

# Little progress in Japan-U.S. summit

by Nicholas F. Benton

Japan's new prime minister, Noburu Takeshita, made his first visit to Washington since assuming his post two months ago. Despite a veneer of cordiality that characterized his meetings with President Reagan and other government leaders, he left perplexed by the continued U.S. effort to push the Japanese economy over the brink.

While Takeshita did his best to support Reagan's efforts to stem the tide of protectionism in the U.S. Congress, the U.S. side did not reciprocate. Instead, administration officials walked away from the visit complaining that the Japanese were still not doing enough. U.S. Trade Representative Clayton Yeutter griped that Takeshita's proposal to allow U.S. contractors into the massive Japanese domestic public works program was "not good enough." Nor, he said, was Japan's promise to reduce its \$82 billion trade surplus by \$10 billion this year.

In addition, the United States refused to budge on the trade sanctions that continue to exist against Japanese semi-conductors. And, in a direct insult, the administration withdrew its effort to honor Takeshita's request to address a joint session of the Congress.

For his part, Takeshita made a strong impression during his one public appearance, an address to the National Press Club Jan. 14. Speaking through an interpreter (so that viewers in Japan, watching on live television, could follow his remarks without difficulty), he displayed a forceful and articulate style, and his carefully crafted address gave an overview of the way the Japanese see everything from East-West relations to monetary policy and Third World development issues.

Takeshita affirmed the importance of exchange rate stability, especially for the dollar. Such stability, he said, "is the very basis for stability and growth of the world economy." He added, "President Reagan and I have made clear our common recognition that further decline of the dollar could be counterproductive. We have established that adequate implementing resources are available in the currency markets" to stabilize the dollar. This was apparently a reference to new agreements worked out, according to a senior administration official who briefed reporters at the White House, that would allow, for example, the United States to substitute SDRs ("special drawing rights" notes issued by the International Monetary Fund) for yen in buying dollars.

Takeshita went on to talk about Japan's Fiscal Year 1988

budget, which, he said, will further U.S. interests because of its emphasis on stimulating domestic demand. These stimulants include \$54 billion for public works (an increase of 20% over FY87), tax reform, and lower interest rates. He also promised that the \$10 billion Japanese budget surplus would be reduced. This is all supposed to have the effect of encouraging Japanese consumers to shift from savings to consumption, which will absorb more Japanese-produced goods and goods from the United States, helping to remedy the record trade imbalance between the two countries.

In fact, Takeshita pointed to evidence that this trend was already under way, noting that in the first 11 months of 1987, manufactured imports rose 23.7% over the same period of the previous year, accounting for 44% of Japan's total imports. He also noted that the Japanese FY88 budget will show a 5.2% increase in defense spending to a \$27 billion level, as well as further expenditures to support U.S. forces based in Japan which are suffering from the appreciated value of the yen.

All of these developments are designed to comply with U.S. demands that the Japanese economy be dragged down the same sinkhole that is wrecking the U.S. economy. So is the Japanese commitment to pour \$30 billion into Third World development, since most of it is targeted at refinancing debts owed to the New York banks.

## Some promising features

However, there is also an independent element in Japan's commitment to the Third World, which led to Takeshita's remark that "we are embarking on this course upon our own will and initiative, and not merely responding to the requests of others." He expressed particular concern that "the least developed countries and the heavily indebted nations are faced with serious problems, and much remains to be done to improve the welfare and livelihood of the people in those countries."

He said that Japan would expand its "official development assistance," which has already committed more than \$30 billion in official and private funds over three years. Over \$4 billion has been earmarked for Central and South America, and Takeshita said he committed over \$2 billion to the ASEAN countries of Southeast Asia when he met with their leaders in Manila recently. Five hundred million dollars has been committed to Africa.

Takeshita's other promising topic involved U.S.-Japanese science and technology cooperation. He said that his government has sponsored visits to Japan of over 2,000 foreign researchers a year, and that this will increase 10% in the new budget. In addition, a new "U.S.-Japan Science Fellowship" is being launched, with a \$4.4 million start-up budget.

Finally, Takeshita reminded his audience that Japanese investment in the United States has created over 200,000 jobs for American workers, and noted that U.S. investment in Japan was increasing.