

# Japan, USA and the Third World

by Toru Kotani

The current US attitude of "what is best for the US is best for the world" is present in every sphere of international relations. This single-mindedness is creating strains in US relations with Western allies as well as with Third World countries. One country whose relationship with the US has been seriously strained is Japan. The US is dissatisfied with Japan's enormous trade surplus and limited military spending (about 1 percent of GNP). The security and trade wrangles between the two countries have some serious spillover effects which are detrimental to Third World interests. This article examines some of the ways in which innocent third parties are affected.

## Security motives

Japan increasingly emphasizes the role of aid in its strategic policy. It promised to pay more attention in the 1980s to the Caribbean and Central American regions. Japan also agreed to launch joint aid programs with the US in some "security sensitive" areas. Recent Japanese aid to African countries was again flavored with the security consideration, although international goodwill was also vocally expressed.

A case worthy of mention is Japan's promise of official loans worth \$4 billion to South Korea between 1982 and 1988. South Korea originally demanded \$6 billion over the five years, insisting that the aid was to ease Korea's security burden against the communist threat, thanks to which Japan would be able to enjoy peace and prosperity. During the difficult negotiations some Japanese officials implied that the shadow of the US was felt behind the uncompromising Korean stance.

## North-South considerations

Japan has used foreign aid for two particular purposes: to promote Japanese trade and to show the US that Japan supports countries "friendly" to the "free world." Apart from aid, Japan has been an "also there" party in the North/South debate.

The US now expects Japan to play a much more active role in support of US policy in the global domain. Such Japan-US cooperation is not a smooth process, however, as the bilateral economic relationship has become strained by the mounting US trade deficit with Japan, which is expected to rise to \$50 billion in 1985.

Surprisingly, bilateral trade "friction" is generating a spillover effect onto the multilateral North/South issue in a bizarre fashion. The US Under-Secretary of State, who visited Japan in March 1985, suggested that Japan should

reduce its trade surplus by increasing aid to developing countries, for without a reduction in its surplus, Japan might face greater US tariff protection. This was the first time that the US had made a direct link between aid and Japan-US trade. Up to that point, although Japan had used aid as a sacrificial lamb to ease US frustration over trade, it was still treated as a strategic, rather than trade-motivated cooperation. Japan had initiated such aid, hoping that US satisfaction at the security level would counteract its frustration generated by the trade loss. The suggested fusion of trade and aid issues surprised the Japanese government.

Although this aid request might be insignificant in itself, another incident suggests that the linkage between Japan's Third World policy and the Japan-US trade dispute is becoming a tendency rather than an isolated event. In January 1984 Japan, seeking an international status "appropriate" to its economic power, asked for greater voting power at the World Bank (from fourth rank to second) in exchange for an increased contribution in the seventh replenishment to the International Development Association (IDA), the Bank's concessional loan window. A Bank member's voting power depends on the size of its capital subscription quota in the World Bank, but not on its contribution to the IDA. Japan linked the two to use the IDA contribution as a bargaining chip.

## Muscling the World Bank

The "threat" of reducing Japan's contribution to the IDA from the originally proposed 18 percent to some 6 percent of the total replenishment seemed to be working until the US unexpectedly attached the condition that, if Japan wanted US support, Japan should open up its capital market, and accelerate the internationalization of the yen. The logic of this demand was that yen internationalization would reduce the demand for US dollars as an international currency, and thus bring down the high dollar value, which was hurting US exports. This astonishing US demand threatened not only the whole IDA replenishment, but also the World Bank capital subscription, as Japan refused to separate the two issues. Although the dispute eventually faded away, and the replenishment went through, this event signified how the economic friction between the largest and the second largest economies in

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