

Editorial Comment

Let's Call Off the Trade War

U.S. Ambassador Michael H. Armacost recently asked the Japanese media to avoid belligerent terminology – expressions like ‘beef war,’ ‘attack’ and ‘counterattack’ – in reporting bilateral trade issues. ‘Search for some new metaphors,’ he said.

It is going too far to say that with the Cold War over, Japan and the United States are now engaged in World War IV, as well-known business consultant and author Kenichi Omae wrote in a January magazine article. Nevertheless, the two countries are undeniably at loggerheads.

Despite the yen's appreciation against the dollar since October 1985 and several rounds of negotiations, the annual U.S. trade deficit with Japan threatens to remain at the \$50 billion level.

Japanese corporations, loaded with excess cash thanks to a booming economy, have stirred antagonism in America with purchases of trophy real estate, Columbia Pictures and famous works of art.

Sony chairman Akio Morita and politician Shin-itaro Ishihara, co-authors of ‘The Japan that Can Say No,’ have championed Japan's cause. Ishihara and his allies argue vigorously that U.S. shortsightedness and self-indulgence are mainly responsible for the trade imbalance.

The American side is represented by the so-called revisionists – political scientist Chalmers Johnson of the University of California at San Diego, former Commerce Department official Clyde Prestowitz and journalists James Fallows and Karel van Wolfert, who is Dutch. They claim that Japan's political and economic systems are fundamentally dissimilar from those of the United States, and Tokyo must be treated differently from other industrialized countries.

I belong to neither camp, nor do I think that friction is inevitable as the two economies grow more

interdependent, a fashionable explanation these days. This is no simple spat between friends. The tension is real and it stems from a lack of understanding on both sides.

Japanese misinterpret American motives. Johnson, who has been labelled the revisionists' godfather, and his allies are not looking for a scapegoat. They want to arrest America's relative decline and offer prescriptions for a comeback.

Johnson's 1982 study of the Ministry of International Trade and Industry was a watershed in U.S. scholarship on Japan. He and others are uncovering truths about our economy and bureaucracy that many here find embarrassing. To deride the revisionists as an American ‘Gang of Four’ would make them even more critical. We should encourage objective studies of Japan by scholars in both countries.

My major complaint about the ongoing debate is its parochial nature: both sides are preoccupied with bilateral problems when they should be thinking about global issues.

The most important challenges today are how to turn industries heavily dependent on arms contracts toward civilian priorities, introduce market forces into socialist economies, and help the Third World move from poverty to affluence.

Japan and the United States can provide know-how and information on the optimum role of government in these transitions. Bashing each other is a waste of energy.

Ishihara is generally regarded as much more hardline than Morita, and indeed he is tougher on decision-makers in both Tokyo and Washington than I am inclined to be. In any case, I have trouble with Ishihara's reasoning, and it is not, as he usually says of those who disagree with him, because I haven't carefully read his writings.

Morita reportedly has backed down considerably since ‘No’ was published. Flexibility may be a

virtue for a businessman, but it undermines his credibility as an opinion leader.

Although a successful entrepreneur, Morita's comments on the United States are mainly based on the views of a small circle of American friends and business contacts. U.S. society is too diverse for even Morita to grasp.

One way to ameliorate the present confrontation would be a surcharge on large-scale Japanese purchases of U.S. real estate and companies, with the money donated to smaller colleges and univer-

sities there for courses on Japan.

Through such programs, Americans would learn about our society, culture and economy. The younger generation in the United States is a sound investment.

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