

JAPAN'S FOREIGN POLICY INTERESTS

Against the background of profound domestic political transition and structural economic change, Japan's key international economic concerns continue to centre on addressing the causes and consequences of its chronic current account surpluses. Specifically, Japan is concerned to stabilize exchange rates; to maintain access to its export markets in North America, Europe, and Asia; to avoid being politically or economically isolated; and to increase its presence and influence in international political and economic institutions to a level commensurate with its global economic power.

At this particular juncture, Japanese policy makers are preoccupied with Japan-USA economic relations, in the context of the bilateral "Framework for a new Economic Partnership" agreed to in July, 1993. The failure of Japan and the USA to reach agreement on new sectoral trade agreements (which foundered over the issue of the definition and application of so-called "objective indicators"), and U.S. dissatisfaction with Japan's efforts to stimulate domestic demand, have brought upward pressure on the yen threatening to choke off Japan's fragile prospects for economic recovery.

In addressing the strains in their trade relations with the USA, Japan has consistently asserted that the cornerstone of its trade policy remains the GATT. Japan, like Canada, made significant concessions on agricultural imports in the interests of securing the success of the Uruguay Round. Japan will continue to play an important role in the multilateral trading system, both in consolidating the WTO, and in developing the post-Uruguay Round trade policy agenda. Japan has been particularly active, including at the OECD, in discussions on new issues, such as trade and the environment, trade and competition policy, and the impact of globalization.

These issues will strongly influence Japan's approaches to this year's economic Summit in Naples (Prime Minister Hata and President Clinton are also scheduled to hold a second bilateral Summit in Naples under the Framework Agreement). Japan brings a somewhat different perspective from its Summit partners to issues as divergent as Summit reform, assistance to Russia, and the upcoming Employment Summit in Detroit. Nevertheless, Japan has become increasingly assertive in pursuing its interests through the Summit process.

Japan's economic influence is particularly pronounced in Asia. As the significance of the dynamic Asian economies in the world economy continues to rapidly expand, so too will the importance of Japan in Asia as an investor, as a source of technology, and as an important market for Asian goods. In this regard, APEC has become an increasingly important forum for Japan's international economic interests. Japan will host the third APEC Heads of Government meeting in 1995, and is playing an important role in developing APEC as an institution.