

JAPAN-US ECONOMIC RELATIONS:
A CASE STUDY IN ECONOMIC IMPERIALISM?

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1. Thinking About Economic Relations

There is much talk about Japan-US economic relations these days. The newspapers in both countries and in many other countries for that matter are filled with data and reflections on this particular phenomenon. Justifiably so, as what we have been witnessing for some time is a major transfer of the center of gravity of economic relations from a country in the First World, the United States of America to a country in what is here called the Fourth World, the Southeastern part of the world, and to its center, to Japan.

But the focus of public attention is on one particular aspect only and a very quantitative one: the trade deficit the US is incurring in its trade relations with Japan. Truly, the deficit is staggering. Of a total estimated US deficit for 1986 of \$160 billion more than \$80 billion is in relation to Japan, up from \$62 billion for 1985¹. However, in and by itself that figure is no particular reason for worry, or for any basic change in trade relations. There is no principle in world trade that bilateral relations should be balanced. Rather, world trade derives much of its flexibility and dynamism exactly from its multilateral nature. A country A may have a deficit relative to B but surplus relative to C and the two may, in principle, cancel out (if in addition B has a deficit relative to C their relations may balance even on a trilateral basis).

Against this position the argument may be that the United States at present is incapable of obtaining any such balance, leaving

alone surplus, the total deficit being of the magnitude it is. The question is, however, why is the total deficit of that magnitude? What has been happening these last decades? And in order to explore that rather basic problem a more qualitative approach may be needed, focussing on the major component of the much tooted US deficit: the deficit relative to Japan.

The approach taken here is based on the theory developed in "A Structural Theory of Imperialism" (and subsequent articles) some years ago², with the hypothesis that Japan has today, and has in fact for some time, developed a relationship of economic imperialism relative to the United States, with Japan in the Center and the US in the Periphery. That particular theory was referred to as "structural" since it was not tied to any particular actor as is done in the traditional focus for analysis of imperialism: the western economic powers, and more particularly Great Britain, Germany and the United States, in that historical sequence (and some others). The theory describes a structure as a configuration, an interacting complex of factors that tend mutually to support each other, and in so doing paints the structure relatively strong as a configuration where the Center is exploiting the Periphery. That particular relationship is protected by a number of devices, also built into the structure. The theory does not appoint any particular countries to the structural positions as Center or Periphery, nor does the theory presuppose a general intent, even master-plan to create such structures. In fact, the theory presupposes no con-

consciousness at all about what is going on, neither in the Center nor in the Periphery. Nor does it presuppose a complete absence of consciousness: the structure is so strong that it will unfold itself, fulfilling the configuration with a certain automaticity; without intention; even in spite of conscious efforts to resist the workings of the structure. Unless, and this is where the theory of liberation from imperialism enters the picture, the level of consciousness is so strong, so backed up by organized efforts to combat the structure that these efforts together constitute a viable counter-structure. I could put it in different terms: imperialism is a very advanced form of structural violence. One way of fighting imperialism is through structural non-violence, or more correctly expressed: counter-structural non-violence. Another way of fighting imperialism would be through direct violence, as is very well known in the contemporary world. Which method is more efficient? I shall return to that question later.

With the hypothesis on the table that Japan is imperializing the United States, or, to use a politically --if not linguistically-- catchy term is "Third-Worldizing" the United States, the first task is to spell out the hypothesis in more detail. More precisely, there are three sets of hypotheses, to be dealt with in the following three sections. First, the basic hypothesis of Japan-US economic exploitation. Second, the equally basic hypothesis of how this exploitation is effectively protected structurally. Third, the hypothesis of a possible spill-over from economic relations to cultural political and military relations. And then, if this is the diagnostic part of the paper: the twin problems of prognosis and therapy, of what is likely to happen next and what can be done about it.

2. Is Japan exploiting the United States economically?

Of course, it all depends on the definition. The approach taken here is to look at the totality of the economic exchange pattern, and for that purpose a discussion in terms of the trade relation in goods and services, in other words in terms of the finished products, is insufficient. Sticking in this section to a relatively economic, albeit with that limitation also relatively wholistic, approach the whole production function is taken into account, seeing products as something coming out of the productive use of nature, labor, capital, research and administration. The problem is how the concrete economic relations between two parties, such as Japan and the United States shape these five input variables in the production function. What happens as a consequence of the relationship? What passes from the United States to Japan and from Japan to the United States, not necessarily in the sense of something crossing the borders, but in the sense of "intra-action" taking place inside the two parties? In short, to understand the nature of a relation both inter-action and intra-action effects have to be explored; what passes between them, what takes place inside them.

The general theory for First World-Third World basic exchange relations can be used as an hypotheses in this connection, and the formula is presented on the next page, in Table 1--with "Japan" substituted for "First World" and the "United States" substituted for "Third World". The problem to be explored is how far the model holds with these two particular actors as role-incumbents; no doubt for many a somewhat unconventional way of viewing the world. This

TABLE 1: Japan-United States Economic Relations:Asymmetric Exchange?

| | <u>From the United States to Japan</u> | <u>From Japan to the United States</u> |
|-------------------------------------|--|--|
| <u>Nature</u> | raw material/commodities; simple, semi-advanced extraction use of land; use of soil tourism | pollution with waste products (toxic); depletion of non-renewable raw materials |
| <u>Labor</u> | body drain, cheap labor <u>in situ</u> | excess population; "advisers," "experts" retired people |
| <u>Capital</u> | deposits, profits; untied capital | investments; tied, "earmarked" capital |
| <u>Research</u> | brain drain, researchers; cheap research <u>in situ</u> | sale of technology; packaged and dated |
| <u>Administration</u> | implementing SOPs- standard operating procedures | devising SOPs- standard operating procedures |
| <u>Products: goods/services</u> | raw & semi-processed goods/services | processed goods/services |

| | | |
|-----|---|---|
| SUM | THE RAW low on challenge low on value added | THE REFINED high on challenge high on value added |
|-----|---|---|

| | | | | |
|------------|---------|-------|-------------|-------------|
| DIFFERENCE | THE RAW | minus | THE REFINED | = Asymmetry |
|------------|---------|-------|-------------|-------------|

will first be done horizontally exploring the six rows, and then vertically exploring the two columns; ultimately comparing the two columns for asymmetry, and the total configuration for the standing of the general hypothesis.

With regard to nature: US makes raw nature available to Japan as soil for agricultural products and as land for factories, offices and residential quarters; not to mention as nature to be admired and enjoyed in the form of tourism. And Japan gives to the United States essentially pollution from factories relocated from Japan to the US (usually discussed in economic terms and not also in ecological terms), contributing to the depletion of US raw materials, including in the form of soil.

With regard to labor: US does not export cheap labor to Japan but offers considerable utilization of labor in situ, the basic point being that this labor is low in skill. Japan is contributing skilled labor as advisers and experts and management in general, and is also engaging in export of excess population. This is a rather classical aspect of economic imperialism practiced by the western powers before the Second World War, and also by Japan (in Manchuria) to get rid of excess labor, usually in the shape of able-bodied men first without, then possibly with their families. What is new is the Japanese export of retired people, people on pensions living the golden phase of their lives in warmer climates where the yen can buy higher quality of life.³ The more sunny parts of the United States, such as Hawaii, and the southern belt would be obvious

targets, but more famous in the picture right now is the Japanese settlements for people on pension in such countries as Spain and Brazil.

With regard to capital: from the United States there is a considerable net flow of capital into Japan,⁴ related to the huge trade deficit. But there is also a counter-flow of capital from Japan to the United States taking the form of investment in the public and private sector of the US economy⁵. The basic difference between these two flows arising from the trade deficit would be that whereas the capital from the United States to Japan is payment at the disposal of the Japanese side, the capital flow from Japan to the United States is also at the disposal of the Japanese side, tied as investments to their economic strategies in the US. Both sides invest, but Japan has more to invest from the trade relation.

With regard to research: there is hardly any brain drain of individual US researchers from the United States to Japan, but considerable utilization of US research by the Japanese, Research is available in situ either as papers presented for conventions in the fields of science and technology, or as more or less secret documents handed over in various ways. The more particular form of, for instance, Japanese pharmaceutical firms testing out new drugs on US bodies has not been reported. On the other hand, much technology passes now from Japan to the United States⁶, sold and probably at high prices, pre-packaged in the form of factories, possibly dated relative to what the Japanese would use at home.

With regard to administration: the US is implementing standard operating procedures coming out of Japan in the form of Japanese management techniques; these techniques are by definition, devised in Japan. No doubt there was in earlier periods a counter-flow that was stronger in the opposite direction of US techniques penetrating Japan. Today it looks as if the Japanese have the upper hand.⁷

With regard to products; goods/services: by and large the United States is exporting to Japan soya beans, other foodstuffs, waste paper, scrap iron, and then—as more refined products—military hardware, passenger aircraft, IBM and services.⁸ Japan is exporting to the United States sophisticated electronics for the home, the office, the factory, machine tools, cars and motorcycles—and services in the very important form of loans/investments.

Let us now take note of the general finding: the configuration of asymmetric exchange is there. Flows and counter-flows, and of exactly the opposite nature. For each point made one could make the counter-argument that the United States is also investing in Japan, also occupying land (for instance in the very important form of US bases), and certainly engages in tourism. This is to be expected: the United States was until recently very much the Center country in the world. But there is no assumption in the structural theory of imperialism that exploitation is a one-way street. Two countries may very well exploit each other. The question is in which direction the relationship is moving. The point here is that

the relationship is moving, and not in the favor of the US, from US exploiting Japan via balanced exploitation to Japan exploiting the US.

Let us summarize the basic points made.

What has been presented so far is a configuration of twelve tendencies in the same direction, some strong, many of them fairly weak. However, the basic point is not so much the strength of the single item as the mutual reinforcement in the total structural arrangement. Of course it is true, as pointed out by the many who start becoming worried that the United States is being "colonized" by Japan (a technically incorrect term since "colonialization" has political and military overtones that, as will be indicated later in this paper, can hardly be said to be present to any significant degree): Japan is making large amounts of capital available through investments and is creating jobs--one estimate by the year 2000 mentions 840,000 jobs directly created through US capital.⁹ Japanese investment increased from \$4.7 billion in 1980 to \$19.1 billion in 1985, in other words four times in a period of five years. In the same period British investment went up from \$14.1 billion to \$43.8 billion (three times) and Dutch investment from \$19.1 billion to \$36.1 billion (almost twice).¹⁰ In other words, the Japanese investment is still only number three, but is increasing more rapidly than the other two; is to a large extent in productive assets such as factories, and--one would presume--according to a master-plan where the notorious MITI enters at some stage or another (or, more likely, at very many stages in the process).

According to some estimates foreigners now own \$1 trillion of the total US stock (land, real estate in the most general sense) calculated at \$12 trillion in 1981, and \$11 trillion in 1986 (the decrease in value of the United States being due to such factors as depletion of soil and depreciation of infrastructure--roads, sewers, railroads etc.)¹¹ They own stocks and banks and real estate and US companies, and the amount is increasing by more than \$100 billion per year. They employ three million Americans, and in general one may of course say that "the friendly invaders are creating new jobs and wealth".¹² The argument is also that this is needed in a country like the US where the net debt is now (early 1987) \$200 billion, the world's highest, possibly increasing by an estimated \$100 billion a year so as to reach \$500 billion in 1990--provided foreigners are still willing to lend money to the United States.¹³ And they may, because the United States is a big country capable of launching a budget January 1987 to the tune of \$1 trillion. An increase in taxes of \$50 billion, or a decrease in spending of \$50 billion, would only amount to 5% of one trillion and yet be highly meaningful in terms of the debt situation. And this is exactly where quantitative reasoning brings us: in percentage terms the situation does not look that critical for the United States.

My point, however, in the picture just painted is that in qualitative terms the situation is rather serious. The US has the upper hand in the world division of labor relative to many Third

World countries. But Japan has the upper hand relative to the US, reducing the US to a country delivering raw nature, cheap labor, untied capital, cheap research, implementing operating procedures designed elsewhere and ultimately delivering rather simple, raw and semi-processed goods/services. US receives in return a huge amount of highly sophisticated goods/services, jobs and investment. This looks to some like a great deal, getting so much for so little. But that is "visible part of the iceberg" reasoning. The US forgoes the spin-off effects from exerting itself. And the basic value added will ultimately, through a network of transnational business organizations of tremendous complexity, end up in territorial Japan more than in the United States.¹⁴

Japan then dumps (if that expression may be pardoned) excess population of retired, presumably also tired, people who will only contribute to the US economy as consumers but not as producers; technology that probably will never be state-of-the-art by Japanese standards, and management practices that resemble Japanese standards, but posing the question of whether Americans put into Japanese job definitions in the long run will function adequately, after the first enthusiasm of having employment at all wears off. Besides, I may also argue that if this construction should function Japan would in fact have obtained what is in the very nature of economic imperialism: a reproduction of itself by cloning, the genetic transfer mechanism being precisely one of the most effective socializing agents in the world: work. Of course, when the work experience is preceded by socialization in the family and then

repeated by socialization in the schools the result is even more robust; two good reasons why Americans working the Japanese way will remain inferior to the real thing.

Historically the basic turning point in the relationship between the United States and Japan can probably be dated to the period 1982 to 1985. I then use as indicator not the qualitative difference between what Japan exports to the United States and the United States exports to Japan--that difference in degree of processing has been in the favor of Japan already for some time.¹⁵ But in the period 1982 to 1985 the net foreign assets of the United States started plummeting from about \$150 billion in the black in 1982 for the United States to \$120 in the red three years later.¹⁶ Japan was always in the black, but went up in the same period from about \$25 billion to \$130 billion, in other words more in the black than the United States in the red.

In 1985 Japan passed the United States as the major creditor nation in the world, administering 26% of the world credit as opposed to the United States 25%¹⁷ (of course there is something anomalous in the circumstance that two countries alone extend more than half of the total world credit--but that is another matter). The two percentages are similar but they stand for very different circumstances: to be a creditor in the red is very different from being a creditor in the black. Moreover, most of the Japanese credit is extended to First World countries whereas so much of the US credit is to countries in the Third World. Japan is likely to

get her money back, the United States not since sooner or later a number of countries will pass the magic line between not really paying (relying on a seemingly unending process of rescheduling) to saying that they will not be repaying.

This leads to the reflection: who in the world have the deepest understanding of how the world economic system is functioning?¹⁸ And in the United States it might sooner or later lead to another important reflection: maybe state planning, when carried out by very insightful people is not that inferior to total reliance on the magic of the marketplace? The former is long-term and may tend to become rigid; the latter is short-term and may be unable to reflect adequately basic changes in the total system, including the parameters of that marketplace. The temptation will be to make a fast buck rather than trying to correct basic flaws in the structure of the economic relations. Nowhere in the system can long term, basic planning for the national economy as a whole be implemented. Think tanks may plan but not act; companies may act but not plan for the nation as a whole. Let us only add that the same applies to the world economy: even brilliantly executed national plans do not necessarily add up to a healthy world economy.

From these reflections on asymmetric exchange and "in-change"--the spin-off effects--let us then turn to the structural factor protecting the configuration of exploitation.

3. Is Japan Penetrating the United States?

In "A Structural Theory of Imperialism" a two-country, two-classes model is given where the four classes are referred to as the center in the Center (cC), the center in the Periphery (cP), the periphery in the Center (pC) and the periphery in the Periphery (pP). As we are dealing with economic aspects one might simply interpret it as management, employers or capitalists in the Center and in the Periphery respectively, and as functionaries, workers in the Center and in the Periphery, Japan and the US. But I prefer these more general terms for a more general theory of imperialism covering not only economic aspects.

Here are some simple conditions for penetration to function:

- (1) The general level of income in the Center should be higher than in the Periphery;
- (2) The distribution of income should be more egalitarian in the Center than in the Periphery;
- (3) A center in the Periphery should emerge in close cooperation with the center in the Center.

The reasoning behind these conditions runs as follows. Most important is the third condition: this is the real penetration, the reproduction of the Center in the Periphery. What is expected here would be a new class being formed in the United States of people at the service of Japanese penetration. They would obviously consist not only of managers of enterprises, but also of real estate

agents capable of solving problems of location and relocation, lawyers capable of negotiating contracts, finance specialists, linguistic interpreters and cultural interpreters of all kinds, human relations specialists, trade union specialists including trade union busters, and so on. I am not counting drivers, servants, cooks, gardeners since they are not in the center of the Periphery but in its periphery. However, some of them may gradually become a Japanese "labor aristocracy", and like all the people in the categories just mentioned not only get their rewards in the shape of discounted travel to Japan, but also sooner or later acquire not only tastes for things Japanese but also Japanese tastes. I would expect the knowledge of Japanese language to increase quickly as penetration deepens, as usual in the name of international cooperation.

The second condition counting from below is also important. What is hinted at is simply this: there is more of a distance to fall for those who cannot make it into the center in the Periphery country than in the Center country.¹⁹ The more inegalitarian the income distribution, the more there is to lose. And if we now extend the vision from quantity of income to quality of income in terms of its security it is also readily seen how unemployment functions as a factor facilitating penetration. In the years 1965 to 1986 there has been a steady growth in Japanese unemployment, but only in the range between 1% and 3%.²⁰ The United States reached 10% in 1981-82, as did Western Europe. But

then, in 1985 the unemployment in the United States was down to 7% whereas in Europe, on the average, unemployment had reached 11% corresponding to 15 million jobs created in the United States and 3 million jobs lost in Europe.

On the surface this would mean that the United States was more easy to penetrate for risk-willing Japanese capital in 1982 than 1985. After all, unemployment was decreasing although still far above Japanese levels. But this is the danger of too quantitative reasoning; the quality of jobs also matters.

Some jobs were created²¹ in the fields of information/data, via biotechnology, but not that many. Jobs were lost in mining, textile, steel and iron, car manufacturing--and quite many. Two million jobs were created in the form of snack bars and (hamburger etc.) stands. But only one quarter of the new jobs have unemployment insurance, only 19% of them are unionized as opposed to 40% a short while ago (but then Japanese unionization is also decreasing, from 40% downwards)²²; two thirds of the jobs make less than the "poverty line" of \$13,600 annual income, only 8 million of the jobs have the minimum salary of \$3.35 and very many of the jobs are for women who on the average make 61% of the income of men in the same jobs. Which does not mean that people do not work; the average number of working hours per week in 1985 was 44.5 meaning a substantial overtime in order to make ends meet, one would presume. The job seeking process is highly competitive with the former holders

of menial jobs, the blacks, being threatened by the Chicanos and--I would assume even for the near future--the holders of very many intellectual jobs, the American Jews, being threatened by highly qualified Asians.

In short, the job picture is not that different from what one would find in a Third World country in general. The tremendous excess of demand over supply drives income down, and job quality down. As a consequence the investor from the outside can get what he wants: people willing to perform in jobs already defined from the outside, and performing well lest they might sink further down in the hierarchy. Of course, the situation is considerably more critical in "real" Third World countries. After all, in 1985 there were only 31 million unemployed in the OECD countries, although they were surrounded by poor housing, declining material standards in general, deteriorating health care, urban pollution, dying forests, radiation and what not.²³ This is still better than the situation of the 500 million unemployed in the Third World, with a constant food crisis and starvation (40,000 children dying per day, amounting to 14 million per year corresponding to more than 14 million per year; probably 5 million Africans dying in 1984 alone)--with a debt of \$1 trillion as one external symptom of the situation (certainly not a cause!). However, there are also important similarities as already pointed out, creating a new status for the US in the world community. There have always been pockets of structurally induced underdevelopment in the US, but after Independence the mechanisms have been endogenous to the US. Today some of them are exogenous.

In connection with penetration there are three other structural characteristics that can be used to protect a pattern of exploitation: segmentation, fragmentation and marginalization. There are elements of segmentation in the picture: the United States is increasingly becoming a single crop, or only few crops, country relative to Japan. I would expect what remains of sophistication in US exports to Japan to diminish in the years to come. Thus, as the balance in the area of world debt indicates, the old adage that Japan may have an edge in manufactured goods but not in services, is certainly far from true. What is true is a shortcoming the Japanese still have in terms of mastering the English language. To the extent services are dependent on that linguistic factor their neighbors in East and Southeast Asia might constitute more of a threat to US supremacy in the services.

The implication of this can be clearly seen in the major marketplace in what today is referred to as the global village (which certainly is not "global" as experienced by most people, but as experienced by cC and cP); the tax free shop at the airports. Let us have a look. There are practically speaking no US goods (except chocolate, toothpaste, chewing gum) available. Sophisticated electronics comes from Japan and neighboring countries. There are excellent wines and cheese from France, silk shawls and leather goods from Italy, Scotch whiskey and tartan textiles from Scotland (from England there is also very little). From the US there may be bourbon whiskey, possibly samsonite luggage but in that case more likely than not made abroad. But: the buying is done, more often than not, in American accented English, the prices, more often than not,

are quoted in dollars, and the transactions are in fact made in dollars or with US based credit cards.

What I am suggesting is that all of this is fragile. The Japanese may catch up in English, and even if they do not their neighbors are already there. As to the quality of their services anybody might compare, as an example, any airline out of East or Southeast Asia with any US airline. As to prices quoted in dollars: with the erratic behavior of the dollar that currency may be increasingly unacceptable as an international currency, and a tendency in these global market-places to quote in other prices has been noted recently. What is left are the credit cards. Who knows, maybe the Japanese will come up with a credit card with a built in computer that immediately shows the balance, including that soft Japanese voice telling you that you are dangerously close to the end of your credit line?

As to IBM: it is generally accepted, although there are ups and downs in this highly complex field,²⁴ that the Japanese are ahead in fifth generation computers, artificial intelligence. And this raises the specter of Japan one day even being able to penetrate IBM to the point of creating a "joint venture", offering IBM some liquidity and some technology, in return for "cooperation", meaning penetration. Of course, to take over another company with more than 51% of the stock is rather primitive; the refined approach would do with 10% or less than the capital, but perhaps 90% or more of the new ideas.²⁵ The success of Japanese laptop computers is an example. The West does the initial R&D and develops consumer tastes. Japan makes something smaller, with higher quality and lower price, and conquers more markets.

We are then left with passenger aircraft and arms. I am not so sure the prospects are so good for the United States in these two fields either. After all, Japan has tested successfully STOL (short take off and landing) passenger aircraft, practically speaking noise free and pollution free²⁶ that might be very important as domestic carriers in many countries where for several reasons short air strips might be preferable (the Japanese experience with the US jumbo jet. Boeing 747 August 1984 probably stimulated a search for the Japanese answer to the problem of aircraft).

And the same would logically apply to military hardware. There is no reason why Japan should forever rely on the United States if production lines could be opened for qualitatively superior arms at lower prices, sturdy, miniaturized, well designed, affordable also to Third World countries. In other words, the assumption would be that Japan would be interested in arms export and cancel the self-imposed restraint in this field. In so doing the task of under-bidding the United States would be easy since US near-monopoly on arms delivery in many countries has pushed prices up to a level that would make competition easy. What remains to be said is only that the various moves inside Japan in the direction of increased militarization also can be seen in this economic perspective.²⁷

As a process there is something automatic about this. Once a country has the upper edge in the vertical division of labor that edge will be made use of. On the other hand, Japan also has

to import something from the United States in order to be able to export meaning that this process should not be too quick. The answer, of course, is to reduce the export to the United States because there is little left to import of any significance to Japan, except soya beans, other food stuffs, waste paper and scrap iron; the few crops constituting a very segmented relationship. And then build up, at increasing pace, internal production in the United States, for US consumption, by Japanese or Japanese dominated corporations. In other words: segmentation and penetration go hand in hand.

And so do fragmentation and marginalization. There are many other countries in the world treated in this way by Japan, most of them located in East and Southeast Asia. But for various reasons the United States will have difficulties seeing itself as a Member of the Japan Dominated Countries--possibly in the future constituting a new grouping in UNCTAD--but only after the United States has undergone some agonizing reappraisals of its own position in the world. In short, I do not see the United States joining ASEAN on an equal basis in the struggle to stem the Japanese tide, or the Pacific Basin as an area divided in two zones: Japan and non-Japan, the latter increasingly turning into anti-Japan. But what is not here now or tomorrow may be there the day after tomorrow as a major conflict formation is running its course.

Marginalization means to be on the outside, on the margin relative to real decision-making. I guess there are few places

Washington would so much like to be present on a permanent basis as in the inner corridors of power in Tokyo, meaning economic power. It is not enough to participate together with Japan in the annual economic summit meetings. What arrives in the shape of the prime minister would be processed decisions, not the raw material out of which decisions are made. Presumably that is done in the MITI-Keidanren complex, and certainly not with US participation. Or, conversely: if there should be some US participation at some point that is not where the decisions are made.

The structure is near perfection. All the elements are in place, some more developed than others. All that is needed is to take note of the total configuration. The pattern of mutual reinforcement of the factors is particularly important. As the vertical division of labor proceeds there will be increasing deskilling in the production of sophisticated goods, both in terms of ability to take on challenge and concrete mental and manual skills. More people will sink, if not into unemployment then into the underemployment of cheap service jobs. Their gratitude for secure, gratified labor will press their salaries further down at the same time as imported goods become increasingly expensive. Demands for quick solutions will lead to increased sales of land, real estate, factories--another sure sign of underdevelopment. And so on, and so forth. Periphery status, like Center status, feeds on itself. A weakened Periphery with more debt and less products demanded by the world market needs more capital and becomes more penetrated, more an object of manipulation, less a subject for real co-decision, and more isolated from others. And so on and so forth.

4. Is There a Spill-Over to Cultural, Political and Military Relations?

I would say, in general terms: no, or very little. I do not as yet see the Japanese Marines on the shores of California, nor do I see Japanese political overseers in Washington or the Japanese Embassy there playing a role remotely similar to that of the embajada in any country in South America, the embassy, leaving no doubt as to its nationality (so much more important than the Soviet Embassy in Eastern Europe).

What has started appearing, however, are some elements of Japanese culture as something not only to be studied and understood, possibly admired, but to be imitated. Much of that stems from the Japanese economic success and the search for its cultural roots, including culture in the sense of social structure which of course, in the United States, would be referred to as "managerial practices" or even worse, as "management techniques". Japanese novels and movies are admired, but then mainly Mishima, Kurosawa. What has not yet arrived in the United States (but to some extent in South America) would be Japanese mass culture: comics, children's books, films magazines etc. like the corresponding products from the US have inundated the world. What has arrived, however, is Japanese food and increasingly, and in a way not too different from the way sushi is eaten in Japan, on a mass consumption basis.

This process of cultural penetration would be linked to economic penetration and then spread particularly to penetrated areas in the United States, meaning the center of the country where the

economic recession starts bordering on depression in a bi-coastal economy. These are the areas where the local helpers of the Japanese penetration would recommend location of processing facilities. If they are particularly numerous and themselves well penetrated we would expect an acquisition of Japanese tastes for economic rather than the cultural reasons that might have been dominant in both East and West coast intellectual communities, eager to pick up exotic habits.

Thus, Japan may slowly emerge from its status of single-legged imperialism to walking on two legs, a very solid economic one and a more rudimentary cultural leg. Clearly this will soften resistance in cP against Japanese involvement in more domestic aspects of US economic affairs in the longer term. Japan may insist on a right to safe, secure investment and appropriate guards against US mismanagement; the US center may resent this yet feel inferior to Japanese managerial competence. The latter, essentially cultural, plays a very crucial role in the whole picture--something similar to the role of the allegedly superior Western civilization, in the hey day of Western colonialism. In the days of Western neo-colonialism this was continued under the slogan of "modernization", again with the West as the model. If Japan has a slogan acceptable to the West it must be "management"--like "modernization" and "motherhood" hard to be against.

But the problem is, of course, whether innocuous slogans like that capture the true nature of the process.

5. Prognosis: Where Are Japan-US Relations Heading?

Is it fair to treat this case as a special case under the general heading of economic imperialism? As a point of departure I think the answer would be yes, at least as an hypothesis, at least if one is willing to look at the specificities of the two countries and the two classes involved, sticking to the simplistic model used in the two preceding sections.

There are actually two non-exclusive predictions that can be made: "the process of building a structure of the type described will continue"; and "there will be counter-processes". Thus, in the process of vertical division of labor not only is the United States developing Japan further by providing the country with ever more challenging tasks and a market for profitable sales and investment; Japan is also underdeveloping the United States by playing on all the factors mentioned.²⁸ More particularly, economically Japan will be pushing the United States further and further down on the degree of processing scale at the same time as penetration will expand both in domain (the concrete areas of the United States touched by Japanese investment) and in scope (the concrete products, both goods and services, gradually being controlled by Japanese investment). Invariably this will have cultural and political over- and undertones, but military aspects will probably not appear, at least not in the near future. They are more for weaker countries in the Japanese orbit where Japan might like to protect her investments by some kind of military presence. The necessity of this

would, of course, be argued in terms of the threat of a Soviet attack or a communist revolt.²⁹ Logically the deployment would be defended under the rubric of "self-defense", only extending the concept of the Japanese "self" to include Japanese investments, if not necessarily persons, abroad.

More important, however, are the counter-processes. A possible way of developing some hypotheses in this field might take as the point of departure the four classes cC, cP, pC and pP and then divide each class into producers and consumers, yielding a total of 8 groups. Without going into detail some possibilities might be indicated.

Thus, the Japanese center will be caught in the middle, between its desire to continue export and its refusal to increase imports, not necessarily because those imports threaten the accumulation of the tremendous surplus Japan is presently in charge of so much as simply because the imported goods are not demanded in Japan (often for lack of quality) but foisted upon the population. The producers would like to export but not too quickly in order not to generate too much resistance, and would also be sensitive to the argument that if the US is driven over some brink the fences might go up and there would be less to gain with the loss of a major market. The consumers, contrary to what might be believed in the United States, might be much more interested in European high quality goods that have a certain snob appeal, particularly from England, Germany, France and Italy, in terms of cars, textiles, wines and cheese and

so on, than in less appealing American products. They would resent strongly, and ever more so, American bullying in order to have the Japanese import more and accept more US investment or services operating inside Japan, building airports,³⁰ penetrating with an American way of life alien to Japanese culture, getting a hand on important funds such as pension funds, etc. The US economic logic in this connection will be countered with a cultural and political logic, and also with very sophisticated economic reasoning to show that the Americans are simply not correct when they claim that the trade deficit is of such magnitudes as usually presented.³¹ In the wake of this type of debate it is only to be expected that the exchange of words will be increasingly acrimonious. This trend from the past will continue into the future.

For Japanese ordinary people the situation may be a little bit but not very much different. American products have never managed to become popular in general terms, but there are exceptions. One exception would be in the field of fast food where Japanese might acquire tastes not so much for the food as for the fast life style that goes with it, very different from the disciplined, restrained, introspect Japanese life style. To eat a McDonald hamburger might serve as a pretext, much like taking a drink, to behave more freely and openly, in a more Western, even American manner. The young and the middle and working classes may be very much attracted by this opportunity to shed some of the mental strait-jacket in which they are usually relatively well encased.

But products that are not carriers of a life style might be considered too expensive and low in workmanship. Of course, the nutritional value of the food stuffs just mentioned may not only be low but negative; a price people might be willing to pay, like people do when they drink and smoke for a brief period to switch to another mode of expression, particularly in inter-personal relations. But this is not the case with the US personal computer or with an American car. They are not surrounded by that much atmosphere. Again, American bullying to gain access for unwanted products will be resented and not only at the top of society. But those working in export oriented sectors would also sense a need to put restraints on Japanese expression of any animosity.

On the US side there will be much less restraint and much more open animosity. US producers, sensing not only competition at home but also lack of possibility to compensate by increased exports abroad, particularly to Japan, will certainly prefer blaming the Japanese to blaming themselves for not being sufficiently competitive because of too low quality over price ratios. And some of the blame comes as political fall-out inside the US, taking the usual form of employers complaining about the high salaries of their employees and the role of trade unions in that connection; and employees, complaining about the sky high salaries of their employers, including their profits--had it not been for the circumstance that the latter theme is very underdeveloped in the US debate. But most of the animosity will gradually take the shape of anti-Japanese feelings, even very strong ones. They will be muted by the interests

of the consumers in Japanese goods, and these consumers are found all over American society including every producer who also likes Japanese cars, TVs, VCRs, and so on. A US home today starts looking like a Japanese trade fair.

In general, I would expect producers of goods out-competed by Japan inside the US, and/or not gaining access to Japanese markets whatever the reason might be, to express their feelings with increasing strength, from bumper-stickers and resolutions to angry meetings, mobs protesting outside local branches of Japanese companies, diplomatic missions and during state visits, to terrorist acts such as kidnapping of Japanese executives and diplomats, not to mention bombs under well selected companies in addition to the more conventional burning of Japanese flags, cars, and so on. As mentioned such protests will become increasingly popular with the increasing tension, but often muted by the strong desire for excellent Japanese products and for secure jobs with Japanese times.

A particular characteristic of Japanese products in this connection: they are in general made for the "middle classes"; not so exquisite as to satisfy the most sophisticated demands at the top of society, and not inexpensive enough to be compatible with more limited buying power lower down. But "middle classes" in the United States, that is 80-90% of the population. Almost all are affected. To release their political anger against their economic self-interest for goods of high quality to manageable price (and they still are although the prices will now go up more and more)³¹ some signal is needed from the top. Sooner or later that signal may take the form of "boycott Japanese goods".

The psycho-political preparation would have to come in a number of anti-Japanese articles in the US press, paralleled by an increasing number of anti-US articles in the Japanese press. In either case what the articles report may actually be pure truth, only that the media will increasingly select negative aspects of the other country. At this point it might be argued that this has been the practice for a very long time in the West with regards to Japan. Watching western television or reading newspaper reports about Japan it would be difficult to infer that such a problem-ridden country remains stable and produces goods of such excellent quality. Hence, the change would be in the Japanese reporting of the US: from traditionally positive, benign, to a systematic selection of the negative aspects of the United States. And they are numerous.³²

Will this develop into military confrontation? Hard to say, not impossible. But not very likely, and certainly not in the shorter run. As a matter of fact one could rather talk about a paradox of power: the United States has all kinds of military power in Japan, bringing nuclear arms in and out all the time, and nevertheless is rather helpless relative to these economic forces, backed up by strong structural arrangements. Of course, this is also what makes the relationship less than imperialistic in the classical sense. The underdog, the US, feels restrained and does not use the power it could unleash; and the top dog, Japan, also feels restrained and does not try to cement its economic supremacy in a military manner. The argument might be that this situation is very far from stable and might lead to some threats from the US, and demands for a big stick.

And it may also lead to innovative Japanese ways of protecting her own investments in the United States against considerable odds where pure military power is concerned. Some way in which the US self-destructs economically by touching Japanese investments? Or ^{by} Tokyo

benefitting so many US states more than Washington that Japan has a majority in the US Senate?

But there are also factors in the picture, somewhat reminiscent of the 1920s and 1930s. Japan is restrained (by the United States) not to develop fully a military capability. Japan depends for her economic survival, at least in the imagination and presentation often made by Japanese leaders, on free trade relations with other countries, including the United States. Japan has a population surplus according its own reckoning and thinks that surplus has to be exported. A resistance starts developing both against efficient Japanese trade and the projected population export. Threatening language takes shape. What would be more logical than for the Japanese to develop further her military capability if not in order to protect Japanese interests in the United States at least in order to do so in East and Southeast Asia? The US encouragement to Japan to do precisely this (not for the reasons developed in this paper but for the classical Washington reason of countering the Soviet threat while diverting more of the Japanese excess surplus to the military sectors so that less is available for further economic expansion) must come like a god-send to a Japanese establishment wanting to develop their military for different reasons³³

Concluding at this point it might be wise to reflect upon one circumstance that makes Japan different from Germany: Germany has been beaten twice in this century, Japan only once.

Not debating whether the two countries were or were not justified in going to war (they were, and they were not, given the type of logic used to defend any war), this simple arithmetic circumstance may at least account partly for the apparently lower level of critical and constructive awareness of factors of peace and war in Japan than in Germany at present.

Both countries were badly traumatized by not getting the access to the whole world--markets, raw materials, colonies--due to them, given industrial achievements. Both of them were badly traumatized by being defeated in the Second World War--but for Germany this was the second time in one generation! The conclusion drawn in some circles might be different. What goes totally wrong once might be blamed on bad luck, on the enemies (or on both). If it goes wrong twice some agonizing reappraisal might be in order. And Germany has done considerably more of that than Japan.

Prognosis: Japanese elites will work to expand their military options, using the opening offered by the US. They will enter the field of arms export and gradually out-compete the US as they have done in so many other fields. They will use Star Wars cooperation to get considerably more technology than they give. They may convert that into an ultimate weapon not for defense against the Soviet Union but from the real threat, the co , with thich they are on a collision course: the United States. And the US will respond accordingly.

6. Therapy: Is There Any Way Out?

Of course there is a way out: to build an alternative trade structure, more equitable and hence better to both parties, at least in the longer run. This would probably mean a lower trade volume, and at the same time more Japanese readiness to import US goods at higher levels of processing. It is difficult to see today how that could happen without Japan deliberately putting a brake on such developments as innovative services, artificial intelligence (and bio-technology), passenger aircraft not to mention an arms industry. As the Japanese have few reasons for putting those brakes on I guess the alternative would rather be for Japan to spread her trade better around the globe with less focus on the US and much more on other countries, particularly on the socialist part of the world, and even more particularly on the Soviet Union.

A lower trade volume between Japan and the United States would be compatible with a higher level of US self-reliance in the fields where Japan has made great in-roads recently. I do not think this can happen without doing what is anathema under the Reagan administration: protectionism. And this is also, in spite of the rhetoric, exactly what the Reagan administration is doing only that the technique used is devaluation of the dollar rather than higher tariffs (except punitively for some periods). Whether deliberate or not, the fall of the dollar is assumed to make US goods more competitive, which may not work given the low quality. Less is said openly about making Japanese goods less competitive, which may also not work given their (high) quality,³⁴ always assuming that demand depends on both quality and price.

However, rather than reasoning in terms of concrete day-to-day politics let us invoke a more theoretical perspective. Struggle against a structure, as opposed to struggle against a concrete personal opponent, requires a high level of consciousness about what is going on, "consciousness" being defined here as awareness of the social forces operating. A second requirement is a high level of mobilization to counteract the structure, in other words a counter-structure--"mobilization" pointing to the need for concerted action, involving millions of human beings, more classes than one, more countries than one. And it is precisely at these points that the United States seems to be particularly disadvantaged.

A high level of consciousness in connection with the Japanese economic exploitation and penetration presupposes a type of thinking about economic structures that would make it almost impossible for Americans not to reflect on the simple circumstance that what Japan is now doing to the United States is rather similar to what the United States has been doing for close to two centuries to South America, from Rio Grande southwards. Of course, theories can be made so Japan-specific that generalizations are avoided. However, in order to think in something like the way indicated above there has to be some figures of thought reminiscent of marxism, say 5%. According to the current thinking of the Washington administration that is precisely 5% too many, and that type of mental resistance seems to have penetrated very deeply into American academe in general.³⁵ However, cutting off a major trend in contemporary

thought completely can only be done at considerable peril. The risk incurred is simply this: Japan will benefit from the lack of ability of the United States to understand what is going on.

And something of the same applies to the organization/mobilization factor. It is difficult to imagine the US as a member of a Club of Japan-dominated countries, as mentioned above--but not completely impossible. In a sense the economic summit is already that organization. The seven countries involved so far are at the top of the world. But Japan is beyond that top economically; in a sense assembling the eight corners of the world under one roof already, as the old Japanese saying would have it. So are the meetings occasions for protesting or cementing Japanese power?³⁶

Consequently I would imagine the present situation to last still for some time, but with increasing animosity, even violence. Then some type of basic change may occur, both in the form of direct counter-violence, and by building nonviolent counter-structures. The latter would take the usual shape of much higher levels of self-reliance for the United States, efforts to achieve self-sufficiency in as many products as possible, particularly those pertaining to basic needs, in order not to be at the mercy of foreign investors who may one day decide to withdraw their funds.³⁷ But measures in this direction can only be taken within a legitimizing framework. In economic policy, as in politics in general, as in human affairs in general it is never quite enough just to exercise power. There also has to be legitimacy: this was the right thing

to do. Which would mean that some parts of the old free trade doctrine would have to go and be replaced by a doctrine of equitable trade in the more general sense, not only the old "willing buyer meeting willing seller striking a deal" philosophy. A broader range of implications of any deal will have to be taken into account, and that calls not only for general ideology but for hard, technical work in designing new types of economic theory.³⁸

If this or something in that direction could be the outcome of the current Japan-US economic relations not only the United States, but also Japan and the world in general would benefit greatly. The whole range of US ingenuity could be brought to bear on the important topic of designing better economic relations, particularly if that has a bearing on the way the US is treating countries lower down in the vertical division of labor. The benefits in terms of peace should be considerable if the general hypothesis of equitable interdependence between diverse parties, or, simply put symbiosis combined with diversity,³⁹ is a good guide to peace.

But in the meantime Japan-US relations are deteriorating precisely because they are exploitative and a complex structure, a configuration, is at work protecting the exploitation: the structure of imperialism. The ultimate test of this hypothesis lies in the difficulty for the US, "the strongest country in the world" in extricating itself from the relation. In such cases liberation tends to become eruptive, sudden, even violent. It is in the interest of all of us that smoother paths of liberation are found by both parties, changing the structure of their relationship without violence, not only destroying the relationship.