Japan-U.S. Relations
Toward the 21st Century

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Japan and Asia will undoubtedly figure prominently in the future of the United States economically, politically, and strategically. Yet despite much fanfare about President Clinton’s involvement in the Asia-Pacific Economic Cooperation (APEC) talks, a coherent policy toward this region appears to be a low priority in Washington. Relations with Japan, the strongest U.S. ally in Asia after World War II and America’s most important partner in the world today, have reached an all-time low. In the popular U.S. media, the representation of Japan both in novels and on screen, promotes an adversarial relationship. Central to the conflict is economic rivalry in the context of prolonged world recession. The future of these two nations holds much more in common than a mutual worship of urban consumer culture, baseball, and business acumen. Below I will sketch the probable relationship between Japan and the U.S. at the millennium by examining the scenarios of futurists and well-known scholars in this area.

At the level of the world-economy, more than half the world’s population is located in Asia, making it the future site for low-wage work forces and potential unsaturated markets. Over the last decade, East Asia has become the most dynamic economic success story in the world. The eight Asian economies designated by the World Bank as “dynamic” (Japan, Hong Kong, Korea, Singapore, Taiwan, China, Malaysia, and Thailand) have seen their collective gross domestic product rise from $922 billion in 1971 to $3.43 trillion 20 years later (in constant dollars). In 1971, the combined size of these eight economies was just 33% of the U.S. economy; by 1991, that figure had reached 76%. At this rate, the eight will equal the size of the U.S. economy in 2002 (Mead, 1994).

According to the International Monetary Fund, China now has the world’s third largest economy, trailing only the U.S. and Japan (Nomani and Greenberger, 1993). China’s economy has been growing at a rate of more than 10% per year. Japan is China’s leading trading partner, investment partner, source of foreign aid, and source of technology (Johnson, 1993). Of consequence for regional stability, East Asia is now the world’s leading growth market for aerospace and

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weapons technology, and each year China has posted double-digit increases in its defense budget (Mead, 1993).

U.S. and Japanese economic expansion in the 21st century will require China as a market, a production zone, and a force for political stability. Because the present market zones of Japan and the U.S. are reaching saturation, China is the next logical arena. Since wage costs are becoming too high even in the Four Dragons and Southeast Asia, China is needed as a production zone. China’s wages will not reach those levels for another 20 to 30 years (Wallerstein, 1993).

None of the above means that Asia is about to become the locus of the next hegemony, but it is perhaps becoming the principal region of capitalist accumulation (Amin, 1994: 346–347). According to Ikeda (1994), in the coming century, the postwar expansion of the Japanese enterprise networks will continue, and East Asia’s weight in world affairs is expected to increase. This expansion will take place in the context of a U.S.-lead interstate system where the Japanese state remains a junior and more or less dysfunctional partner. Although Japanese dominance over a regional economic bloc would appear to be a foregone conclusion, such a scenario underestimates Japan’s vulnerability despite its global commercial preeminence. A primary impediment is Japan’s wartime behavior, on the basis of which neither China nor Korea would accept being subordinated to Japan. Maintenance of an inter-Asian equilibrium therefore will depend on forces external to the region, with the United States the only candidate for this role.

Japan will therefore remain tied to the United States in the future; in the process, the primacy of the U.S. on the world scene will be prolonged. Japan will continue to rely on U.S. military strength, especially with Korean reunification and China’s growing military might. Despite pressures from the nationalist Right, which seeks to make Japan a military power coextensive with its economic prowess, the expansion of Japanese military strength will be slow considering its recent history and the consequences this holds for Asian attitudes and Japanese internal politics.

Japanese citizens have struggled to maintain the “Peace Constitution” adopted after the Pacific War. The U.S. has argued that Japan must carry more of the economic burden for maintaining the U.S.-dominated defense structure, and during the Gulf War, Japan contributed (against much public opposition) to the financial costs of carrying out the war. Thereafter, Japanese troops were integrated into the United Nations peacekeeping force in Cambodia. Asian neighbors, fearful of a resurrection of Japanese military control in the region, signaled alarm. Yet only 10% of Japanese males surveyed are willing to defend their country. The legacy of Hiroshima and Nagasaki is a strong countervailing force against militarism.

Rising powers have historically aligned themselves with a declining hegemonic power, as was the case with the United States and the waning British
empire. Japan could similarly form a bloc with the United States. The positions of all the dynamic Asian countries in the world-system will be reinforced if they follow their current trajectory. Japan’s economic ascendance is not likely to cast her as the center of controversy, however. Future conflict, according to Amin (1994), will emerge between China and the United States as the major antagonists. China’s development threatens all global equilibria, and consequently threatens the United States. Consequently, China may take on the political representation of East Asia in the interstate system and it is possible that the next round of world-systemic contradiction will involve a regional dimension. How the United States reacts to these Asian developments will dictate all future strategies of alliances.

The implications of Japan’s (and Europe’s) historical relationship with the United States are discussed by Wallerstein (1993: 145–157). He argues that Japan and Europe have become relatively stronger, while the United States is a lot less strong — economically, politically, culturally — than it was in the 1960s. After World War II, Japan and Europe were able to rapidly catch up with the U.S. as an industrial power. After 1945, by entering late into an expanding world-economy, Japan was able to take advantage of productivity leaps afforded by newer machinery and relatively cheaper skilled labor. The resulting disparity in productivity growth steadily grew through the 1970s and 1980s. Even today, Japan’s work force receives the lowest share of national income in the five leading industrial countries, and its share is falling. Wages have risen only half as fast as productivity in the past 15 years (Thurow, 1992: 126).

In addition, due to the Cold War, the U.S. invested in costly weapons development, maintained an expensive worldwide military establishment, and invested in strategic allies — politico-military costs that Germany and Japan did not have to bear. Sheltered under the U.S. strategic umbrella and enjoying a virtually demilitarized status after 1945, Japan spent a mere one percent of its GNP on defense while U.S. totals ranged from five to 10 percent and beyond. The Truman and Eisenhower administrations provided hundreds of millions of dollars of aid to Japan, granted it large military contracts during the Korean War, and pressed the World Bank and other institutions to lend generously to Japan (Silk and Kono, 1994: 115). Japan’s economy was pumped up by its role as a staging/repair area and supply source for massive U.S. procurements during the Korean War and later the Vietnam War.

As a corollary to rapidly stimulating economic recovery and consistent with its practice in Western Europe after World War II, the CIA intervened in Japan in the 1950s and 1960s by spending millions of dollars to support the conservative Liberal Democratic Party (LDP) to make the country a bulwark against communism and to undermine the Japanese Left. The secret payments promoted structured corruption and one-party conservative democracy in postwar Japan (Engelberg et al., 1994).
The end of the Cold War brought about the disintegration of the LDP and popular domestic outcries against the political systems of both Japan and Italy, particularly over the issue of corruption. As Johnson (1993) points out:

Throughout the Cold War standoff the United States supported the ruling Italian and Japanese elites with alliances, funds, access to the American market and, when needed, CIA assistance. The aim was to prevent the Italian Communist Party or the Japan Socialist Party from coming to power, even though both were considered legitimate — in Italy because of partisan activity against the Germans during World War II, and in Japan because of opposition to the Japanese—American Security Treaty. Had either party come to power, it would have broken with the United States and adopted policies of neutralism at best or alliance with the Soviet Union or China at worst.

Therefore, neither Italy nor Japan developed a genuine two-party system, like that in Germany, in part because of the bipolar strategic implications of their doing so. In both countries the United States supported regimes that were known to have connections with the neofascist Right and the criminal underworld — the Mafia in Italy and the yakuza in Japan — simply because they were anti-Communist. It should come as no surprise, then, that Italy and Japan experienced severe political crises as soon as the Cold War rationale for their ruling establishments disappeared.

The existence of the Soviet Union provided the United States with a raison d’être for a world political role that Western Europe and Japan still are unable or unwilling to shoulder. In Japan, the collapse of Cold War imperatives, coupled with a period of prolonged economic stagnation, has combined with generational and demographic pressures caused in part by the Japanese public’s long period of forced underconsumption to push the political system into a crisis of leadership and legitimacy (Ibid., 1993). Despite the current economic and political malaise, Japan shows every sign of leading the economic pack in the proximate future. Indeed, forecasters expect the Japanese economy (now two-thirds the U.S. total at current exchange rates and perhaps equaling it in size by the year 2000) to grow even faster than that of the U.S., and probably faster than Europe’s, for the rest of the century (Kennedy, 1993: 142). During the next five years of world depression (i.e., through 1998), however, the primary aim of the Japanese and other governments will be to minimize the pain:

Japan’s state budget has a more solid base than do those of its competitors, and it will therefore have less difficulty in shouldering domestic social costs. And during the following 25 years of the world-economy’s
likely expansion — under the impetus of new, relatively monopolized leading industries — the prime challenge to the world’s great economic rivals will be to foster conditions that will allow them to become the locus of world capital accumulation. In the 1980s, Japan did the most to get the edge in applied innovations in the leading industries of the future (Wallerstein, 1993).

Within Asia, Japan has become the major supplier of intermediate producer goods that the other Asian economies cannot yet manufacture themselves. These goods are ultimately incorporated into finished products that are exported to the U.S. market. As its huge trade surplus reveals, Japan is the primary beneficiary of this trading system. Many analysts have noted that this model of export-led growth succeeded so long as the United States maintained its historic role as the main market for East Asian manufactured goods. Yet the U.S. economy is no longer growing fast enough to continue to absorb all of this output and mounting deficits constrain its ability to afford them.

In the not too distant future, the dynamic Asian economies must find a new engine of growth. In the 21st century, the rest of the world will impose restrictions to prevent Japan from increasing exports and capturing market share at its current pace. Japan will then be compelled to shift from a producer-driven economy to a consumer-driven economy, a boon to its consumers who at long last may begin to share in the country’s enormous wealth (Thurow, 1992: 249–250, Johnson, 1993). The formation of quasi trading blocks in Europe and North America will hasten this development, for it will require Japanese companies to operate as insiders, not outsiders, in those zones. Japan could also begin to supply aid and assistance to its neighbors because help is needed rather than because it is profitable (Johnson, 1993).

Until that time, the United States will continue to persuade the Japanese to adopt measures that are not in their immediate economic interest or else face trade sanctions. Retaliatory measures, however, would harm the United States as much, if not more, than it would Japan because the U.S. needs Japan’s capital as much as Japan needs U.S. markets. Japan also needs access to U.S. research and development (R&D), which continues to hold a clear lead. If the U.S. government were to cease to sustain public tensions with the Japanese in the commercial arena, U.S. corporations would move on their own toward arrangements with the Japanese. U.S. and Japanese enterprises would continue to drift toward interlocking industrial partnerships that would preserve and extend jobs in both countries (Wallerstein, 1993).

In Jamerica, futurists Alvin and Heidi Toffler (1994) explore the obstacles to and advantages of a hypothetical merger of the United States and Japan into a single superpower (along the lines of Europe’s monetary union and political integration). Though improbable — due to racism in the U.S. and nationalist
sentiment in Japan and to the threat this merger would pose to the pan-Asian equilibrium — the U.S. and Japanese economies and cultures have become so tightly interconnected that such conjecture sheds light on possible approaches to resolving currency and trade frictions. If one were to combine the economic strength of Japan and the United States with the military potential of the U.S. plus its enormous informational power, the resulting alliance could dominate much of the earth for decades.

In the Toffler’s view, however, the locus of global political power will probably shift away from nation-states in the coming century. The historical moment for Jamerica has passed. It was based on an accumulation strategy favoring big countries, with large populations and economies, that characterized the era of Second Wave industrialism, when “smoke-stack industries” and “economies of scale” enjoyed enormous advantages in the world economy. Those advantages are diminishing with the rise of Third Wave, knowledge-based economies. Under this more decentralized model, regions — some of them binational or even multinational — may become more important centers of economic and cultural activity than nations or even super-nations.

We are currently in a period of transition. To this point, Japan has focused on a set of 10 clear priorities for expanding economic power, which the Tofflers summarize as “the Japanese model.” This model was so successful that other Asian countries tacitly adopted virtually the same list (Toffler, 1994b).

1. Economic development is more important than any other form of development.
2. Exports are more important than domestic goods.
3. The nation is more important than the corporation.
4. The company is more important than the person.
5. Big business is more important than small business.
6. The quality of products is more important than the quality of life.
7. The producer is more important than the consumer.
8. Homogeneity is more important than heterogeneity.
9. Obedience is more important than creativity.
10. Men are more important than women.

Centralized strategic guidance in “industrial policy” succeeded initially by promoting the investment of capital in electronics and semiconductors. By the 1980s, Japan’s manufacturing processes led the world. Japan now possesses close to three-quarters of the world’s robots and more automated workplaces than anywhere else on earth (Kennedy, 1993: 157). Its major companies concentrated on top-quality precision products made by educated and well-paid workers using information-intensive technology. They created the world’s most “intelligent”
consumer products by embedding intelligence, in the form of microchips, into the goods they exported. Yet the strategy’s focus on manufacturing was also its main limitation.

According to Toffler (1994d), advanced Third Wave economies cannot base themselves primarily on hardware and goods manufacture, but must also incorporate software and services. The world is now moving from a hardware-based to a highly competitive software-based global economy. Such software creates high-value-added goods, and Japan lags behind the U.S. in this leading industry. Japan has also fallen behind in laying cable of any kind, in satellite communications, and in developing a Third Wave decentralized and interactive multimedia infrastructure at a time when the United States is racing toward a digital web connecting every home that will revolutionize the economy itself.

Thus, the very priorities that helped Japan and Asia become successful Second Wave economies, including the single-minded drive for economic growth, have become questionable, even counterproductive, as these economies shift to a Third Wave structure. As Toffler (1994b) explains:

To create a strong economy while allowing the environmental and social order to degenerate, as in the United States, or to stagnate, as in Japan, calls into question the very goal that motivated generations of workers and salarymen to work endless hours. Today in Japan, as in the United States, one finds industrial plants moving out to cheap labor centers overseas, leaving behind an economy ever more dependent on brains, rather than brawn. Manufacturing employment flattens out or recedes as services and information jobs multiply, and a different kind of worker appears with different needs and wants.

Japan has a society that is the envy of Europe and the United States — a society whose streets are safe, whose levels of violence are low, a society that is clean and seemingly well ordered. Yet, measured in terms of daily comfort, commuting time, physical environment, bureaucratic frustration, invasions of privacy, prices paid for consumer goods, and other measures of the “good life,” daily life in Japan still leaves much to be desired.

Peter Drucker (1994) has also observed that knowledge has become the central, key resource that knows no geography. “Knowledge applied to existing processes, services, and products is productivity; knowledge applied to the new is innovation.” The Japanese shot themselves into the world economy by concentrating on productivity, while the U.S. concentrated on innovation. Since it took the U.S. 50 years to move from more efficiently copying British inventions to learning how to be inventive in the 20th century (Thurow, 1992: 248–249), Japan will also attain this ability in time. Each is now attempting to overcome
their respective weaknesses. This is the central dynamic in the restructuring of industries around knowledge as well as the shifting of work offshore. In the U.S., this trend aggravates racism since assembly-line work is no longer available as a conduit to middle-class status. In Japan, it exacerbates workplace discrimination based on gender.

The U.S. is already well along in suffering the effects of “downsizing.” Japan had hoped to be bailed out by labor shortages caused by an aging population. Drucker also points out that Japanese companies have become overstaffed in management because their education system demands that if you finish high school, you can’t be a blue-collar worker, you must be a clerk; if you finish college, you must be a professional or a manager. Since everyone in Japan now at least finishes high school, there is an incredible surplus of clerks and would-be managers.

Under the pressure of the protracted slump, a rising yen, and other factors affecting competitiveness, Japanese firms have established plants overseas, have begun to question the lifetime employment system for core workers, and introduced painful domestic job losses in Japan’s industrial heartland. Called kudoka, or “hollowing out,” the concept is déjà vu for U.S. and European workers who watched segments of their manufacturing bases move overseas in the 1960s and 1970s. Japan’s low unemployment rate — now 2.9%, the highest since June 1987 — appears to have prevented kudoka from becoming an explosive political issue (Desmond, 1994). (A recent study by the Sumitomo-Life Research Institute, Inc., found that the real Japanese unemployment rate is closer to six percent rather than the official figure, approaching that of the United States because of “in-house unemployment” — employees called “window-sitters” who do next to nothing, but remain on the payroll [Silk and Kono, 1994: 119].)

Even though Japan could lose 1.26 million industrial jobs, or 9.1% of the total, by the year 2000 if overseas-investment growth averages 20% a year, the powerful bureaucracy, mainstream labor unions, and the Ministry of International Trade and Industry have shown little concern over kudoka (Desmond, 1994). It is widely believed that because of its declining birth rate, Japan faces a serious long-term labor shortage. In any event, it is estimated that strong growth in Japanese investment abroad will reduce Japan’s worldwide trade surplus by $22.7 billion a year over the next seven years — thereby addressing a politically sensitive issue. This loss of “manufacturing culture” is already reflected in the rising number of talented youth heading into merchant banking rather than engineering (Kennedy, 1993: 146).

As noted, Japan’s demographics create favorable labor-market conditions in terms of unemployment. Japanese life expectancy is the highest in the world today and, partly as a reaction by Japanese women against traditional expectations of a child-rearing role, the fertility rate fell to 1.57 children per woman in 1989 — well below the average 2.1 children per woman needed to maintain the
overall population. If there is no reversal of these trends, by 2025 the ratio of over-
sixty-fives to Japan’s total population will rise to one in four, the highest among
the leading industrial countries. With increasingly fewer workers supporting
evry retired person, the required increases in payroll taxes and social security
contributions could transform Japan from the most lightly taxed OECD country
to one of the most heavily taxed (Ibid: 154–155).

An obvious solution to restoring a balance between the size of the Japanese
work force and the numbers of elderly dependents would be to allow other Asians
clamoring for work to immigrate to Japan. Participation in trading blocks implies
some level of labor mobility, including a willingness to digest guest workers.
Because of its reluctance to make its society easier for outsiders to join, however,
Japan is not likely to be able to create a common market to rival the European
Community (Thurow, 1992: 251). Tactless remarks by Japanese politicians
about the social weaknesses of America’s multicultural, multiracial population
reveal that concerns about preserving “Japan-ness” will outweigh utilitarian
arguments in favor of increased immigration (Kennedy, 1993: 155).

Most likely, increases in productivity and robotics will minimize the effect
of labor shortages and reduce the need for a guest-worker program in Japan.
Japan’s larger companies have dealt with the domestic labor shortage by going
multinational. These firms have shown great ability in managing foreign work-
ers, eliciting greater productivity than foreign managers can, but in the economics
of the 21st century, firms will be required to integrate managers from different
cultures and nationalities into a homogenous team (Thurow, 1992: 248).

As a result of the internationalization of the Japanese economy, an estimated
600,000 Japanese now reside overseas (excluding permanent residents and
immigrants). At the same time, the highest available estimate of the number of
foreign workers in Japan is 300,000 — less than one-quarter of one percent of
the total Japanese population (in contrast to figures of between 7% and 13% in many
European countries in the mid–1980s). There were virtually no migrant workers
in Japan until the mid–1980s because of the abundance of low-wage labor within
Japan, the two main sources being farmers and women (Lie, 1992: 36–37).
Women constituted a large pool from which low-wage and part-time workers
could be drawn according to the fluctuations of the economy. By the mid-1980s,
the rural exodus had created a serious labor shortage in the countryside and most
women had already become integral to the industrial labor force. During the
expanding economy of the 1980s, sheer economic necessity forced many em-
ployers — smaller firms, merchants, and farmers — to rely on foreign workers
to do jobs avoided by the Japanese.

The “problem” of foreign workers centers on people from underdeveloped
Asian countries, over 80% of whom entered Japan through the agency of
Japanese recruiters and brokers, including the yakuza and illicit enterprises, to do
work described as 3K (kitsui, kitanai, and kiken), which can be rendered in
English as 3D: difficult, dirty, and dangerous. The overwhelming majority of women worked in the sex industry, while most men worked in construction and other physically demanding but low-paying jobs (Ibid.: 38).

“Nativist” Japanese conservatives have argued for banning foreign workers. The polemics ignore the plight of the resident minority populations of Koreans and Chinese in Japan who were forcibly relocated there during World War II to work in coal mines and weapons factories. Thus, Japan’s unresolved war legacy arises again in a reassertion of the prewar ideology of Japanese racial superiority and an ongoing amnesia about Japan’s past colonialist and nationalist-militarist ventures. The domestic hysteria over foreign workers plays upon the presumed threat posed by “impure” foreigners, the “other,” who bring with them crime and other social ills. Not surprisingly, many instances of deportation occur as a result of citizens reporting non-Japanese-looking people to the local police (Ibid.). The mean-spirited approach recently adopted in the U.S. to the issue of immigration shows that the Japanese are far from unique with respect to such unexamined attitudes.

In Preparing for the Twenty-First Century, Paul Kennedy (1993: 137–138) argues that Japan is the country best prepared for the technologically driven global changes of the 21st century and is least likely to be hurt by gross and direct damage from global overpopulation, mass migration, and environmental disasters. While increasing domestic consumption and reducing trade surpluses to assuage domestic and external critics, Japan is also engaged in one of the most extensive industrial retoolings that the world has ever known. It has identified new areas of very high value added (satellites, jet fighters, supercomputers, etc.) and is moving into them as quickly as possible. At the same time, the movement offshore of industries represents more an expansion of the Japanese subcontracting network to East Asia and a shedding of low-value-added product lines than a genuine “hollowing out.”

Japan’s success in positioning itself in major growth markets and in outperforming the world’s other successful exporters has led some analysts to suggest that Japan (1) must be following a long-term strategy formulated by businessmen and bureaucrats in Tokyo, and (2) is pursuing an entirely different accumulation strategy from that of the other successful Western powers. The implication of the first point is often that if competitors are to successfully go head to head with Japan, then some sort of “industrial policy” is required, with massive state intervention on behalf of industry. However, it could also be argued that Japan’s long-term economic expansion is driven by the intense competitiveness of its major corporations in their struggle for global market shares. The implication of the second, “revisionist,” argument is that if Japanese capitalism is of a truly different order, then its ascendance in the world system will not necessarily be followed by the inevitable relative economic decline suffered by Holland, Britain, and possibly the present-day U.S. as their preeminence in manufacturing eroded.

As Silk and Kono (1994: 116) note, one must be wary of a “revisionist” U.S. trade policy based on the assumption that Japan is inherently different and must remain so, for such an assumption could exacerbate economic conflicts and reduce chances for economic cooperation.

American “revisionists” have long argued that Japanese capitalism is not only different from but essentially incompatible with Western capitalism — a view that key members of the Clinton administration, including President Bill Clinton himself, appear to share. Laura D’Andrea Tyson, chief economic adviser to the president, contends that Japan’s capitalism differs from America’s, so that sometimes quotas “are the only possible solution.”

Japan’s reform process is equally rife with political considerations. According to Johnson (1993), Japan’s economic planners had estimated that U.S. politicians would not begin to take U.S. economic decline seriously until the 1996 presidential election. Japanese strategists concerned with their country’s post-Cold War future hoped to make Japan’s position in Asia unassailable before shifting to a domestic, demand-driven economy. Putting a cynical spin on the reform process, Johnson views the political turmoil in Tokyo less as a harbinger of genuine change than a diversion stage-managed to lead U.S. officials to postpone their demands for trade and other economic reforms.

As Japan comes out of the recession, however, it will be easier for it to satisfy international demands. Japanese analysts are skeptical, however, about the prospects for real change — in contrast to a reorganization of the LDP under a new name — and are concerned that schisms in the opposition coalition and a weak political leadership will leave the bureaucracy on its existing course. The structure of power in Japan, with its detailed linkages between the governing bureaucracies, politicians, corporate elite (the so-called Iron Triangle), and organized crime, remains fundamentally unaltered. The first opposition prime minister, Morihiro Hosokawa, to take office after the collapse of the LDP soon fell from power due to the corruption inherent in Japanese money politics. Only to the extent that Japanese citizens insist more on immediate improvements in the quality of their lives rather than deferring the good life for future generations to enjoy, then, will popular pressure become a countervailing force to bureaucratic inertia.
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