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

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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
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
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