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978-0-521-06705-8 - Trade Friction and Economic Policy: Problems and Prospects for
Japan and the United States

Edited by Ryuzo Sato and Paul Wachtel

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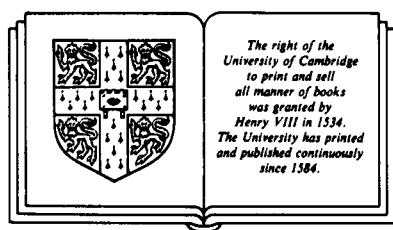
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RYUZO SATO and PAUL WACHTEL



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[More information](#)

Contents

Foreword by <i>Richard R. West</i>	<i>page</i> vii
Preface	ix
List of contributors	xi
1 Introduction <i>Paul Wachtel</i>	1
Part I Sources of trade friction	
2 Restructuring the Japanese economy from a global perspective <i>Yoshio Okawara</i>	11
3 Is the Japan problem over? <i>Paul Krugman</i>	16
Discussion <i>Shunichi Tsutsui</i>	37
Discussion <i>Harry P. Bowen</i>	40
4 The Japanese–U.S. trade friction: some perspectives from the Japanese business community <i>Masaya Miyoshi</i>	45
5 Industrial policy in Japan: overview and evaluation <i>Kotaro Suzumura and Masahiro Okuno-Fujiwara</i>	50
Discussion <i>Barbara Goody Katz</i>	79
Discussion <i>M. Therese Flaherty</i>	83
Part II Macroeconomic policy	
6 The U.S. and Japanese economies in the remaining Reagan years <i>Paul A. Samuelson</i>	89

Cambridge University Press
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Japan and the United States
Edited by Ryuzo Sato and Paul Wachtel
Frontmatter
[More information](#)

vi	Contents	
7	U.S. macroeconomic policy and trade relations with Japan <i>Herbert Stein</i>	100
8	New financial aspects of the U.S.–Japanese trade relationship <i>Roy C. Smith</i>	110
9	Japanese–U.S. current accounts and exchange rates before and after the G5 agreement <i>Kazuo Ueda</i>	127
	Discussion <i>Robert Cumby</i>	148
	Discussion <i>Richard C. Marston</i>	152
	Part III Trade policy	
10	Costs and benefits to the United States of the 1985 steel import quota program <i>David G. Tarr</i>	159
	Discussion <i>Lawrence J. White</i>	177
	Discussion <i>Mitsuaki Sato</i>	181
11	Limits of trade policy toward high technology industries: the case of semiconductors <i>Thomas A. Pugel</i>	184
	Discussion <i>Rama V. Ramachandran</i>	223
	Discussion <i>Ruth S. Raubitschek</i>	230
	Index	238

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Frontmatter

[More information](#)

Foreword

Over the past year or so, I have reflected frequently about two words used in the appellation for this volume: *trade* and *friction*. I have heard them often, particularly during my visits to Japan, where they seem to have become the accepted shorthand way of summarizing the current, somewhat strained state of bilateral trade relations between Japan and the United States.

They are, I think, good words, particularly *friction*. After all, besides being a synonym for a conflict or a clashing, it conveys the impression of a rubbing together of two bodies that produces heat. And, certainly, we know that the current “rubbing” between the United States and Japan is having the effect of producing some heat, especially in the halls of Congress, where pressures for protectionism appear so strong.

But before we lament too much the heat that trading tensions are producing, it is important to remember that with friction often light emerges. Indeed, our primordial ancestors took it for granted that it was virtually impossible to get one without the other.

Today, of course, the wonders of modern science and technology are such that in the physical world we can now produce “cold light.” In the world of social sciences and politics (dare I say political economics?), however, we are really still in the Dark Ages. Hence, we have to recognize that when facing the kinds of subjects dealt with in this volume, the cost of getting some light on the issues may be the generation of some heat. The trick is to dissipate the latter while preserving the insights and images that the former permits. The distinguished group of scholars, government officials, and business leaders who have contributed to this volume have turned this trick well. The result is a volume that is, I believe, informative, balanced, and to the point.

Richard R. West

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Frontmatter

[More information](#)

Preface

In addressing a problem as complex and multidimensional as trade friction and economic policy between Japan and the United States, one must know where to begin and what one can realistically expect to accomplish. With respect to the first point, an appropriate beginning seemed to be in assembling a multitalented group of experts from both Japan and the United States to discuss the problems involved and to suggest solutions. The list of contributors to this volume is distinguished; it includes leading academics, businessmen, and government officials from both Japan and the United States. The result, we feel, is a volume that is balanced, first, in the sense that Japanese–U.S. trade friction is examined from the perspective of both sides and, second, in the sense that both theory and policy are put to effective use.

What can one realistically expect to accomplish in a conference volume of this type? At its best, such a volume can serve as a useful input into policy decision making. As the Japan–U.S. Center's first conference volume, we hope that our efforts have had this effect.

The purpose of this volume is to examine the problem of trade friction and economic policy. As is evident from its title, the volume addresses the major issues affecting Japanese–U.S. trade friction and discusses policy options for dealing with trade friction.

Trade friction comes in a variety of forms. First, there is friction that results from the closing of one's markets to outside competition. Second, there is friction created by market instability from supply restriction and rationing of demand. Third, market invasion by unwanted foreign goods competition is yet another source of friction. Fourth, friction may result from direct movement of factor inputs such as American lawyers and doctors seeking employment opportunities in Japan. Fifth, the absolute level of trade imbalance can itself be a cause of friction. Sixth, inequitable sharing in the cost of international public goods such as defense and direct foreign aid to developing countries

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Frontmatter

[More information](#)

x **Preface**

can lead to friction. And seventh, friction inevitably results from differing social and cultural factors.

As we examine U.S.–Japanese trade friction, it becomes obvious that trade relations suffer significantly from each of these factors. Japanese–U.S. trade friction is a complex, multidimensional issue. Furthermore, the wide variety of factors responsible for this trade friction may act in concert so as to multiply the problem. Where mere disagreement as to market accessibility exists, friction may not be so great. But when this basic disagreement is compounded by widely different social and cultural attitudes, huge trade imbalances, and so on, the problem can easily assume major proportions.

Today, the Japanese and American people observe each other very closely but do not understand each other adequately. We hope that this volume will contribute to the understanding of not only the political economics and business practices of Japan and the United States but also of the structural and institutional factors that have shaped our economies.

We have benefited from a great deal of help and support from a large number of people, but we would particularly like to thank Dr. John Rizzo, Sandra Weren, and Ann Barrow, all of the Japan–U.S. Center, for their efforts in helping to organize this volume. Thanks are due also to the review committee of Cambridge University Press for their advice, involvement, and interest. And last but not least, we would like to thank our volume contributors, without whom this first step in resolving bilateral trade problems between Japan and the United States could not have been taken.

Ryuzo Sato

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Frontmatter

[More information](#)

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Frontmatter

[More information](#)

xii **Contributors**

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