

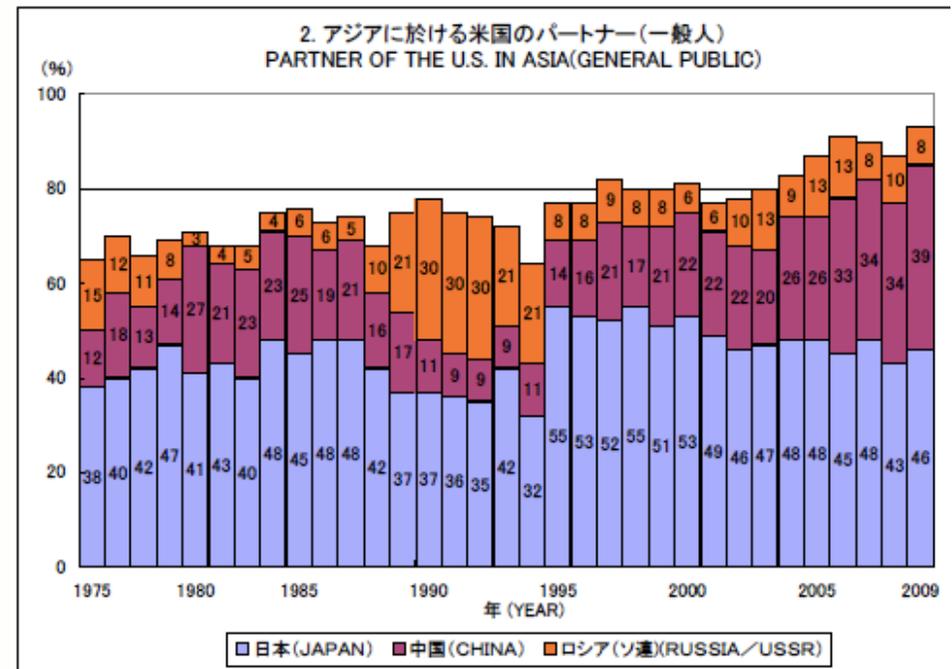
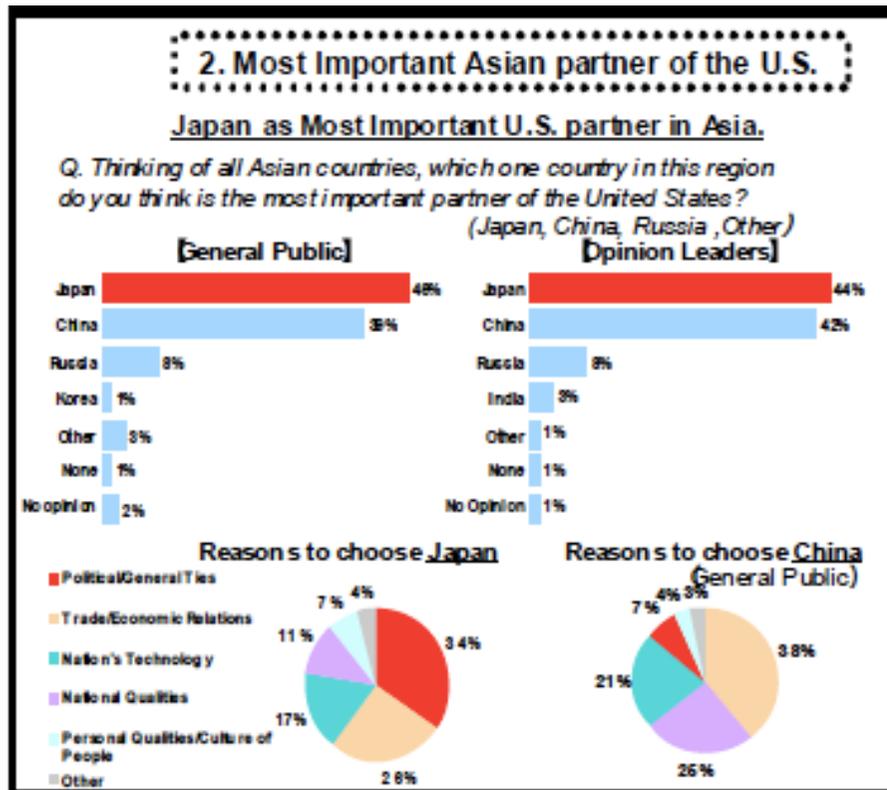
**U.S.-Japan Economic Relations in the
Aftermath of the Global Crisis**

**William W. Grimes
Boston University**

The Dog That Hasn't Barked

- How have U.S.-Japan economic relations shifted in the wake of the crisis?
- Answer: Surprisingly little.
- Questions: Is that really true? And if so, why?

Mutual Impressions

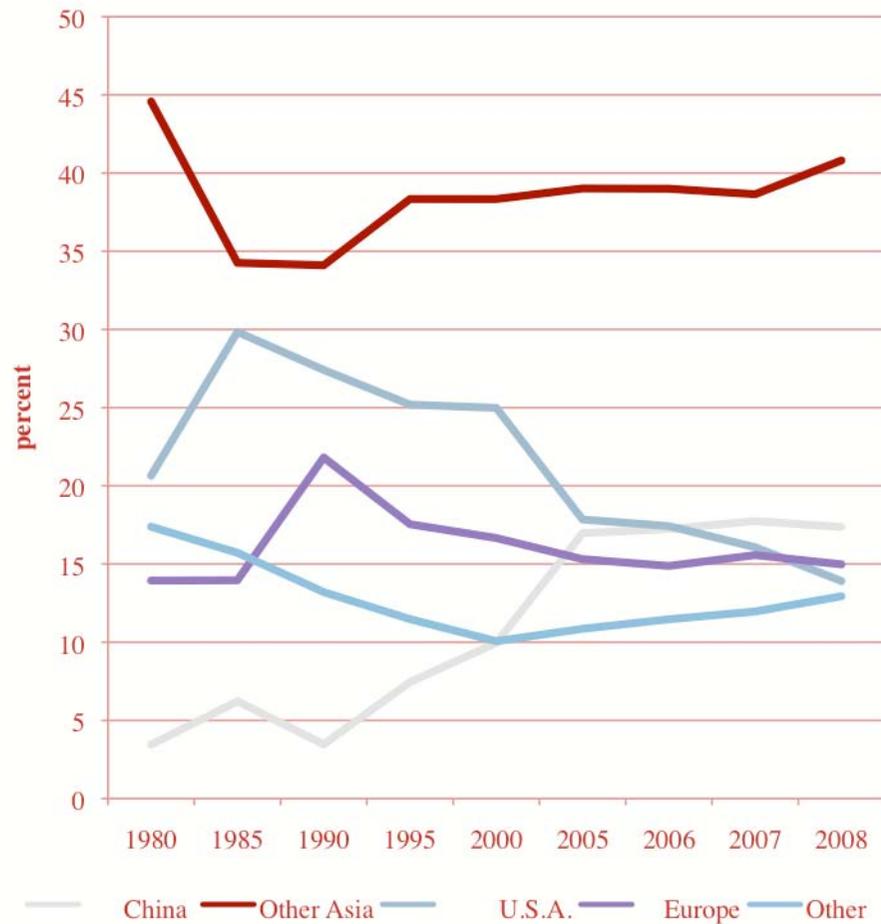


Reasons to Expect Deterioration

- Evolutionary
 - Shifts in Japan's patterns of interdependence
 - Growing regional cooperation (ASEAN+3, FTAs)
 - Rise of China
- Potential critical junctures
 - Global financial crisis as a “perfect storm”
 - U.S. origins of crisis
 - Japanese concerns of “market fundamentalism”
 - Regional cooperation as potential safe harbor
 - Electoral shifts (U.S. 2008, Japan 2009)

Two Faces of Rising China

Japan's Major Trading Partners, Total Trade



PLAN Helicopter Approach of Asayuki, April 21, 2010



Why the Dog Hasn't Barked: Common Interests

- Global rules and rulemaking
 - US and Japan share many interests – trade, investment, IPR, financial regulation, maybe even open skies
 - Obama administration brings US closer to Japanese preferences in the one major division – i.e. financial regulation
- Is the “Arc of Freedom and Prosperity” real?

U.S., Japan, and the Global System

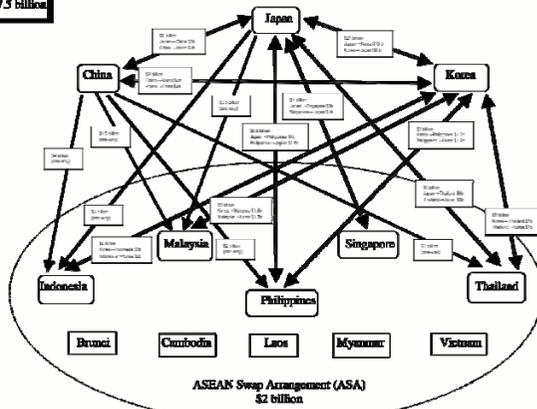


Why the Dog Hasn't Barked: Regionalist Alternatives

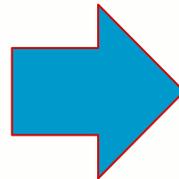
- Difficulties of regional cooperation
 - Regional cooperation is not a substitute for global
 - FTAs are competitive and partial rather than constitutive
 - ABMI and ABF rely on global standards
 - CMI relies on global standards, IMF
 - Japan-China cooperation difficult to achieve due to economic interests and political competition
 - Difficulty of enforcement, public goods provision

CMI Multilateralization

Total: \$87.5 billion



Source: Ministry of Finance of Japan.
 Notes:
 1. One-way arrows denote one-way swaps, two-way arrows denote two-way swaps.
 2. This figure does not distinguish between dollar-denominated and dollar-equivalent local-currency BSA's.
 3. Malaysia figure BSA includes Silver Myanmarese swap (\$2.5 billion).
 4. Total includes all BSA's (including New Myanmar) plus ASA.
 5. Korea-China BSA is local-currency swap between central banks: \$6 billion of Korea-Korea (\$3 billion each way) is local-currency central bank swap.



Attachment 1 CMIM CONTRIBUTIONS AND PURCHASING MULTIPLES

	Financial contribution			Purchasing Multiple	
	USD (billion)	(%)			
China	38.40	China (Excluding Hong Kong, China)	32.00	28.50	0.5
		34.20			
		Hong Kong, China	4.20	3.50	2.5
Japan	38.40	32.00		0.5	
Korea	19.20	16.00		1	
Plus 3	96.00	80.00		-	
Indonesia	4.77	3.97		2.5	
Thailand	4.77	3.97		2.5	
Malaysia	4.77	3.97		2.5	
Singapore	4.77	3.97		2.5	
Philippines	3.68	3.07		2.5	
Vietnam	1.00	0.83		5	
Cambodia	0.12	0.10		5	
Myanmar	0.06	0.05		5	
Brunei	0.03	0.02		5	
Lao PDR	0.03	0.02		5	
ASEAN	24.00	20.00		-	
Total	120.00	100.00		-	

* Hong Kong, China's purchasing is limited to IMF de-linked portion because Hong Kong, China is not a member of the IMF

Why the Dog Hasn't Barked: Role of China

- Shadow of China
 - Economic opportunity, but potential political/security threat
 - Is Chinese mercantilism on the rise?
 - Exchange rate, reserves, government FDI (CIC, SOEs)
 - Government procurement, Indigenous Innovation Product Accreditation, legal/administrative murkiness, export subsidies, prevalence of SOEs among internationally active firms
 - Cyberhacking, intimidation? (Rio Tinto)
 - Can China be “locked-in” to existing global rules and institutions?
 - How will China act as rulemaker?
 - China will itself judge whether it is a “responsible stakeholder”

Indigenous Innovation Product Accreditation: Foreign Complainants

American Chamber of Commerce in
China

American Chamber of Commerce in
Hong Kong

American Chamber of Commerce in
Shanghai

American Chamber of Commerce in
South China

Association of Equipment
Manufacturers

Business Roundtable

Business Software Alliance

Canadian Chamber of Commerce

Coalition of Service Industries

Computing Technology Industry
Association

Communications and Information
Network Association of Japan

Consumer Electronics Association
DIGITALEUROPE

Emergency Committee for American
Trade

European-American Business Council
European Services Forum

European Software Association

European Union Chamber of
Commerce in China

Federation of Korean Industries

Information Technology Industry
Council

Japan Business Machine and
Information System Industries
Association

Japan Electronics and Information
Technology Industries
Association

Japan Electrical Manufacturers'
Association

Japanese Chamber of Commerce and
Industry in China

National Association of
Manufacturers

NASSCOM

National Foreign Trade Council

Semiconductor Industry Association

Software & Information Industry
Association

TechAmerica

TechNet

Telecommunications Industry
Association

United States Council for
International Business

U.S. Chamber of Commerce

US-China Business Council

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