

Nevertheless, the Japanese government is aware of the discontent among many developing countries about their trade relationships with Japan. There has been a report that some Japanese foreign affairs officials are concerned by that disenchantment with Japan might push ASEAN countries towards greater economic cooperation with the US at the cost of Japan's economic interest. Unfortunately, Japan's famous consensus decision-making system malfunctions over the trade dispute, because internationally competitive sectors in Japan refuse to agree to liberalization.

Many politicians support these sectors' opposition. As a recent survey of members of the Japanese Diet reveals, 55 percent of them think that, despite the importance of the US for Japan, they cannot agree to "sacrificing" domestic industries in order to improve the relationship. If the US is less important than domestic industries, the Third World is even less so for the Dietmen. Thus sandwiched between US pressure and domestic resistance, developing countries are easy victims.

### Investment considerations

Apart from trade, another economic role that developing countries expect Japan to play is that of "capital exporter." Here again, Japanese investors are shifting their interest in favor of the US. For example, the Japanese electronics industry's investment in the US rose to \$1,509 million (or 53.4 percent of the industry's total overseas investment) in the fiscal year 1983 from \$495 million (39 percent) in 1979. In comparison, Asia attracted \$688 million (24.4 percent) in 1983, a decline from \$473 million (37.2 percent) in 1979. Between March 1977 and March 1984 investment by Japanese manufacturers in North America (including Canada) grew by 5 percent, while the growth in Asia was 3 percent.

There are many reasons that Japanese investors are turning increasingly away from developing countries. One obvious one is political instability in those countries. In addition, some investors do not like indigenization pressure from many Third World governments, although the attitude varies considerably from company to company. Furthermore, technologically sophisticated industries require engineers rather than just cheap labor, and thus favor the US and other developed countries as targets of expansion.

One particular factor which affects Japanese investment decisions is restrictive trade barriers. Those Japanese

companies with a high proportion of US sales in their overseas business will certainly consider setting up production lines in the US, once a protectionist shadow looms on the US horizon. Alternatively, Japanese investment in export-oriented Asian countries has often been an attempt to bypass US restrictions against Japanese exports. There have been cases in which Third World investment motivated by such a goal was withdrawn as soon as the US ax fell on the host country.

### Mixed blessings of cooperation

In addition to aid coordination, greater financial cooperation is underway between Japan and the US concerning the international financial system as a whole, as well as relating to third countries with serious debt problems. In October 1984 the Bank of Japan announced a \$30 million loan to the Philippines, jointly with the US and South Korea, which offered \$45 million and \$5 million respectively. This is the first instance of the Bank of Japan making a direct loan to a foreign entity. On another occasion, in July 1985, the US Export-Import Bank guaranteed a Japanese syndicate loan worth \$115 million for Colombia's pipeline construction, a contract awarded to Bechtel of Texas. At a recent IMF-World Bank meeting in Seoul, Japan showed its quick support for the US plan of debt reform.

Such financial cooperation is a corollary of weakened US economic supremacy and rising Japanese economic power. The question, however, is whether the cooperation will change the current economic order, under which the weakest lose the most. There are few indications which would support optimism here. The danger of the current cooperation is that Japan would add further weight to the US conservative influence over the Third World, rather than counteract it. The collusion of the largest and second largest market economies would certainly appear a stifling prospect in the eyes of the Third World.

For the moment, tight Japan-US cooperation over the North-South issue is still at a formative stage. The tendency for greater cooperation, however, will certainly continue. If Japan and the US succeeded in establishing an extensive and active alliance of a conservative nature in the North-South domain, the Third World cry for a fairer international economic order would be an even more distant dream. □