deficit, Japanese domestic demand has also decreased, resulting in fewer imports. Statistics indicate that the current U.S. trade deficit with Japan is widening, and Japan's solution to its problems may be to export its way out of its financial difficulties.[91] Forecasts by McGraw-Hill indicate that after three years of decline, the U.S. trade deficit with Japan is expected to rise to 51 billion dollars by the end of 1992, up from 47 billion dollars in 1991.[92] By May 1992, Japanese exports increased eight percent from the previous year, while domestic demand

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[88] "Earning Their Keep," 90.

[89] "Leaner and Meaner," The Economist, 11 June 1992, 66.

[90] Ibid.

[91] "Japan Opens the Export Spigot," Business Week, 29 June 1992, 50-51.

[92] Ibid.

reduced imports by five percent.[93] Moreover, at this pace Japan's exports could account for approximately one half of its GDP in 1992, taking its overall trade surplus to a record 100 billion dollars.[94]

With an emphasis on the economy in the 1992 U.S. presidential election campaign, and the incoming Clinton administration, it can be expected that trade issues will be high on the agenda. Given the degree to which nations are becoming more economically interdependent, it is essential that the United States and Japan solve the existing trade problems, hopefully without breeding feelings of antagonism or bitterness. Japanese government projections indicate that by the turn of the century, Japanese owned corporation in the United States will account for one forth of all U.S. exports; and the number of American employees working for these firms will increase from 300,000 in 1992 to one million.[95]

The future holds some promise as the United States and Japan have implemented additional measures to resolve the trade dispute. In addition to negotiations through GATT and the elimination of trade barriers through the Super 301 option, the United States and Japan have sought more cooperative measures through the implementation of the

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[93] "How Japan Will Survive its Fall," The Economist, June 1992, 65.

[94] Ibid.

[95] Funabashi, "Japan and America: Global Partners," 28.

Structural Impediments Initiative (SII). The SII talks established bilateral negotiations between Japan and the United States, allowing each side to present its complaints about what it perceives to be the other side's structural impediments to trade. Although the SII talks are still in the early stages, some progress has been made as it provides a positive and productive means of expressing each side's hostilities. By early 1992 Japan had made strong commitments to remove some of its trade barriers. Some of these commitments include: enforcement of Japan's Anti-monopoly Act, reformation of the land tax system, elimination of waiting periods on foreign direct investment, and relaxation of "fair competition" codes.[96] The United States is also making commitments in accordance with Japanese proposals, such as attempting to lower the budget deficit and increasing the savings rate. Time will tell whether or not both Japan and the United States will honor their commitments to SII. Recently some problems have arisen regarding follow-up actions, and Japan has begun to question the United States' commitment to the SII process. In August 1992 Japan criticized the U.S. Congress for not taking legislative action, as well as U.S. corporations' indifference in regard to structural economic problems on the U.S. side.[97] "This

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[96] "U.S. Trade Relations with Japan," 9.

[97] FBIS (3 August 1992): annex, 2.

attitude on the side of the United States will do little to address trade imbalances between the two countries."[98] If the SII is to succeed, it is necessary that the United States demonstrate good faith in attempting to resolve its own structural impediments.

Notwithstanding the occasional difficulties regarding follow-up actions on the SII, it is important to note that the SII talks have established a precedent whereby both countries recognize the need for cooperation and communication and are actively working to resolve the problem.

As the future of GATT remains uncertain, the United States should prudently pursue alternative solutions such as the SII and NAFTA. Regarding NAFTA, Japan's response is both enthusiastic and cautious. "We welcome [the] positive aspects of the NAFTA and hope that they will contribute to the expansion of world trade. At the same time, however, we must point out the negative aspects of the agreement which might threaten the free trade system."[99] Japan's greatest concern is that while Canada and Mexico will be able to import goods to the United States with low tariffs, Asian nations will be required to pay conventional tariffs.[100] Because of these concerns, in addition to U.S. concerns about Asian countries

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[98] Ibid.

[99] FBIS (10 August 1992): annex, 2.

[100] Ibid.

emulating Japan's discriminatory trade practices, it is important that the United States and Japan pursue the Asia-Pacific Economic Cooperation (APEC) approach. Moreover, APEC would serve as a viable alternative to the East Asian Economic Caucus, which would exclude the United States. Although still in its early stages, APEC would comprise fifteen pan-Pacific countries and regions, including Japan, the United States, ASEAN countries, Taiwan and the Republic of Korea.[101] APEC would encourage the elimination of tariffs and investment restrictions on a regional, multi-lateral scale. Moreover, it would likely ease Japan's skepticism regarding NAFTA by including it in an economic zone with the United States. A Japanese official noted in August 1992, "Anticipating regional unifications and formation of blocs in the United States and Europe, such as the North American Free Trade Accord, Japan, in particular, is reinforcing its policy of placing importance on the APEC."[102] However, for APEC to succeed Japan must first set the example for other regional nations by alleviating its impediments to trade--taking action to liberalize its trade practices and open its markets.[103]

On a broader scale, given the enormous U.S. federal deficit and trade imbalance, the United States must come to

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[101] FBIS (12 August 1992): Annex, 3.

[102] Ibid.

[103] Yoichi Funabashi, "Japan and the New World Order," Foreign Affairs 70, no. 5 (Winter 1991/1992): 69.

the realization, while options still remain, that foreign policy in regard to economics and trade must ascend in hierarchy and assume a higher priority. With the demise of a communist Soviet Union and the end of the Cold War, economics and trade issues are coming to the forefront and restructuring the definition of power. The United States needs to take appropriate measures if it wishes to maintain its influential power in the world. Internal improvements, such as alleviating the ease with which former U.S. government officials can sell their influence and expertise to foreign competition, are measures the United States can take to get its own house in order.

The shifting paradigm assigns more importance to the role of economics, which makes it crucial for the United States to recognize (like Japan has done) the importance of sustaining some of its industries that are crucial to its National Security. The United States has already done this in some industries, such as aircraft and arms; however, the increasing importance of technology and its role in the trade relationship warrants more consideration. The importance of technology will be discussed in the following chapter. The greatest challenge, however, is to ensure survivability of certain industries without being too protectionist and raising neo-nationalist tensions on both sides of the Pacific.

TABLE 1

Problem	Nature	Affected Goods
Standards	Product standards set differently from international standards and specified in a way deliberately to exclude foreign products	Metal baseball bats, formaldehyde levels in infant clothing, processed food
Testing and certification	Difficulty in obtaining either broad type certification or self-certification at foreign factories, necessitating expensive and time-consuming individual inspection	Automobiles, metal baseball bats, medical equipment, telecommunications equipment
Customs procedures	Delays and arbitrary actions by customs officials, sometimes in opposition to liberalization measures announced at a higher level	Automobiles
Government procurement practices	Manipulation of procurement by govt and govt-funded organizations to benefit domestic suppliers, despite a 1979 agreement to open procurement	Communications satellites, telecom, super computers, TRON operating systems
Intellectual property	Inadequate protection of intellectual property rights and fears that patent approval processes for foreign technology are delayed to benefit Japanese competitors, trademark approval delays	Computer software, fiber optics, sound recordings

(cont)

TABLE 1 (CONT)

Problem	Nature	Affected Goods
Industry collusion	Collusive actions by industry with or without govt sanction to inhibit imports through joint exercise of market power	Soda ash, chemical fertilizer [illegible], integrated circuits, silicon wafers, auto parts
Administrative guidance	Informal advice from government to importers or users to inhibit imports	Textiles, gasoline
Other govt regulations	Use of product regulations that inhibit the use of foreign goods (size and weight limits in road transportation, procedures under the national health insurance system, retail promotion guidelines, others)	Kidney dialysis machines, high-rune containers, cigarette advertising, processed food

SOURCE: Office of the U.S. Trade Representative, 1989 National Trade Estimate Report on Foreign Trade Barriers, pp. 97-114, and Japan Economic Institute, Yearbook of U.S.-Japan Economic Relations in 1981 (Washington, 1982), pp. 46-47, as cited in Lincoln, Japan's Unequal Trade, 15.

TABLE 2

IMPORTS OF MANUFACTURED GOODS, SELECTED COUNTRIES, SELECTED YEARS, 1970-87

	Manufactured imports as a percent of GDP						*Manufactured imports as a percent of consumption in manufacturing*					
Country	1970	1973	1978	1980	1985	1987	1970	1973	1978	1980	1985	1987
Japan	2	2	2	3	3	2	7	7	8	10	9	9
U.S.	3	3	5	5	7	7	10	13	20	22	32	34
Other Industrial Nations												
Australia	11	10	11	12	13	14	46	44	58	61	74	76
Austria	17	19	20	22	22	22	61	61	72	79	82	84
Belgium	26	30	33	36	42	41	82	100	124	146	188	187
Canada	13	15	17	17	19	19	67	77	84	97	93	91
Denmark	19	19	17	17	20	18	104	106	103	99	122	108
Finland	17	16	14	14	15	15	71	66	58	68	69	70
France	8	9	10	11	12	13	28	33	38	45	55	59
Germany, W.	9	9	11	13	15	14	28	25	33	39	47	45
Italy	6	7	8	10	10	10	22	26	29	35	42	43
New Zealand	16	16	17	16	20	19	n.a.	73	75	74	81	n.a.
Netherlands	26	23	24	28	30	29	100	94	122	139	169	157
Norway	24	24	21	20	20	21	109	111	118	123	139	141
Spain	7	7	5	6	8	11	n.a.	n.a.	n.a.	22	28	38
Sweden	14	16	15	17	19	20	57	68	72	79	90	94
Switzerland	23	21	21	25	25	24	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
U.K.	9	11	15	14	16	17	27	40	57	58	78	74
Developing Countries												
India	2	2	3	3	5	6	16	18	22	21	31	31
South Africa	18	11	15	22	19	17	81	52	75	110	96	77
South Korea	12	17	18	15	21	21	58	68	63	52	73	70
Thailand	14	14	15	17	16	16	88	73	73	79	72	67

n.a.- not available, rounded to nearest whole percent.
SOURCE: World Bank, World Tables (Washington, 1989).

IV. THE U.S. TECHNOLOGY DRAIN

As trade problems continually plague the U.S.-Japan relationship, the role of technology in this relationship is increasingly being brought into question. Moreover, the important role that technology plays in military capability demonstrates its importance to a country's national security. Cutbacks in the defense budget have reduced U.S. military research and development. Consequently, the military must increasingly rely on the commercial sector to provide its state-of-the-art equipment. This could pose a problem if commercial R&D and high-tech industries continually fall prey to foreign competition.

Japanese acquisition of U.S.-developed technologies could pose not only a problem to the ongoing trade deficit, but also a serious threat to U.S. national security. An increasing number of these supplies are coming from Japanese firms. In a 1987 report published by the Defense Department, twenty one critical U.S. weapons systems were dependent on foreign made, primarily Japanese, semiconductors. Additionally, the United States was also dependent on Japan as its sole supplier of other critical military components such as microwave silicon diodes for radar systems and ceramic packages protecting

microchips from extremely hot temperatures.[14] By 1990 Japan was considered to be equal to, or ahead of, the United States in eight of twenty critical technologies identified, including semiconductors, machine intelligence and robotics, photonics, superconductivity, and biotechnology materials.[15] In May 1991 the White House named 22 areas of technological development that are "critical to the national prosperity and to national security," including technologies such as materials and manufacturing, microelectronics, biotechnology, aeronautics, ceramics and composites, and high-definition imaging and displays.[16]

Although turning to foreign suppliers may seem economically feasible, it has serious implications, the most crucial of which would hamper the United States' ability to defend itself in a time of crisis. Additionally, the ability of Japan to capitalize on this technology exacerbates the ongoing trade deficit, resulting in the loss of millions of jobs for U.S. employees and increased disharmony with Japan. Given these circumstances, it is therefore prudent for trade and national security purposes to ensure the survivability of certain key industries so they do not fall prey to foreign

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[14] "Japan's Hidden War Role," U.S. News and World Report, 4 March 1991, 46-47.

[15] Colin Norman, "How the United States Stacks Up in Key Technologies," Science, 20 April 1990, 299.

[16] "Technology the U.S. Must Have," San Jose Mercury News, 26 April 1991, F11.

dominance. William D. Phillips, associate director of the White House Office of Science and Technology, and chairman of the National Critical Technologies Panel noted in April 1991, "We most recently have been reminded, by the spectacular performance of U.S. coalition forces in the Persian Gulf, of the crucial role that technology plays in military competitiveness. It is equally clear that technology plays a similar role in the economic competitiveness among nations."[107]

In an era where technologically advanced weaponry has been the key to supersession, making previous generations of weapons obsolete, it is of paramount importance to keep the U.S. technological infrastructure secure. However, to do this in the spirit of "lazzez faire" without being deemed too protectionist or creating increased U.S.-Japan tensions presents a dilemma for U.S. policymakers.

The use of semiconductors transcends much of the technological industry, so this chapter will emphasize this field. This chapter will focus on U.S. perceptions of the technological relationship and attempt to analyze the important role technology plays in not only the trade relationship, but more important, the threat it poses to U.S. national security.

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[107] Ibid.

A. THE SEMICONDUCTOR TAKEOVER

The Japanese infiltration and eventual dominance of the semiconductor industry is a classic example of Japan's ability to obtain and exploit U.S.-developed technology. It is worthwhile taking a closer look at the Japanese practices and U.S. weaknesses that permitted Japan to control the semiconductor industry.

The birth of the semiconductor age had its roots in 1948 when three American scientists from AT&T's Bell Laboratories invented the transistor as the replacement for the vacuum tube. The transistor was nearly a hundred times smaller than the vacuum tube and much more efficient. AT&T was a controlled monopoly in the years prior to deregulation, and under the U.S. antitrust law it was required that they make their technology available on the open market. Japan's Sony Corporation was one of the first to obtain this technology.[108]

The new semiconductor industry sparked intense competition in the United States as some of the pioneers in the field eventually broke off on their own to start businesses. Many of these individuals set up shop in the central California region, eventually known as Silicon Valley, which has become the capital of the U.S. semiconductor industry.[109]

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[108] Prestowitz, 124.

[109] Roy Hofheinz Jr. and Kent Calder, The East Asia Edge (New York: Basic Books Inc., 1982), 236.

As the United States dominated this field of technology, Japan realized their deficiency in the area and took active measures to protect their industries from the more capable and less expensive American products. Whereas in the United States the government played no role in promoting the industry and abided by principles of competition and a free-market economy, the Japanese government played a substantially different role. Japan's Ministry of International Trade and Industry (MITI) instituted the Extraordinary Measures Law for Promotion of the Electronics Industry in an effort to lessen the gap with the U.S. industries. Under this law, measures were taken to promote research in the field through providing subsidies and government lending to selected Japanese corporations, in addition to authorizing the creation of cartels to help promote development and coordination in the industry.[110]

On a broader scale, former Vice-Minister of MITI, Ichiro Fujiwara spoke on Japan's national strategy:

> Let's take the case of the mainframe computer as an example. After the war, Japanese business firms had to start from scratch. To survive, they had to struggle with outmoded technology and meager capital to fend off foreign competitors armed with computerized manufacturing systems and management. No responsible government leaders, faced with such a situation, would have sat on their hands and watched domestic industries crushed under the juggernaut

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[110] Marie Anchordoguy, "The State and the Market: Industrial Policy Towards Japan's Computer Industry," Ph.D. dissertation, Harvard University, 1986, pp. 68-69. As cited in Prestowitz, p. 129.

of foreign competition. We had to help the domestic computer industry to get on its feet.[111]

MITI instituted a number of measures designed to boost its lagging technological base while simultaneously hindering specifically designated U.S. industries. MITI specifically targeted IBM and in 1960 raised the computer tariffs. IBM attempted to circumvent the tariff by manufacturing its computers within Japan, but was only permitted to do so when they agreed to license their patents to competing Japanese manufacturers.[112]

When IBM came out with its new 370 computer in the early 1970s, MITI realized that the key to technological superiority rested in the semiconductor industry, and moved its focus to semiconductor development. Additionally, tactics such as dumping were used in the 1970s "to gain production experience" in the semiconductor industry; however, the outcome of their actions undermined the American semiconductor corporations.[113]

By 1980 Japan proved to the world it had taken the lead in semiconductor development when the NTT corporation developed the world's first 256K RAM. This was also significant in that

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[111] Ichiro Fujiwara, "Forced Changes," Business Tokyo, April 1987, 28. As cited in Thurow, Head to Head, 144.

[112] "Managing MITI: Inside the Policy Process," April 1987, Business Tokyo, 22. As cited in Thurow, Head to Head, 144.

[113] Hofheinz and Calder, 181.

not only had Japan begun to take over the world market in the RAM industry, subsequent developments in RAM-related components led to a new generation of products which were primarily Japanese dominated. In 1981, the U.S. semiconductor industry produced 57 percent of the world market, and the Japanese industry 33 percent.[114] By 1986 the Japanese world market share rose to 65 percent while the American share dropped to approximately 27 percent.[115] Spending on R&D reflected similar results. The Japanese routinely spent approximately 12 percent of its sales on R&D, while the U.S. semiconductor companies spent 8 percent.[116]

How were the Japanese able to able to gain so much success in the semiconductor market? Given the earlier success in the United States, what pitfalls existed that allowed for a relatively unrestricted Japanese takeover of the market?

> Americans were innovative and dominated many world markets by being first with new products. But the Japanese had already found in the cases of radio, stereo, and television that in the long run those advantages really did not matter. The American technology could be obtained rather easily. Its transfer could be made a condition for access to the Japanese market. U.S. universities welcomed foreign students. U.S. professional and industry associations were open to foreign membership; and U.S. companies, prevented by U.S. antitrust law from

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[114] Semiconductor Industry Association, The U.S. Crisis in Microelectronics (San Jose, Calif.: Semiconductor Industry Association, 1987), appendix A, exhibit II-6.

[115] Prestowitz, 145.

[116] U.S. Department of Defense, Report on Semiconductor Dependency, p. 46.

coordinating licensing activities among themselves, could be played off against one another to extract technology licenses. Moreover, they were often quick to license what they called old technology, supremely confident that they could always stay ahead. As a last resort, U.S. products could also be copied. Once they had the technology, the Japanese were confident that their great skill in refining would enable them to take any U.S. product and make it cheaper and better than the Americans could.[117]

B. U.S. TECHNOLOGY DEPENDENCY AND THE NEED FOR A STRONG DOMESTIC INDUSTRY

The ability of the Japanese to obtain and exploit technology, especially in the semiconductor industry has generated rising concern over the implications this may bring to U.S. national security. As stated in the introduction, the United States relies solely on Japan for many of its military components, many of them semiconductor related. Increasing reliance on foreign-made critical components raises concerns vis-a-vis U.S. military readiness in a crisis situation. It is a compromise that has many Americans in the defense industry uneasy, as they feel the United States has increased its vulnerability and dependency on its allies (namely Japan) whose loyalty could change in times of conflict.[118] This feeling of vulnerability could likely breed further contempt toward the Japanese.

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[117] Prestowitz, 134.

[118] Susumu Awanohara, "On the Defensive," Far Eastern Economic Review, 28 February 1991, 61.

A less alarmist perspective is that although the U.S. industries do not currently produce some of these components, they maintain the capability for production in a crisis situation. Although turning elsewhere for quick orders of electronic components in a time of need may not appear as a serious threat to U.S. national security, it does, however, reveal areas of vulnerability in U.S. defense production.[119] Throughout the Gulf War, for example, the U.S. government requested assistance from the Japanese Embassy in Washington on numerous occasions when American manufacturers could not produce enough critical components for video display terminals required to analyze real-time intelligence information from reconnaissance aircraft.[120] And more important, U.S. combat troops were dependent on foreign suppliers (primarily Japanese) for semiconductor chips, transistors used in "smart bombs," and other components essential to their advanced weapons.[121]

In 1988 the Defense Science Board revealed that the U.S. military was "dangerously dependent" on supplies from foreign countries, and serious concern mounted as Congress's office of Technology Assessment and the General Accounting Office both

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[119] Ibid.

[120] Auerbach, 51.

[121] Awanohara, "On the Defensive," 61.

agreed.[122] A senior administration official noted vis-a-vis the Gulf War, "If foreign governments were neutral or were not disposed to help us out, we could have run into some real problems. We were sweating bullets over it and the military was sweating bullets too."[123]

In May, 1991 the DOD made the following assessment in its Critical Technologies Plan:

> U.S. industry dominated the worldwide semiconductor market from the late 1960s. Its leadership, however, suffered a constant erosion by other industrialized countries (primarily Japan). In 1986, the U.S. lost world market share leadership. Future trends indicate continued market share declines. Closely coupled with this market share decline is the decline of the semiconductor materials and equipment industry that supports semiconductor manufacturers....While the United States has lost its world manufacturing leadership position, it is still generally recognized as the world technology leader. However, since manufacturing, and ultimately sales, generated the revenue for R&D, the future of U.S. technology leadership is somewhat questionable. The implications of the decline in technology and manufacturing leadership for the DOD include the potential for foreign dependence in this critical area and increase the possibility that advanced microcircuit technology may be made available to our potential adversaries.[124]

In addition to the various technologies mentioned earlier, the United States is also lagging behind in some of the newest

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[122] U.S. Department of Defense, Office of the Undersecretary of Defense for Acquisition, Report on Semiconductor Dependency, prepared by the Defense Science Board Task Force (Washington, D.C., February 1987), 26.

[123] Ibid.

[124] U.S. Department of Defense, Critical Technologies Plan, prepared for the Committees on Armed Services United States Congress, (Washington, D.C., 1 May, 1991), p. 1-15.

high-tech fields which could have military applications. Take, for example one of the fastest growing high-tech areas, the Liquid Crystal Display (LCD) industry. Although developed by Europeans and Americans, the leadership in LCD technology and production is now in Japan. LCDs provide a visual display similar to that of a television, but due to their flat screen and lighter weight, they are much more portable and especially useful in aircraft and laptop computers. Japan took the lead in this industry in the 1980s after both Europeans and Americans were reluctant to make the investment and unable to master the manufacturing.[125]

The United States should be more vigilant in not allowing itself to fall behind in these technologies of the future. There are U.S. companies surviving in the LCD industry, however, it has been difficult due to Japan's underpricing of its products on the U.S. market. In 1990 U.S. LCD manufacturers accused Japanese companies of dumping in the United States. Washington agreed and imposed a 62 percent tariff on Japanese LCD imports.[126]

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[125] Bob Johnstone, "Victory by Default," Far Eastern Economic Review, 2 July 1992, 38.

[126] Bob Johnstone, "Picture Power: Japan Will Dominate Huge Market for Liquid Crystal Displays," Far Eastern Economic Review, 2 July 1992, 40.

C. IS JAPAN RELIABLE?

Although the United States met little resistance from Japan in obtaining needed war-time materials throughout the Gulf War, it is important to note the implications and possible threat to U.S. national security that exists. The notorious Toshiba incident, in which a Toshiba subsidiary sold submarine propeller milling machines to Russia, enabling them to produce much quieter propellers, resulted in an enormous setback for the U.S. Navy, and was a catalyst in fueling anti-Japanese sentiment in the United States.[147]

In 1986 a U.S. submarine in the North Atlantic, to its surprise, found itself located via sonar interrogation by a Soviet submarine. Given the advantage the United States held in the area of submarine technology, how was it possible that a Soviet sub could come so close totally undetected? The U.S. subs had held considerable advantage over their Soviet counterparts through amassing the distinctive sound signatures of every Soviet sub known to the fleet.

The Toshiba Machine Corporation, in coordination with Norway's Kongsberg Corporation, sold this state-of-the-art milling equipment to the Soviets through fraudulent measures and in violation of international laws; and although this was done without prior knowledge of the Japanese government, it

[147] Choate, Agents of Influence, 7.

raised serious concerns regarding the apparent impotence of the government concerning critical security related exports.

D. ADDRESSING THE WEAKNESSES

Although the emergence of multi-national corporations, increased trade and shared technology are positive factors in a global and interdependent economy, the perception of Japanese practices that contributed to U.S. feelings of vulnerability has demonstrated the need for strengthening the U.S. industrial and technological base in the interests of national security. To do this the United States must start by looking inward and address the major shortcomings within its system that have allowed Japan to obtain the technological edge.

There are many contributing factors that have played to Japan's advantage, from U.S. acquiescence during times of prosperity, to the power of the Japanese lobbyists in Washington. However, many of these theories of how Japan has threatened the U.S. technological base center around Japanese acquisition of U.S. companies, liaison with U.S. academic institutions, and lack of a U.S. government policy.

A very successful method by which Japan has helped itself to a piece of the American technological pie has simply been through the purchase of U.S. companies. This problem is so evident in the area of technology that the presence of Japanese corporations in Silicon Valley is now commonplace.

In the three year period prior to 1990, Japanese investors contributed over $650 million into minority positions in 120 smaller technology related businesses; and on a larger scale the U.S. electronics producer, Gould, was purchased by Japan's Nippon Mining for 1.1 billion dollars; and for 309 million dollars Hitachi bought 80 percent of National Advanced Systems, its U.S. mainframe distributor.[128]

The penetration of Japan into the technological arena through the purchase of American companies, especially throughout the 1980s, has generated concerns in regard to the U.S. technological base. Why, therefore, do the U.S. corporations appear to have been selling out to their Japanese competitors?

Part of the problem stems from an apparent lack of interest from U.S. investors, coupled with well-funded Japanese corporations anxious to get their hands on U.S.-developed technology. This is frequently the case with many of the smaller start-up industries. Take, for example, Menlo Technologies in San Jose, California. In the late 1980s Menlo Technologies sought initial funding from U.S. venture capitalists. The venture capitalists offered two million dollars for an 80 percent stake. Japan's Nippon Mining, on the other hand, was looking for an opportunity to enter the electronics industry, and gladly paid two million dollars for

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[128] "Is the U.S. Selling its High-Tech Soul to Japan?" Business Week, 26 June 1989, 117.

a 30 percent stake.[129] Additionally, Menlo was given the use of Japanese engineers and plants in exchange for its marketing and manufacturing rights. Everyone is happy, Menlo Technologies gets the funding it needs and a Japanese company gets the technology it desires.

In yet another example, Kubota Ltd., a Japanese manufacturer of agricultural equipment, was eager to enter into the computer industry and quickly purchased five U.S. companies specializing in supercomputer technology. One U.S. company, Ardent Computer Inc, was paid $69 million for a 44 percent stake of the minisupercomputer maker. Included in the purchase were the rights to share its technologies and manufacture its designs.[130] In less than two years after its first U.S. purchase, Kubota Ltd. was independently manufacturing its own minisupercomputers.

With the ongoing Japanese purchasing share in the U.S. market there are growing fears that Japan will soon dominate other high-tech industries unless measures are taken to reverse this trend. This problem was so apparent in 1989 that the vice-president of Asian operations in the American Electronics Association's Tokyo office stated, "Japanese investment is used as a vacuum cleaner for acquiring technology and porting it home. If America intends to win the

[129] Ibid., 118.

[130] Ibid.

race based on innovation, it must stop selling its running shoes to the competitors."[131]

Notwithstanding Japan's economic slowdown in the early 1990s which could lessen its foreign purchases, for the future it is necessary to look at the internal causes in the United States that made its corporations easy prey. Two reasons can be attributed to the problem. First; the United States lacked adequate safeguards in the 1970s and early 1980s against the liberal outflow of U.S. technology. And second; due to the high-tech industrial boom, profits have not been as high as they once were, and U.S. investors are reluctant to sink their dollars into the business.[132] Some critics might call this nearsightedness on the part of the U.S. investors who are concerned only with short-term profit, and that Japanese buyers exercise more patience and are investing in the long run. More realistically, however, is that investment practices, protectionism, and government backing in Japan significantly reduces the risk of long term investment, giving them an advantage over their U.S. counterparts. Most shareholders in Japanese corporations are members of other related corporations, and long term investment decisions are made based on the long-term survivability of the entire industry. The risk of the investment and capital costs is

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[131] Ibid.

[132] Ibid.

subsequently reduced by the composite structure of the group.[133]

In the United States, on the other hand, the primary source of capital comes from Wall Street. If a U.S. company finds its profits dropping below expectations, the price of their shares will decrease, which consequently increases the cost of their capital, and decreases their ability to fend off foreign investment when in dire financial straits. Foreign investors suddenly become more attractive to the struggling American corporations.

Another advantage that the Japanese corporations have over their U.S. counterparts is the government sponsored protectionist practices. By restricting foreign investment into the market or implementing measures that make foreign investment difficult assures Japanese corporations of continued production through a wide distribution of products within Japan's domestic marketplace. Japanese corporations in search of foreign investment or multi-national business can therefore afford to be more patient, and the more vulnerable American corporations make attractive, easily acquired targets.

As a result, many of the sub-industries that provide components to the larger ones are also falling under Japanese leadership, such as polycrystals, which are key components

[133] Prestowitz, 361.

used in semiconductors. A Japan consultant for Dataquest Inc., a market researcher, noted, "We're losing the whole food chain of supporting technologies."[134]

In addition to purchasing U.S. corporations, Japan has also been successful at obtaining the fruits of the state-of-the-art developments at U.S. academic institutions. Japan has effectively bought its way into the U.S. industrial and technological market. In sharp contrast is the degree of participation to which U.S. corporations are involved in Japanese universities. In 1985 only one American was employed as a professor at a Japanese university, and attempts by others were frustrated by a myriad of bureaucratic rigmarole, and repeated attempts by U.S. companies to participate in Japanese research consortia have continually led to refusal, or at best extremely limited research.[135]

Japan's success with regard to U.S. academic institutions has been in the area of funding. On numerous occasions Japanese corporations have pumped millions of dollars into research projects conducted at U.S. universities, and in return receive first shot at licensing any new technology that may result. "Nearly every major Japanese corporation--from NTT to Sony, Mitsui, and Toyota--is funding research at one or more American campuses. The Japanese are deeply involved in

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[134] "Is the U.S. Selling its High-Tech Soul to Japan?" 117.

[135] Choate and Linger, 112.

virtually every aspect of U.S. technology, from the development of advanced computers at Stanford University to diesel engine design at Princeton University. The roster of R&D supporters at some of the major American universities reads like a who's who of Japanese industry."[136]

Throughout the 1980s many U.S. colleges and universities sought out Japan as a major market for funding and licensing of technology, especially at times when federal funding and interest by U.S. corporations was scarce. Japan was the first place MIT's media lab sought out for sponsorship, which by 1984 was providing approximately $500,000 a year (25 percent of its total funding) from corporations such as Toshiba, Sanyo, and NEC.[137] In addition, as mentioned in the previous chapter, at a cost of one million dollars each Japanese corporations have endowed up to sixteen chairs at MIT. Under MIT's industrial liaison program, the forty five participating Japanese corporations (at a cost of thirty thousand dollars per year) are permitted access to some of the best research in the world.[138] Under their research contract the Japanese corporations are granted royalty-free, unlimited access to any new developments resulting from the consortia, frequently

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[136] "Japan is Buying its Way into U.S. University Labs," Business Week, 24 September 1984, 72.

[137] Ibid., 73.

[138] "Japan 2000," 113.

before any of these development are published in U.S. technical journals.

Some schools have gone as far as forming partnerships with Japanese corporations in exchange for a percentage of the royalties. At Georgia Institute of Technology a partnership was formed with a Japanese trading house to market its patents to Japanese corporations, which gives the trading house exclusive rights to the school's technology in Japan, in exchange for a 10 percent share of royalties.[139] It's a matter of survival. "Our institutions have resources, and if they are not tapped by our own companies, those in Japan are going to take advantage of the opportunities," says Andrew A. Frank, professor of electrical engineering at the University of Wisconsin.[140] Frank's research on continuously variable transmissions was rescued by a Japanese automotive supplier with a one million dollar grant when his research was jeopardized by a shortage of funds at the Energy Department, and no American auto makers were interested.[141] Situations such as this provide attractive opportunities to Japanese corporations, intensifying their interest in U.S. universities studying fields such as electronics, ceramics, and lasers.

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[139] "Japan is Buying its Way into U.S. University Labs," 72.

[140] Ibid., 77.

[141] Ibid.

Foreign access to R&D in American universities was cause for debate in 1991. The controversy centered around academic institutions, supported by tax dollars and federal grants, selling access to, and patents on, research to foreign corporations. Critics argue that these institutions should be managed to improve U.S. economic competitiveness.[142]

Japanese interest and dependence on U.S. universities continues in the 1990s, however, it is worth noting that there is a lack of interest by U.S. researchers in Japan's universities due to lack of technological advancement.[143] John M. Deutch, Institute Professor at MIT, and former Provost and Dean of Science, stated in November 1991:

> Because the Japanese depend on access to U.S. technology in general and U.S. universities in particular to maintain their pace of innovation, some have proposed that the United States insist on reciprocity--that is, that U.S. companies be granted similar access to Japanese technology. But such reciprocity is unlikely to work. The Japanese want access to U.S. universities, but there is no equivalent interest among U.S. researchers in Japanese universities.[144]

E. OUTLOOK AND RECOMMENDATIONS

The dependence of the U.S. military on foreign, particularly Japanese, components raises serious concerns

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[142] John Deutch, "The Foreign Policy of U.S. Universities," Science, 2 August 1991, 492.

[143] John M. Deutch, "The U.S. Edge Over Japan," Technology Review, 94, no. 8 (November/December 1991): 73.

[144] Ibid.

regarding the stability of U.S. national security and intensifies frictions in the U.S.-Japan relationship. This dependence has largely been due to the ease with which U.S. technology is obtained abroad and subsequently exploited. The U.S. military is becoming increasingly dependent upon the commercial sector for its technology; and this trend can be expected to continue due the decrease in defense expenditures as a result of the diminished Soviet threat. Increased importance, however, must be given to the role the commercial sector in the national security of the United States.

Starting with the post-World War II reconstruction of Japan, the United States provided virtually unlimited access to the Japanese in the field of technology and research and development. Moreover, Japan's Ministry of International Trade and Industry was requiring foreign firms such as IBM and Texas Instruments to license their technology to Japanese competitors before allowing them to manufacture in Japan.[145] Japan, however, is extremely reluctant to provide technological information or research and development to countries hosting Japanese corporations. For example, in the late 1980s a Japanese plant located in the United States denied any American attempt to access its technology on ceramic semi-conductors by denying employment to U.S. engineers. Despite the cost-effectiveness of hiring from

[145] Hofheinz and Calder, 149.

within the United States, they chose to deny American access and import their own engineers from Japan.[146]

In sum, from a U.S. perspective the Japanese have been gathering the fruits of the technological and research efforts and applying it to their own industries and trade markets. This has resulted in a drain of U.S. technology and contributed to the diminished leadership within the field as well, while simultaneously shutting out the United States to Japanese technological advances.

To maintain the survivability of those industries critical to national security the United States needs to take a page from the Japanese book and lessen their industries' dependence on the U.S. military and increase R&D and sales applicable to commercial use. "The solution is to recognize that, in a world of imperfect markets, leadership in the industries confers economic as well as strategic benefits."[147] Many of these critical industries depend heavily on the military for sales and profits. Through the employment of dual-use technologies applied to the commercial sector, these industries would find a whole new market to supply. This would lower production costs and increase profits, subsequently reducing their vulnerability to foreign takeover.

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[146] "Japan-2000," 68.

[147] Prestowitz, 503.

In regard to regaining the semiconductor industry, the Defense Department has established Sematech. As a result of the findings by the Defense Science Board, the Defense Department invested 600 million dollars over a six year period. Sematech involves a combined business-government effort including fourteen U.S. companies--led by IBM--hoping to stage a comeback in the semiconductor industry.[148] The combined effort concentrates on developing prototype production lines that would enable U.S. industries to catch up with Japan in the manufacturing of semiconductors. This is a step in the right direction and has already demonstrated its effectiveness. By November 1992 the United States had decreased the manufacturing gap with Japan in the semiconductor industry, and was predicted to soon regain the global lead. Analysts predict that semiconductor corporations in the United States will control 25 billion dollars of the 60 billion dollar international semiconductor market within a year, which would be nearly two billion dollars ahead of Japanese companies.[149] If the United States wishes to regain or maintain leadership in other areas as well, more programs of this nature need to be established.

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[148] Catherine Morrison and Meredith Whiting, eds., Managing Critical Technologies: What Should The Federal Role Be?, (Washington, D.C.: The Conference Board, Inc.), 1990. 2.

[149] "U.S. Chip Makers Hope to Regain Lead," San Jose Mercury News, 9 November 1991.

A forum conducted by The Conference Board, an organization consisting of senior business leaders, academicians and government agencies, addressed the U.S. technology problem and noted the following:

> There is virtually no disagreement that certain basic technologies are vital to American economic and military security. Describing these technologies with great precision is a bit more difficult, but leading strategists identify electronic circuitry and components and materials technologies, along with advanced biogenetic engineering, as areas in which the United States must be certain of its leadership....There is also no disagreement that the United States must take all those steps within its national power to assure its independence in these fields. The Department of Defense cannot be dependent on foreign producers for the components or circuitry necessary to guide our nation's weapons systems. Nor can it rely on economic competitors to provide the necessary high performance materials.[150]

A change in strategy, perhaps taking the form of an industrial policy, is a possible solution. A stronger marriage between academic institutions, the government, and U.S. corporations--emphasizing R&D and liaison programs--is essential if the United States is to remain a militarily and technologically strong country. If the military is going to depend on the commercial sector, we must take active measures to ensure the survivability of them and lessen their vulnerability.

Even some of America's strongest industries are being threatened. The U.S. aerospace industries have previously

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[150] Ibid., 3.

done well, in part due to government contracts for military aircraft. However, companies such as Boeing and McDonnel Douglas are losing contracts in the commercial sector to Airbus, the European consortium that receives governmental aid from France, Britain Germany and Spain.[151]

> Having watched the United States lose leadership positions in automobiles, consumer electronics and other fields, many elected officials and others now say the country must make a stand in aerospace while Boeing is still on top....[A]erospace should serve as a rallying point for a national industrial policy, the ideologically charged concept that Washington should explicitly support those industries whose continued competitiveness is considered crucial to the nation's future.[152]

Moving toward an industrial policy may require a shift in the method of conducting R&D. Lester Thurow notes that empirical studies have demonstrated that the social rate of return on R&D is much better than the private rate of return:[153]

> Those who invest in private R&D also want a monopoly on their ideas, so that they can earn the largest possible rate of return on their investments. To encourage R&D investment, monopolistic patent rights are given. Yet any society is much better off if the ideas developed within its jurisdictions are diffused to every producer as fast as possible. What is needed to stimulate R&D investments (patents) reduces their payoff (diffusion). Joint, partly government financed, cooperative R&D projects such as those found in the Japanese Key Technologies Center are

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[151] Richard W. Stevenson, "U.S. "Aerospace Industry Sees Rough Ride Ahead," San Francisco Chronicle, 16 March 1992, B6.

[152] Ibid.

[153] Thurow, 146.

one way to simultaneously get more investment and more diffusion.[154]

In this case, the United States has something to gain from copying certain Japanese practices. Although it might preclude Japan from obtaining specific U.S.-developed technologies, Japan would not have cause to protest for policies Japan itself practices. However, the strengthening of U.S. industries should be done in the interest of free trade with measures short of being deemed "protectionist".

Given the current trade situation, is the American technology drain and dependence on Japanese products destined to further deteriorate the relationship between the two countries? How serious a threat does this pose to U.S. national security? There are no easy answers to these questions. The trade/technology-related tensions that exist between the two nations demonstrates the need for a viable solution. Given the power and responsibility both countries hold in regard to economic and world stability, it is essential to resolve these problems with an attitude of fairness and cooperation.

On a broader scale, perhaps its time to reevaluate the U.S.-Japan relationship based on the realities of the post-Cold War era. The subordinate role that Japan has assumed for the last 40 years is no longer valid given the fall of

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[154] Ibid.

Communism and an economically sound Japan. Encouraging Japan to assume greater responsibility both in the region and throughout the world could alleviate the current "big brother/little brother" perceptions that are based on the defunct Cold War philosophy. Moreover, Japan would have to assume greater financial responsibility throughout the world and realize that its practices must fall in line with more globally accepted norms. If not, as Lester Thurow alluded to in Chapter III, the rest of the world will simply not tolerate it in the 21st Century.[155]

[155] Thurow, 249.

V. JAPAN: A CLOSER LOOK

> ...The danger is that a growing nationalist chorus of trade-related demands in the United States, legitimized and encouraged by revisionist thinking, will feed Japanese neonationalism and vice-versa--in the end derailing U.S.-Japanese relations and delivering a fatal blow to an already badly damaged multilateral world trading order.[156]

As trade and technology problems continue with the United States, there is a growing mobilization of Japanese opinion that is less willing to tolerate and submit to U.S. pressure. As Japan's self confidence and nationalist sentiment increases, its behavior can be expected to be more assertive. A Harris Poll conducted in Japan in 1989 revealed the following:[157]

-41% felt little fondness or admiration for America as a nation, and 45% toward the American people.

-U.S. companies are not trying hard enough vis-a-vis exports to Japan (52%), and the U.S. is unfairly pressuring Japan on trade issues (57%).

-the U.S. growing dependence on Japanese technology gives Japan more clout in dealing with the U.S. (55%)

-America's problems stem from too many minorities (42%).

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[156] Tsurumi, 4.

[157] "Japan's Hardening View of America," Business Week, 18 December 1989, 62-64.

This, however is not to say that all of Japan is mobilizing against the United States. For example, the same study revealed that 55% felt Japan imposes unfair trade restrictions, and 62% felt Japan could be more flexible on trade issues.

Japanese frustration with Americans grows when it seems, no matter what their actions or capitulations, they are still accused of having ulterior motives. For example, public U.S. officials such as mayors or governors negotiate with Japanese companies to convince them to open factories and plants in U.S. communities to boost employment. However, once these factories are established, they are suddenly viewed as a threat;[158] attempting to sell its products in the United States and avoid import tariffs, as well as trying to steal U.S. technology.

Moreover, U.S. allegations and continual pressure are occurring at a time when Japan feels it is making great improvements in opening up its markets, loosening strict government control, and working toward a better, less work-oriented way of life for its citizens. Too much pressure from the United States could reach a boiling point among the Japanese that could lend credibility to the right wing Japanese neo-nationalists. As these troublesome issues over trade and technology transfer appear to be increasing--coupled

[158] Romberg and Yamamoto, 12.

with a rise in Japanese nationalism--the potential to injure the U.S.-Japan relationship clearly exists. A rise in Japanese neo-nationalism is manifested in The Japan That Can Say No by right wing Diet Member Shintaro Ishihara, in which he accuses Americans of being racists and lazy, and brags about Japan's technological superiority.[159] Although many Japanese would dismiss Ishihara's perspectives as extreme, some of his views could take hold. This chapter will focus on gaining a better understanding of the Japanese mindset. Moreover, it will focus on Japanese perspectives regarding the United States. These steps are necessary if both countries wish to successfully resolve their differences.

A. LOYALTY AND THE JAPANESE WORK ETHIC

Much of Japan's success since World War II has resulted from the strong individual work ethic that has evolved throughout the centuries and distinguished the Japanese from many other cultures. In an effort to maintain favorable relationships and hope to resolve existing U.S. and Japanese economic/trade-related problems, it is important to understand the factors that have nurtured the Japanese work ethic, which has contributed to Japan's strong sense of loyalty and nationalism.

[159] Ishihara Shintaro, The Japan That Can Say No (New York: Simon and Schuster, 1989).

One of the primary factors that helped shaped the Japanese mindset is the influence of Confucianism, and its integration into Japanese society. Confucianism took on a different appearance as it was introduced to Japan. Whereas Chinese Confucianism placed a strong emphasis on benevolence, Japanese Confucianism discarded it and instead placed a special emphasis on loyalty.[160] The Confucianist-style reforms implemented under Prince Shotoku in the late sixth and early seventh centuries played a major role in framing the early Japanese mindset. He undertook a number of actions such as centralization of government, emphasizing imperial supremacy, and stressing a bureaucracy of merit in an effort to model the Japanese government after China. One of Prince Shotoku's most notable contributions which helped to nurture the Japanese ideals of loyalty, determination and hard work was his "Seventeen Article Constitution".[161] Many of these articles stressed the importance of harmony, loyalty and hard work, and through its implementation had a significant impact on the Japanese society.

The strong ethical code of the warriors was developed during the Kamakura period (1185-1333). Strong emphasis was placed on frugality, horsemanship, martial arts,

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[160] Michio Morishima, Why Has Japan 'Succeeded'? Western Technology and the Japanese Ethos (New York: Cambridge University Press, 1982), 6.

[161] Ibid., 24.

swordsmanship, bravery and hard work. This aristocratic warrior class eventually became known as the bushi (warrior) or samurai (retainer) class. The Samurai class took on the responsibility of assuming greater power as they integrated into positions of economic and political authority. The extent of the commitment of warrior loyalty was manifested in the common practice of suicide in the form of seppuku (disembowelment), also known as harakiri (belly slitting) which became glorified during this period.

During the Tokugawa period (1600-1867), to ensure loyalty of the Daimyo to the Shogunate, the Tokugawa often attempted to link themselves with the Daimyo families through marriage. This was not always possible, however, and their most effective method of ensuring loyalty was through the "hostage" system. The "hostage" system required that the Daimyo send their wives to Edo as hostages to ensure their cooperation and loyalty to the Shogunate.

The socialization process throughout the Tokugawa period, especially within the family, was instrumental in the development of the earlier Japanese concepts of discipline and hard work. Children were expected to uphold rather rigorous standards from an early age. In addition to the Confucian ideals that were impressed upon an individual early in his life, Japanese parents instilled in their children (and strongly enforced) disciplines such as conformity and respect. As the individual grew older he was increasingly expected to

uphold higher standards of conformity in preparation for his adult life.

Probably the strongest motivational force that kept the individual within these standards of conformity, and has been prevalent even in modern times, was the fear of rejection.[162] According to Robert N. Bellah in his book Tokugawa Religion, "The basic psychological pressure was the threat of rejection symbolized most pointedly, perhaps, by disinheritance. To be cast adrift without the support of relatives in a society such as the Japanese was indeed the worst of all possibilities."[163] The fear of rejection in Japan even in the 20th century continues to be one of the strongest motivational factors for loyalty and conformity in the workplace. An individual who proves unworthy in, or is shunned from, his place of employment oftentimes experiences devastating feelings of rejection.

The Meiji restoration in 1868 saw Japan adopt bold new attitudes in creating a new centralized administration. The government placed strong emphasis on national, rather than individual wealth, in an effort to build a modern, industrialized nation. This had far-reaching effects on the Japanese sense of nationalism that is evident even in modern times.

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[162] Robert Bellah, Tokugawa Religion (Boston: Beacon Press, 1957), 35.

[163] Ibid.

In its attempt to construct a modern government, the Meiji government realized that it lacked the managerial and lower level labor resources that were required to develop its modern enterprises. The government subsequently realized that the unemployed Samurai warriors (who had been stripped of their occupation), with their loyalty and dedication to hard work, were well suited for these positions. The Samurai class integrated well into the government system in addition to the giant financial cliques or Zaibatsu, the giant Japanese corporations that emerged during Japan's industrialization process in the later 1800s. This new generation of Samurai employees took great pride in their contributions to the state, which eventually resulted in a strong sense of nationalistic pride that developed throughout the country.

The Meiji government was faced with the dilemma of developing the same type of loyalty and pride in its employees outside the ranks of the Samurai, and discovered that the solution centered around the creation of a new, modernized system of education combining western knowledge, Confucian beliefs and loyalty to the state. From 1890 further efforts to integrate Confucian values and state loyalty were implemented with the Imperial Rescript on Education issued by the Emperor, which revived Confucian values in the country's education system.[164]

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[164] Fairbank, 533.

The seniority wage system was instituted during the Meiji Period. Under this system of lifetime employment, workers frequently were required to perform many different types of work within the company based on the needs of the company. Oftentimes the individual had very little choice in the specific task or trade he was expected to perform. This differs considerably from practices in many western countries, where the performance of ones specific skill nurtures a certain degree of satisfaction and oftentimes reflects the degree of success of ones career. Under the Meiji system, job security was not necessarily as dependant upon one particular skill, but rather upon devotion and dedication to the company for whom they worked. Loyalty became without a doubt a key factor contributing to one's success within his place of employment.

Loyalty and dedication continued as Japan became more imperialist in the early the late 19th and early 20th century. The dedication of the Japanese soldiers were exemplified in Japan's victory over China in 1895 and over Russia in 1905. However, the most extreme acts of loyalty and dedication were manifested during World War II with Japan's "Kamikaze" suicide planes, which were responsible for sinking 34 ships and causing damage to 368 more.[165]

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[165] Fairbank, 814.

The post-war U.S. Occupation saw an unexpected openness within Japan to adapt from a militaristic society into a democratic one. They found the American occupation to be better than expected. "The Japanese expected a cruel and harsh occupation but found a benevolent one. They feared a vindictive rule but found a constructive one. Under these conditions, the sense of duty that had enabled them to bear the sacrifices of war turned to positive, and at times even enthusiastic, cooperation with the new authorities."[166]

The American occupation was also responsible for relieving from employment around 200,000 politicians, military officers, and businessmen who played crucial roles in Japan's contribution to the war. Subsequently, with regard to the workplace, a new breed of leadership emerged within the corporations. Many of these replacements had extensive military experience, and brought with them into the workplace additional concepts of loyalty nurtured throughout their military career. These managers with former military experience were able to transcend the spirit of unity and cohesiveness by managing their employees in the same way they managed their troops. Now more than ever, dedication and loyalty to the company was paramount, and was regarded as the highest virtue. This "esprit de corp" nurtured a special relationship between management and the laborers that was not

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[166] Ibid., 817.

evident in the earlier Zaibatsu enterprises, and sparked a new sense of nationalism.

The strong sense of loyalty that has been so inherent to Japanese culture is evident in modern times. This prevailing sense of loyalty is an underlying factor that contributes to the low rates of absenteeism and relatively few union disputes. Subsequently, the employee is justly rewarded for his efforts. In addition to the incentives such as the lifetime employment system offered by the larger corporations, the employer's appreciation is also demonstrated through other benefits such as housing, maternity and hospital benefits, monetary gifts for occasions such as marriage, birth or death, and nursery services for children.[167]

Another example of loyalty evident today has been the dedication to self discipline, also known as Gaman. It is a term used to explain the Japanese perseverance and dedication brought about by long work hours at intensive output levels. The principle on which Gaman is based most likely accounts for the high use of amphetamines and caffeine based drinks much more frequently than barbiturates.[168]

The strong Japanese concept of loyalty and nationalism nurtured throughout the years, in addition to Japan's seclusiveness as an island nation, has given rise to a work

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[167] Radha Sinha, Japan's Options for the 1980's (New York: St. Martin's Press, 1982), 9.

[168] "Japan 2000," 54.

ethic that vehemently disregards the "undesirables," or anyone not conforming to mainstream Japanese ideals.[169] Japanese characterization of people residing in Japan as "insiders" or "outsiders" continues to be the norm.[170] This partially explains why, even in modern times, foreign integration be it social, professional, or business-related, is frequently difficult. For example, foreigners taking residence in Japan are required to be fingerprinted to allow the government to follow their activities; and in regard to the job market, non-mainstream Japanese and foreigners are more likely to encounter discrimination frequently resulting in rejection of employment.[171]

Another issue that bears consideration is that the Japanese concept of loyalty is so pointed that it is at times unchecked, and is not dependent on the concept of right or wrong. Their goal-oriented society is totally focused on completion of the task at hand, fair or unfair. Chie Nakane, a professor at Tokyo University and well known anthropologist, stated in the Fall of 1991, "We Japanese have no principles. Some people think we hide our intentions, but we have no intentions to hide....We have no dogma and don't ourselves know where we are going. This is a risky situation, for if

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[169] Ibid., 50.

[170] Romberg and Yamamoto, 50.

[171] Ibid.

someone is able to mobilize this population in a certain direction, we have no checking mechanism."[17] With the above in mind, the United States should continue to put pressure on Japan to bring its practices more into the mainstream; however, to do this without provoking too much friction may be difficult.

B. NATIONALISM AND JAPANESE UNIQUENESS

Chapter III briefly described the problems brought about by Japanese feelings of uniqueness. In many respects this has been a major stumbling block for Japan, especially in recent times when its economy is moving toward globalization and interdependence. Strong national pride, racial prejudices and isolationism have contributed to Japan's inability to identify with the rest of the world. These factors are intensified as Japan's economic success calls for increased responsibility to the world outside of Japan's boarders that in some cases conflicts with Japan's national interests.

Japan's sense of uniqueness can be traced to its long history of isolation and geographic boundaries as an island nation. While other nations may perceive Japan as an exclusive nation borne of racial prejudices, Japan views the distinction based on a combination of factors including nation, language, race and culture. "Because the Japanese

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[17] Tamamoto, 584.

have merged their feelings about race, culture, and nation together, they have probably made their attitudes toward race all the stronger. It is almost as if they regard themselves as a different species from the rest of humanity."[173] Not only are Japanese attitudes biased against Blacks and Caucasians, but also against non-Japanese Asians, such as Koreans and Chinese, who encounter extreme difficulty when attempting to gain Japanese citizenship, cultural acceptance, or enter into mixed marriages. Post-Second World War attitudes in the United States and Europe, on the other hand, have been more tolerant and accepting of racial diversity.

Modern Japanese nationalism stems from Japan's transition from an inferior, broken nation in the aftermath of World War II to its rise in recent decades to an economic superpower. Extreme dedication, effort, and nationalistic loyalty were required within Japan for it to rise to its current status. The United States has played a major role in the rehabilitation of Japan. However, forty years after the occupation ended, the United States continues to play the role of "big brother". The appearance of books such as The Japan That Can Say No is an indication of a change in Japanese perceptions toward the United States. Sodei Rinjiro, a professor of politics and history at Hosei University in Tokyo noted in late 1991:

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[173] Reischauer, Change and Continuity, 395.

> In this age of telecommunications, the United States can no longer pose as the shining role model that Japan so avidly began following some 45 years ago. Now everyone in Japan is exposed to all the social problems that the United States cannot handle--crime, drugs, the homeless, to name a few. The economic situation also has changed--almost reversed. Japan is now the world's largest creditor nation whereas the former richest and most powerful nation has become a debtor. The way the Japanese see it, the United States has lost its prestigious position as world leader. The more demands the United States makes of Japan, most of which seem unreasonable to Japanese, the more they see America as a weakened country.[174]

Japanese are proud of, and at times arrogant about their accomplishments, and attribute their success to Japan's nationalistic fervor. "[Nationalism] has at times carried the Japanese in swings from an inferiority complex to the dangerously euphoric excesses of a superiority complex, as happened in the disaster of World War II. It has also strengthened Japanese feelings of being separate from the rest of the world and encouraged fears that too much borrowing from other countries or even contact with them might somehow rob Japanese of their Japaneseness."[175]

The above attitudes regarding race and nationalism are also characterized in the trade relationship between Japan and its trading partners, who view Japan as operating on a double standard. While other nations are more accepting of Japanese businesses and influence within their boarders, Japan's sense

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[174] Sodei Rinjiro, "No More Pearl Harbors," Japan Quarterly 38, no. 4 (Oct-Dec, 1991): 404.

[175] Ibid., 405.

of purity and exclusion, coupled with pervasive mistrust, has all too often resulted in its inability to accept any foreign influence within its borders that might taint its racial and cultural integrity. The relative homogeneity of Japan's population and lack of any large minority groups has led to fundamental perceptual differences between Japan and many of its trading partners. This is exemplified by the occasional, somewhat insensitive, statements by Japanese politicians and leaders who have failed to fully comprehend the role and importance of ethnic and racial minorities in the United States, and the discriminatory hiring practices of U.S.-based Japanese companies which stem from their own racial and nationalistic perceptions. To them, these are not racist attitudes, but only a natural product of the Japanese socialization process.

C. JAPANESE PERCEPTIONS OF AMERICAN WORKERS

A prevailing belief in Japan attributes U.S. trade/technology problems to the "laziness" of its work force, resulting in the inability of Americans to compete with the Japanese. In January 1992 Speaker of Japan's Lower House of Parliament, Yoshio Sakurauchi, noted that "The source of the problem is the inferior quality of U.S. labor. U.S. workers are too lazy. They want high pay without working."[176]

[176] David E. Sanger, "A top Japanese politician Calls U.S. Work Force Lazy," New York Times, 21 January 1992, C1,C6.

Statements such as the above are reflective of reports in the Japanese media and by some Japanese politicians portraying the U.S. worker as substandard to the Japanese worker, resulting in substandard workmanship. Ishihara Shintaro blames the "shoddy workmanship" of the Boeing Company employers for the 1985 crash of a Japan Airlines Boeing 747 Jumbo Jet in Gumma Prefecture where 520 people died. Boeing had previously noted that there were shortcomings in its blue-collar personnel that were being rectified. After the crash a Japanese police report indicated that four Boeing employees failed to properly repair a previous problem with the tail assembly, consequently leading to the crash.[177] "Five hundred twenty people died because Boeing workers were so incompetent or careless that they could not securely fasten a three-ply bulkhead. Such shoddy performance by a Japanese corporation is unthinkable."[178]

In another example of alleged poor workmanship, Ishihara maintains that U.S. problems in the semiconductor industry stem from their high defect rate, which although improving, was five to six times higher than the Japanese defect rate. United States demands for Japan to purchase more U.S. manufactured semiconductors resulted in Japanese complaints of poor quality. The American executives countered, saying the

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[177] Ishihara Shintaro, 38-39.

[178] Ibid., 39.

Japanese were the only ones complaining. "The implication was that our companies were somehow wrong for insisting on quality. That response makes me wonder if the United States is not finished as a great country."[179]

On the contrary, however, is a 1992 study of worker productivity in the five big industrial nations that revealed the U.S. workers to be the most productive--12% more productive than West German workers and 30% more productive than Japanese workers.[180] Although Japan led in productivity of automobiles and consumer electronics, the rest of its economy lagged behind, and factory workers in Japan were only 80% as productive as American on an hourly basis.[181]

Notwithstanding the need for improvements on both sides of the Pacific regarding production and quality, the fact remains that differing perceptions and interests between the United States and Japan exemplify a basic lack of understanding between the two competitive yet economically interdependent cultures. This lack of understanding, combined with distinct national interests on both sides, led to the controversy surrounding the development of the FSX aircraft.

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[179] Ibid.

[180] Alex Dominguez (AP), "U.S. Workers Most Productive, Study Says," The Monterey County Herald, 14 October 1992, 5B.

[181] Ibid.

D. FSX CONTROVERSY

Probably the greatest example of technology transfer and trade related problems between Japan and the United States is the controversy over the production of Japan's Fighter Support Experimental (FSX). Japan's original plans were to indigeneously produce this aircraft, however, pressure from the U.S. Congress to co-develop this aircraft in order to ease the trade deficit, followed by subsequent renegotiations (in favor of the United States) over the exchange of technology has left a bitter taste in the mouth of many Japanese toward U.S.-Japan relations. Many Japanese felt that what began as a national security asset evolved into more of a U.S.-Japan trade/technology situation, with Japan capitulating to U.S. demands because of concerns that it may jeopardize its relationship with the United States. The United States was seeking the best of both worlds; to lessen its overwhelming trade deficit, yet provide as little information and technology as possible in the trade arrangement in order not to undermine one of its most valued industries.

In 1985 the Japanese Defense Agency (JDA) embarked upon a program to replace its indigeneously produced F-1 support fighter. After numerous considerations, including the purchase or licensing of foreign aircraft, it was agreed that since Japan was already dependent on the United States for its licensed aircraft such as the F-4 and F-15, Japan should seek self-sufficiency and rely less on the United States by seeking

domestic production in order further develop its own defense industry and utilize its indigenous technological advancements in creating a new aircraft. Government programs were initiated that would promote such self-reliance.[182]

As part of the process of getting funding approval from the Japanese government, the JDA sought information from three aircraft companies, including McDonnell Douglas and General Dynamics, to examine the feasibility of converting already existing aircraft. When the U.S. Congress became aware of this, it saw the perfect opportunity to lessen the trade deficit. Moreover, Japanese indigenous production of a new aircraft could lead to the birth of a technologically advanced aerospace industry that could competitively threaten the U.S. aerospace industry. Therefore, it was recommended by the U.S. Congress that it would be better to convince Japan to cancel its indigenous program and instead opt for U.S. aircraft or a program of joint development.[183]

The United States continued to pressure Japan into joint development, stating that sole Japanese development of the aircraft would not be cost effective and would compromise Japan's interoperability with U.S. aircraft. Moreover, it was believed that sole development by Japan would be perceived by

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[182] Tai Ming Cheung, "A yen For Arms," Far East Economic Review, 22 February 1990, 58.

[183] Shinji Otsuki, "The FSX Controversy Revived," Japan Quarterly 36 (Oct-Dec 1989): 435.

neighboring countries such as China as operating outside the framework of the U.S.-Japan Mutual Defense Treaty.[184] Although this was a legitimate argument, the crux of the argument was the opportunity for the United States to lessen its trade deficit with Japan.

In March, 1987 the U.S. Department of Defense issued a formal request to Japan for joint development. Japan subsequently agreed to establish negotiations with the Department of Defense regarding technical issues of the project, however, no formal agreement on joint development was made.

It is important to point out that while all this was occurring, the trade problems between both countries were intensifying. In April the United States levied a 100% tariff on Japanese microchips in retaliation for Japan dumping on the U.S. market. A Japanese envoy was sent to Washington to help resolve the situation, and in a meeting with U.S. senators was told that the tariff was symbolic, and that Japan's purchase of U.S. aircraft would serve as a goodwill gesture toward the continuation of a friendly U.S.-Japan alliance.[185]

As U.S. pressure continued, Japan's bargaining power deteriorated considerably when it was revealed that Toshiba had exported its high-tech propeller milling equipment

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[184] Ibid., 436.

[185] Masaru Kohno, "Japan's Defense Policy: The FSX Selection, 1985-1987," Asian Survey (May 1989): 462.

technology to the Soviet Union. Although the Government of Japan was not directly responsible, the U.S. sense of betrayal by Japan brought tensions to a new high. An omnibus trade bill was introduced in the U.S. Congress in July with a resolution demanding that Japan purchase U.S. aircraft for the development of the FSX. Two months later, in a decision based primarily on preventing further deterioration of the U.S.-Japan relationship, Prime Minister Nakasone conceded to the U.S. demands and agreed to the joint development of its FSX. General Dynamics' F-16 was chosen as the FSX airframe. What began as an indigenous project to develop an aerospace industry and serve Japan's national security interests ended as a concession to the United States and its own self-serving interests. The controversy, however, was not over.

As both sides negotiated on how much each side was to contribute, a disagreement ensued regarding the composite wing design. Mitsubishi Heavy Industries (MHI) possessed most of the technology on the composite design, and felt that they alone should develop it.' General Dynamics was very interested in this technology, and felt that since it was a joint project, MHI should share its technology. Eventually a compromise was agreed to through the formation of a Memorandum of Understanding (MOU) whereby "the U.S. side would provide the Japanese side with all pertinent technological data on the F-16C, and the Japanese side would provide the U.S. side with all pertinent data on derived technologies created during the

development process."[186] Additionally, it was agreed that the United States would receive 35-40 percent of the production. The next phase was Congressional approval of the license and technology agreement. Since both governments had formally agreed to joint development, and the apparent difficulties worked out in the MOU, the Japanese government anticipated little resistance from Congress. This, however, was not the case. Opposition was mounting in the media and Congress--influenced by the increase of "techno-nationalists" sentiment in the United States. These "techno-nationalists" raised issues regarding the one way bleed of U.S. technology to Japan, and advocated that tighter controls should be placed on the export of technological expertise from the United States. The FSX controversy served as the key issue to fight over since it was a model for future cooperation in military technology.[187] Most prominent of the "techno-nationalists" was Clyde Prestowitz, who argued that:

> First it was TV sets, then VCRs, then semiconductors. Now, unless Congress and the administration act quickly, the United States will shortly give Japan a big boost toward its long-sought goal: leadership in aircraft manufacture, one of the last areas of American high-technology dominance....It will transfer technology developed at great expense to U.S. taxpayers at very low cost to a country whose primary interest is not defense but catching

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[186] Otsuki, 438.

[187] Nigel Holloway, "Technology Tensions," Far East Economic Review, 9 March 1989, 15.

up with America in aircraft and other high-technology industries.[188]

In defense of the joint development, however, former Secretary of Defense Frank Carlucci countered with the following:

> Mr. Prestowitz says that the United States has invested $5 billion to $7 billion in developing and refining the F-16. That bears no relation to this project, as it includes an array of technologies that will not be transferred to Japan under the FSX agreement. He also failed to mention that the F-16 has been co-produced, to varying extents, in eight other countries since 1979....Similarly, there are no technological spinoffs from the F-16 that Japan could apply to the Wide-bodied commercial aircraft industry.[189]

The FSX issue continued to intensify in Washington, and trade and technology issues were at the top of the agenda. The Office of Trade Representative introduced concerns regarding trade policy issues, and the Office of Science Policy expressed its concerns regarding the transfer of technology. Many critics in Congress were opposed to joint development, and argued that Japan should purchase off-the-shelf U.S. fighters to lessen the trade deficit, and additionally, contribute to Japan's share of the defense burden.[190]

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[188] Clyde Prestowitz, "Giving Japan a Handout," Washington Post, 29 January 1989, D1,D4.

[189] Frank Carlucci, "The FSX Project is No Handout to Japan," Washington Post, 9 February 1989.

[190] Otsuki, 440.

The Bush administration eventually decided to continue with joint development, but under further stipulations than stated in the original MOU. These stipulations included: restrictions on the computer source code for the F-16's attitude and weaponry control software; the United States receive the maximum work share possible; and specific measures taken to assure Japanese technology derived throughout the project would be transferred to the United States.[191]

The JDA, ASDF, MHI and many Japanese officials reacted to the American renegotiation with bitterness. After all, it was the Americans who initially interfered with what was originally an indigenous Japanese project. Once the United States pressured Japan into joint development, the Americans kept changing the rules to meet their needs. The Government Of Japan had no choice but to continue with the project in accordance with the new American terms. Budgetary and time constraints precluded them from reverting to the original option of sole development. Additionally, failure to cooperate with the United States could have jeopardized the relationship, which was already under fire due to the increasing trade tensions and the fallout from the Toshiba incident.

[191] Otsuki, 443.

More important is the reaction in Japan and the damage it caused to Japanese perceptions of the United States, as reported in major Japanese newspapers:

> From the perspective of the original starting point for this venture several years ago, when the Defense Agency sought to develop the craft independently, this is the worst possible outcome. The ineptitude of Japan's negotiating tactics, which featured one small concession after another, has led to an agreement that benefits Japan but little....The FSX negotiations have shown that we need to change our view of the United States as the benevolent "big brother" hovering over the Western alliance. That image is gone, replaced by that of a country which acts totally in its own interest.[192]

> Overturning an intergovernmental agreement because of domestic political considerations within the United States cannot help but damage the sense of trust built up over the years between Japan and the United States....Dissatisfaction with the United States is causing a buildup of stress on the Japanese side, and concern is mounting over the spread of anti-American sentiment among the Japanese people. Both the Japanese and the Americans need to work harder to maintain harmonious relations.[193]

Unfortunately, three years behind schedule and with exorbitant cost over-runs, the Japanese Defense Agency has decided to restructure the FSX program into an exercise in R&D with the development of prototypes only.[194] Some Japanese

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[192] Nihon Keizai Shimbun, May 1, 1989, as cited in Otsuki Shinji, "The FSX Problem Resolved?" Japan Quarterly 37 (Jan-Mar 1990): 81.

[193] Mainichi Shimbun, May 2, 1989, as cited in Otsuki Shinji, "The FSX Problem Resolved?" Japan Quarterly 37 (Jan-Mar 1990): 81.

[194] Phone Conversation between Col. Yoshi Hori, Air attache, Japanese Embassy, Washington D.C., and the author, 6 November 1992 (AV 1-202-939-6700).

officials blame the Americans for the runaway costs because they refused to hand over the F-16's "source code" instructions, which allow greater aircraft maneuverability. As a result Japanese manufacturers must develop this software themselves.[195] More realistically the problem is related to the stock market conditions in Japan, resulting in Japanese companies having to pay higher real costs for capital.[196]

The FSX issue has demonstrated a change in U.S. perceptions of national security which emphasizes the importance of trade, industrial competitiveness and technology transfer. As a result, the firm treatment administered to Japan has significantly altered their previously strong pro-American sentiment. Ambiguous actions and mixed signals, primarily from Congress--coupled with the already existing trade problems--served to increase the tensions between both countries and possibly jeopardize the U.S.-Japan relationship.

E. ROLE OF CONGRESS

Kusano Atsuki, who holds a Ph.D. in Sociology and is an associate professor at the Tokyo Institute of Technology, maintains that part of the problem has been the self-serving congressional demands in the United States which have exacerbated the tensions between both countries. To support

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[195] "Wings of Desire," The Economist, 24 August 1991, 58.

[196] Ibid.

his argument, he conducted a study which revealed increases in trade pressure from the United States in odd-numbered years, which are the off years in the congressional election calendar. He maintains that during these periods the legislators are free to devote all their time to looking after the interests of their constituents. "The trend in overall pressure and the off-year increments in trade pressure lead one to suspect that some Congress members, though they may claim that their demands are provoked by the size of the trade deficit, are actually using this deficit as an excuse to push for measures that will serve their constituents' interests."[197] For example, in the case of the FSX, one of the most outspoken congressmen advocating joint development was Senator John Danforth of Missouri, where both General Dynamics and McDonnell Douglas are located. Subsequently, when it was feared that joint development could jeopardize the U.S. aerospace industry, Senator Danforth was one of the primary signatories to a letter to President Bush demanding that Japan purchase U.S. fighters "off-the-shelf."[198]

While conceding that only through external pressure has Japan opened its markets, and that Japan should seek the initiative in doing so, Professor Kusano recommends that the U.S. legislators should coordinate their positions with their

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[197] Kusano Atsushi, "U.S. Pressure: Boon or Bane?" Japan Echo 16, no. 2 (Summer 1989): 61-62.

[198] Otsuki, 439-440.

colleagues, refrain from making direct appeals to Japanese officials, and refrain as much as possible from making demands based solely on the narrow interest of their constituents. He maintains that if the self-serving congressional practices continue, many Japanese will perceive their efforts at market liberalization as futile, and that U.S. pressure will continue no matter what they do.[199] Japan cannot be expected to continually submit to U.S. demands, and in the future, given the post-Cold War conditions, the leverage the United States holds vis-a-vis the security arrangement can be expected to diminish.

Japan's willingness to stand up to U.S. trade threats was exemplified in the Spring of 1992. The United States implemented a change in its trade policy which enables it to bring lawsuits against anti-competitive business practices by foreign companies. In response, Japan's MITI was considering counter-measures which would prohibit Japanese corporations from complying with U.S. antitrust rulings.[200] In another example one month later, MITI rejected the assertion that Japan's trade surplus was due to its closed markets, stating that "Global imbalances are determined by investment, savings and other structural factors. Bilateral imbalances are rooted in such factors as industrial structure [and in] fiscal and

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[199] Atsushi, 65.

[200] Susumu Awanohara and Sachiko Sakamaki, "Battle by Statute," Far East Economic Review, 23 April 1992, 54.

monetary policies."[101] Moreover, MITI issued wide ranging criticisms of the policies of its major trading partners, specifically criticizing the U.S. preparation of a new Super-301 trade bill that targeted Japan, claiming the U.S. measures were contrary to the provisions identified in the GATT. MITI defines unfair trade "according to internationally accepted rules, as set out in the GATT and in comparable international agreements," and contends that within these parameters, the United States is guilty of employing unfair trade practices in nine of 10 areas where offenses occur most.[102]

In response to U.S. complaints of informal barriers in Japan which continue to shut out foreign competitors, Japan readily points out examples of successful foreign firms in Japan which have demonstrated that these barriers can be overcome. For example, Coca-Cola maintains over 80 percent of Japan's cola market; Nestle has garnered 70 percent of the instant coffee market; Schick controls 70 percent of the razor market; and from 1986 to 1989 Texas Instruments, Motorola, Intel, National Semiconductor, and AMD have approximately doubled their sales in Japan.[103]

> All told, these developments call into question the revisionist argument of adversarial trade. The picture

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[101] Anthony Rowley, "Stones Through Glass," Far East Economic Review, 18 June 1992, 80.

[102] Ibid., 81.

[103] Tsurumi, 8.

revisionists have painted of Japanese companies earning monopoly profits in a protected domestic market, on which the argument of adversarial trade rests, no longer reflects the dominant reality of the Japanese economy. In most product areas, Japanese companies face stiff competition--from foreign as well as domestic producers.[194]

F. INDICATIONS OF CHANGE

Despite the distinctiveness of the Japanese as pointed out in this chapter, there are indications, however, that as the world becomes more globally linked via economics and trade, Japan is undergoing a change that is bringing its practices more into the mainstream. And although external pressure has been instrumental in "opening up" Japan, too much pressure, especially during a time of internal change, could be detrimental to the U.S.-Japan relationship.

As Japan has succeeded in achieving its goal of economic parity with the industrialized world, there is occurring a shift that focuses more on the individual and quality of life. While Japan was struggling to achieve economic success, more Japanese were willing to work hard and sacrifice immediate satisfaction, knowing that in the future their efforts would pay off. As Japan has risen to its current economic status, the accompanying rise in confidence has allowed the Japanese to focus more on themselves and their families.

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[194] Ibid., 9.

> During the period when Japanese were still struggling to attain fundamental economic well-being, they lacked the confidence to make individual choices and decisions, and tended instead to tailor or adapt their behavior to that of people around them. As they became accustomed to affluence, however, they gradually gained the self-assurance to make choices and take action independently... Individual taste has become the major preference for choice, in place of duty, obligation, or conformity.

There are indications that the strong Japanese work ethic as discussed earlier in this chapter is lessening its hold on the Japanese mentality as individuals are beginning to seek more immediate gratification. In regard to employment, Japanese are less likely to tolerate hardships and unfulfilling jobs simply for the sake of security and eventual promotion. A survey conducted by the Prime Minister's Office in 1983 revealed that 18 percent of Japanese men were considering switching from their present job into a better one.[206] However, by 1987, 42 percent responded in the affirmative to a similar question.[207]

The last few years have seen a significant change in the norms that shaped the traditional Japanese lifestyle. Technological advances such as multi-media, satellite communication and facsimile machines; and cultural bridges such as pop music, student exchange programs and an increase

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[205] Romberg and Yamamoto, 43.

[206] Prime Minister's Office, Opinion Survey on Work and Life, (Tokyo, 1984). As cited in Romberg, 45.

[207] Romberg and Yamamoto, 45.

in Japanese tourists traveling abroad is making life for some people in Japan as internationally mainstream as any other industrial country.

Programs are being implemented in Japan that are focusing more on an improved lifestyle, such as shorter work weeks, more affordable housing, and a less production-oriented society more aware of its consumer needs. As Japan has achieved its economic goals originating in the Meiji era of catching up with the industrial countries, an awareness of the economic imbalance is leading to a shift which emphasizes improving the lifestyles in Japan. This change would call for less self-sacrifice in the workplace and help to lessen Japan's excessive trade surplus.

As a result of agreements between Japan and the United States under the Structural Impediments Initiative, Japan's Economic Planning Agency has recently published a five year plan which hopes to fundamentally shift the philosophy of life and government in Japan. This document identifies specific objectives designed to improve Japanese lifestyles and bring Japan more into the world mainstream through implementing programs such as fewer work hours, increased spending on public infrastructure and social services, and housing improvements.[208] MITI has asked Japan's producers of electrical appliances to lengthen their product cycles in an

[208] Anthony Rowley, "Kindler, Gentler Japan," Far East Economic Review, 9 July 1992, 61.

effort to reduce the consumption of natural resources and reduce the working hours; and Toyota has designed its latest factory with an emphasis on worker comforts.[209]

The Economic Planning Agency believes that the Japanese people are predisposed to, and readily accepting of these changes. However, they concede that--although they can reduce the work-hours through legislation--it may take some time to alter the corporate attitudes and philosophies to be less production-oriented. After all, many of these Japanese corporations have emerged only through fierce internal competition where dominance of the market takes priority over profits. Old habits are hard to break. However, as more and more individuals adopt a less work-oriented lifestyle, the corporations that have demonstrated reluctance to change may have difficulty attracting the younger generation.[210] This younger generation in Japan is characterized as a "new breed;" and their carefree attitudes no longer accept the one-dimensional values of the older Japanese workers.[211] A shift toward improved lifestyles would see the "opening up" of Japan to take advantage of the benefits that foreign goods and services have to offer. As this change in attitude takes shape, coupled with the implementation of the above programs,

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[209] "Couldn't We All Do A Little Bit Worse?" The Economist, 4 April 1992, 19.

[210] Ibid.

[211] Romberg and Yamamoto, 46.

one can expect that Japanese corporations will abandon their overly aggressive, outdated "catch-up" mentality and settle into an equilibrium with their competitors. "The inescapable conclusion is that the legendary Japanese work ethic that facilitated the country's astounding economic growth is on the decline. This is a healthy change for the Japanese lifestyle, even if it comes to mean a drop in productivity."[212] Moreover, the decrease in productivity could help lessen Japan's trade surplus with the United States.

Another change that must be taken into consideration is the relatively declining influence of MITI on Japanese corporations. Many of Japan's corporations have become technologically advanced to the point that they no longer depend on government R&D or licensing of foreign technologies, and in many cases avoid government sponsored programs if it requires them to share their technology with their competitors. Consequently, they are more likely to embark on their own R&D efforts, or enter into joint ventures with either domestic or foreign firms of their own choosing. For example, one sees liaisons between Hitachi and Texas Instruments on joint microchip development, and technology-sharing arrangements between Toshiba and Motorola.[213] This indicates a diminishing role that MITI can be expected to play

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[212] Ibid., 47.

[213] Tsurumi, 10.

in the future. In cases where Japan's government involvement has hindered foreign imports, this is good. However, where government involvement is taking measures to lessen the trade deficit with the United States, the more autonomous industries could slow this process. Take, for example, computer chips. The Japanese government was unable to force its companies to increase their purchase of American chips to the target 20 percent share of the market as established in SII talks.[214]

G. OUTLOOK AND RECOMMENDATIONS

The historic development of the Japanese mindset helps to explain some of the current problems between Japan and the United States. It is important that the United States be aware of these cultural differences that contribute to the problems. From a Japanese perspective, their apparent inability to adapt to the mainstream practices of other industrialized nations stems from their cultural ambiguities vis-a-vis their overzealous work ethic and strong sense of nationalism. Some changes such as the opening of previously closed markets has only come about through continual external pressure, exemplifying the positive effect that external pressure can yield. However, this external pressure has resulted in tensions between Japan and the United States. While there is still much to be done regarding the removal of

[214] Tsurumi, 10.

informal barriers, it is important that Japan realize the positive effects of market liberalization and undertake efforts on its own initiative.[15] By doing this, Japan would be acting in good faith and obviate the need for external pressure, which would subsequently result in decreased hostilities. Moreover, the United States must also act in good faith by taking measures to resolve its internal troubles which have contributed to the problem, such as decreasing the federal deficit, and increasing its productivity and quality of workmanship.

As Japan is showing indications of progress, it is important that the United States seek to resolve the trade and technology problems without provoking a Japanese backlash which could hinder this development and the U.S.-Japan relationship. Japan has matured into one of the leading world economic powers, and like any other nation-state, is complete with its own cultural and national interests as well as independent national security interests. The United States undoubtedly played a major role in Japan's emergence into its current status. Nevertheless, the U.S.-Japan relationship that existed under the paradigm of the Cold War is now obsolete. A continuation of aggressive U.S. tactics upon Japan could lead to a Japan that perceives its relationship with the United States as more of a liability than an asset,

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[15] Atsushi, "U.S. Pressure: Boon or Bane?" 65.

resulting in serious consequences that could undermine the alliance and stability in the Asia-Pacific region.

It is only through a clear, concise understanding of the factors that have molded the Japanese mindset throughout their history that we can fully comprehend the current Japanese attitudes and perceptions. Through this understanding we can set the foundation to effectively work with Japan in an aura of friendliness and cooperation in seeking to resolve the current trade/technology tensions.

VI. CONCLUSION

The trade and technology problems that exist between the United States and Japan have intensified over the last few decades. Throughout the Cold War these problems were superseded by the greater priority assigned to a bilateral concentration on the Soviet threat posed to both the United States and Japan. The post-Cold War era, however, has seen a major attitudinal shift by the United States which now gives greater priority to economic-related issues and possible threats to U.S. economic security.

Although the Soviet threat has disappeared with the demise of the Soviet Union, regional animosities, the high volume of two-way trade in the region, maintenance of open SLOCs, and the existence of Communist North Korea call for the continuance of a U.S.-Japan security arrangement. The future of the U.S.-Japan relationship will be largely dependent upon the ability of both countries to successfully resolve the current problems which collectively serve as a stumbling block in the path of their relationship. The issues that seem to be most controversial as of this writing in 1992 are those related to trade and technology. This thesis has sought to examine the changing role, and associated frictions, that trade and technology play in U.S.-Japan relations; and offer possible recommendations which could diffuse the problems. It

is imperative that both countries take prompt and cooperative measures to resolve their differences if they wish to maintain the mutually favorable relationship.

Japan must realize that its restrictive practices are inconsistent with those of other trading nations and take measures to liberalize its markets without continued external pressure. The rest of the world will only tolerate Japan's restrictive practices for so long. Fortunately, Japan is undergoing some internal changes which could help this process, such as the increase in the number of elderly, and increasing demand for leisure time which could reduce working hours.

The United States, on the other hand, must realize that many of the trade and technology problems with Japan resulted from the U.S. post-Occupation willingness to ensure Japan's economic growth and stability. Japan is not totally responsible for the current U.S. difficulties. The United States should continue to pressure Japan to open its markets, but not to the extent of provoking a backlash of anti-American sentiment in Japan--especially while Japan is undergoing internal changes which could reduce its comparative advantages in international commerce. Moreover, for the overall well-being of the United States and to diffuse U.S.-Japan frictions, the United States must take immediate measures to get its own economic house in order. Balancing the federal deficit, formulating an industrial policy to ensure survival

of its vital industries, improving education, and decreasing the influence of foreign lobbyists in Washington would be steps in the right direction.

The post-Cold War era is redefining the rules of international relations. The East-West paradigm that existed throughout the Cold War is now obsolete. Moreover, the subordinate role that Japan has played to the United States must also be revised to reflect the realities of the post-Cold War era. Regarding the U.S.-Japan relationship, Richard Holbrooke stated:

> The extraordinary size, scope and importance of the relationship will not only continue; it should increase--but not on the old basis. Clearly Americans and Japanese alike should seek to accelerate the day when Japan is completely freed from the dependency relationship that has existed in one form or another since 1945. So long as the United States expects constant repayment for past generosity and for its open markets, a relationship based on dependency, resentment and false expectations will continue. The best basis for post-Cold War relations with Japan is a mature relationship of equals. The two most powerful economies in the world, while competitors, must learn to interact with each other in a manner that sets aside ideas of junior and senior partnerships. Natural concepts in the early postwar and Cold War eras, such notions defied realities of domestic politics in both countries and were made obsolescent by events in the communist world and by the Gulf War.[216]

Given the economic importance of the United States and Japan to the rest of the world, it is their responsibility as global leaders to successfully resolve their differences. This can best be accomplished through cooperative measures

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[216] Holbrooke, 54-55.

rather than antagonistic accusations. The resolution of trade and technology issues will, one way or another, determine the future of U.S.-Japan relations as well as the stability of the Asia-Pacific region.

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