



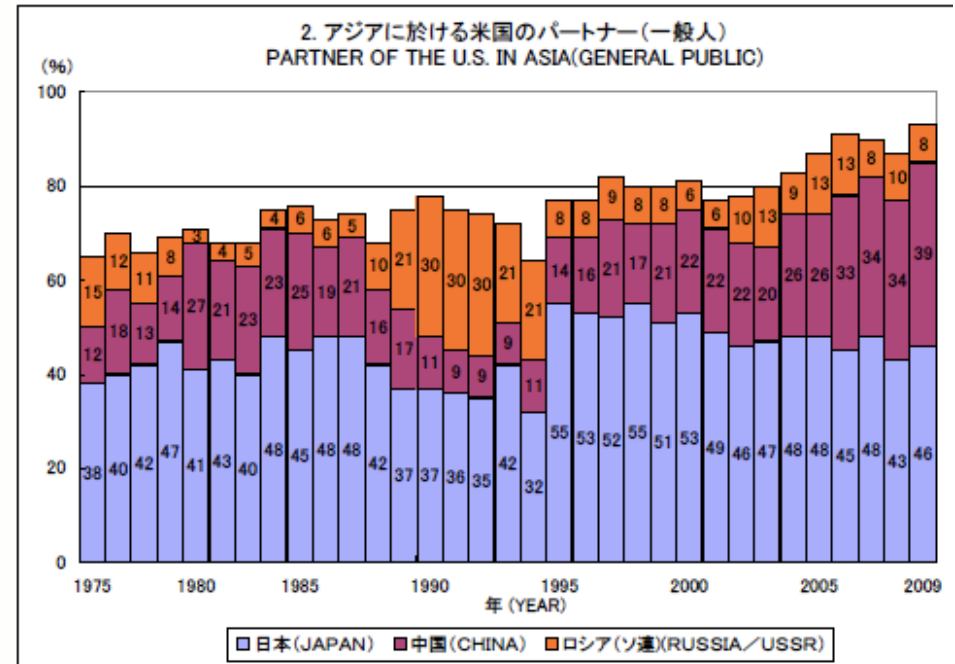
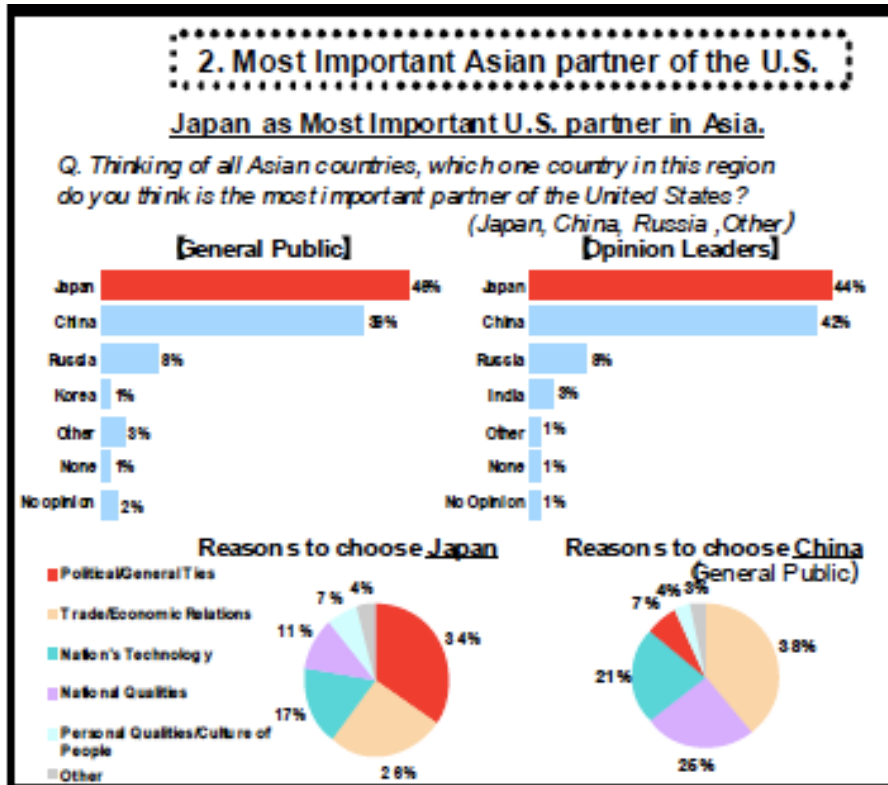
**U.S.-Japan Economic Relations in the  
Aftermath of the Global Crisis**

**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

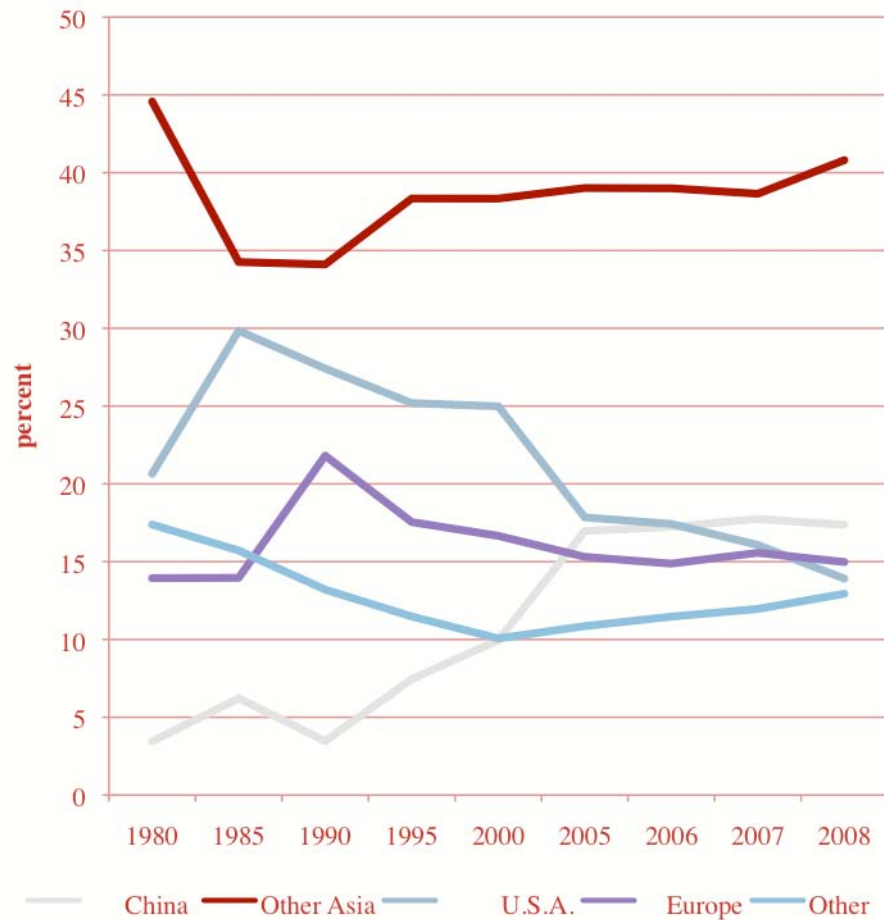


# Reasons to Expect Deterioration

- 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

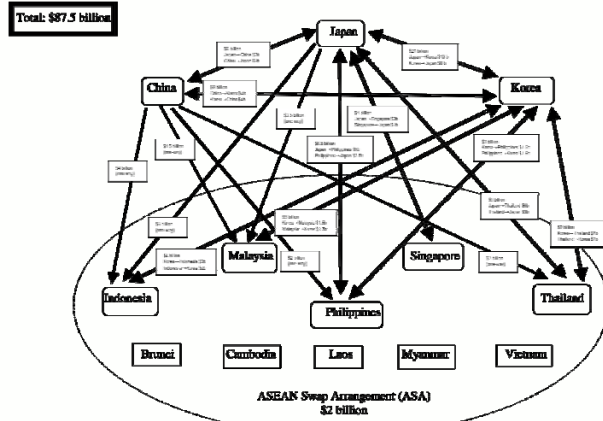


# Why the Dog Hasn't Barked: Regionalist Alternatives

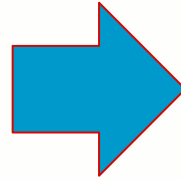
- Difficulties of regional cooperation
  - Regional cooperation is not a substitute for global
    - FTAs are competitive and partial rather than constitutive
    - ABMI and ABF rely on global standards
    - CMI relies on global standards, IMF
  - Japan-China cooperation difficult to achieve due to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



# CMI Multilateralization



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-Japan BSA includes Silver Myanmar swap (\$2.5 billion).  
 4. Total includes all BSAs (including New Myanmar) plus ASA.  
 5. Korea-China BSA is local-currency swap between central banks: \$6 billion of Japan-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<br>(Excluding Hong Kong, China) | 28.50               | 0.5 |      |
|              |                        | Hong Kong, China                      | 4.20                |     | 3.50 |
|              |                        |                                       | 32.00               |     |      |
| 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                                 | -                   |     |      |
| <b>Total</b> | <b>120.00</b>          | <b>100.00</b>                         | <b>-</b>            |     |      |

\* 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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